PARLIAMENTARY DEBATES

(HANSARD)

SIXTH SERIES—VOLUME 459 (Part 1)

HOUSE OF COMMONS

OFFICIAL REPORT

**SECOND SESSION OF THE FIFTY-FOURTH PARLIAMENT
OF THE UNITED KINGDOM OF GREAT BRITAIN
AND NORTHERN IRELAND
FIFTY-SIXTH YEAR OF THE REIGN OF
HER MAJESTY QUEEN ELIZABETH II**

SESSION 2006–2007

COMPRISING PERIOD
16 April—3 May 2007

Com.Rep (12/07)

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THE PARLIAMENTARY DEBATES

OFFICIAL REPORT

IN THE SECOND SESSION OF THE FIFTY-FOURTH PARLIAMENT OF THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND
[WHICH OPENED 11 MAY 2005]

FIFTY-SIXTH YEAR OF THE REIGN OF
HER MAJESTY QUEEN ELIZABETH II

SIXTH SERIES — VOLUME 459

SEVENTH VOLUME OF SESSION 2006-2007

House of Commons

Monday 16 April 2007

The House met at half-past Two o'clock

PRAYERS

[Mr. Speaker *in the Chair*]

Oral Answers to Questions

CULTURE, MEDIA AND SPORT

The Secretary of State was asked—

Sport England

1. **Stephen Hammond** (Wimbledon) (Con): If she will make a statement on the reform of Sport England. [131504]

The Minister for Sport (Mr. Richard Caborn): Sport England now holds a clear position in the sporting landscape with a primary focus on sustaining and increasing participation in community sport. It does this through promoting, investing and advising on sporting pathways, including sporting facilities. The new chair and chief executive are continuing the reforms to ensure that Sport England becomes a world class delivery agency, including delivering—as the hon. Gentleman will probably agree—the great performance yesterday in Bahrain in which young Lewis Hamilton set a record of three podium appearances in his first three races. I sent him a letter today wishing him well for the rest of the season.

Stephen Hammond: I am grateful for that reply and I am sure that the whole House would wish to send our good wishes to Mr. Hamilton. Despite the lengthy reform review of Sport England, it has just suffered a £56 million cut, which the chairman, Mr. Mapp—the Minister's lifelong friend—said was a cut too far and a true loss to community sport. He also seriously questioned the legacy from the 2012 Olympics. Does the Minister disagree with his lifelong friend?

Mr. Caborn: The answer is simply yes. Sometimes friends fall out, and we fell out on this occasion. I remind the hon. Gentleman that under this Administration in the past five years, investment in community sport has increased by 40 per cent., and Government and lottery investment in sport and physical activity has been £4 billion since 1997. The new National Sports Foundation has attracted some £21 million investment, which is way beyond what is being done through Building Schools for the Future or the investment that local authorities are making in sport. Community sport has never had greater investment than at present, even with the small reduction in lottery funding as a result of the Olympics.

Mr. Dennis Skinner (Bolsover) (Lab): Can my right hon. Friend assure me that his tiff with Derek Mapp of Sport England will in no way affect the application that I made many years ago for a swimming baths at Bolsover? I hope that my right hon. Friend can tell me that everything is going well and that we are close to the date of an announcement. Perhaps he and I will be able to go for a swim together, and Derek Mapp might be able to come along too.

Mr. Caborn: The cheque is in the post—on one condition, which is that my hon. Friend starts coaching an Olympic champion for 2012 from north-east Derbyshire or Chesterfield. I have no doubt that the new facility, which will—I am sure—now be realised, will start to provide benefits not only to the community, but to the elite swimmers in the area.

Hugh Robertson (Faversham and Mid-Kent) (Con): Does the Minister agree that Sport England suffers from two considerable structural handicaps? The first is that the amount of lottery money it gets has declined dramatically from the 25 per cent. envisaged by the Major Government to some 13 or 14 per cent. today, after the Olympic raid. The second is that it tries to deliver sport on a regional basis, whereas the Central Council of Physical Recreation says that sport in this country should work on a national and a county basis. Is it not time to follow the example of the Australians, who have had dramatic success in that area by delivering increases in mass participation through the sport governing bodies, based on schemes delivered in the communities?

Mr. Caborn: It is unfortunate that the hon. Gentleman gives only half the story. When I spoke to the Federal Sports Minister in Australia a few months ago, he was very envious of what we have been able to do in our schools in terms of participation. In 2001, some 2 million kids were doing two hours of quality physical activity or sport a week. Today, there are 5 million. That is 6 million hours every week done by our children in our schools, and that is linked to the two extra-curricular hours.

What the hon. Gentleman does not say about lottery money is the contribution that has been made by the new opportunities fund of £0.75 billion which has facilitated more than 2,000 refurbished or newly built sports facilities up and down the country. The hon. Gentleman should give the whole picture, not part of it.

Mr. Lindsay Hoyle (Chorley) (Lab): As my right hon. Friend is being very generous today, can he ensure that there will be a cheque for Chorley, which is looking forward to a much needed sporting village? What help and support can my right hon. Friend provide through his Department and Sport England to ensure that Chorley can be proud of quality facilities for the future of sport?

Mr. Caborn: My hon. Friend does not have quite the charisma of my hon. Friend the Member for Bolsover (Mr. Skinner)—when he has had a little more time in the House he may be able to persuade as much as my hon. Friend the Member for Bolsover. Jesting apart, the community sports hubs are one of Sport England's developments in bringing in private sector investment in sport that we have never had before. Indeed, over the next period, in the constituency of my hon. Friend the Member for Chorley (Mr. Hoyle) and beyond, under the leadership of Derek Mapp at Sport England, we will see a significant increase in investment through the private sector in good quality sports facilities up and down the land.

Coastal Town Tourism

3. **Mr. David Amess** (Southend, West) (Con): What recent representations she has received on tourism in coastal towns; and if she will make a statement. [131506]

The Parliamentary Under-Secretary of State for Culture, Media and Sport (Mr. Shaun Woodward): I regularly have meetings with representatives of the tourism industry, which includes the British Resorts and Destinations Association and the British Association of Leisure Parks, Piers and Attractions.

Mr. Amess: As Southend residents are already suffering because 20,000 people were left off the national census and a Select Committee report suggests that the Government have absolutely no strategy for assisting coastal resorts, will the Minister tell the House whether the Select Committee was right or wrong, and what further assistance the Government are prepared to give Southend residents?

Mr. Woodward: First, my Department clearly has responsibility only for tourism in relation to coastal towns. However, I acknowledge the work of the Select Committee, and we welcome the report's recommendations and are considering them. The hon. Gentleman might like to consider having a word with his unitary authority, which I believe is Conservative-run, as year in, year out, it has spent less on tourism: in 2002, it spent £835,000 but at the last recorded account it had cut that to £554,000.

Mr. Adrian Sanders (Torbay) (LD): Apart from the Government's proposals for casinos, which will obviously increase costs in local communities, with increased crime and increased gambling addiction, what other plans do they have for the regeneration of coastal resorts?

Mr. Woodward: I am sorry to have to say that I absolutely disagree with that.

Mr. Jeremy Hunt (South-West Surrey) (Con): Does the Minister agree that one of the problems—and one of the reasons why people choose to take their holidays abroad rather than in our excellent coastal resorts—is that often our hotels and bed and breakfasts are expensive? Does he share my concern about the practice in a lot of bed and breakfasts of charging on a per person basis, rather than hotels, where the charge is on a per room basis, which often means that people end up paying more for their holiday than they expected?

Mr. Woodward: It is always interesting to hear Opposition Members making an argument against a free market. None the less, tourism this year will be worth about £86 billion to the economy. The numbers of visitors coming to England and travelling within England are at record levels; and in relation to the original question, I would point out to the hon. Member for Southend, West (Mr. Amess) that in 1998 tourism in Southend was worth £135 million, but in the most recent figures, for 2004-05, the figure went up to £217 million.

2012 Olympics (Lottery Costs)

4. **Jo Swinson** (East Dunbartonshire) (LD): What assessment her Department has made of the likely effect of the cost increases for the 2012 Olympic and Paralympic games on lottery good causes funding for grassroots sport. [131507]

The Secretary of State for Culture, Media and Sport (Tessa Jowell): I obviously gave careful and close consideration to the impact on community sports clubs

and facilities, and would like to set out clearly the assurances I have given them. First, there need be no impact on current lottery-funded projects, so secondly, no current lottery-funded community sport project need lose its funding. Thirdly, I remind the House of the commitment I have entered into with the Mayor of London: after the games when the land is sold there will be a profit-sharing agreement which will mean that the first call, after the London Development Agency has been repaid, will be that the lottery, too, will be repaid. Those are the commitments. I understand the concern in community projects, but my message to them is that we have addressed those concerns.

Jo Swinson: I thank the Secretary of State for her reply. Obviously, we all want the Olympics to leave a positive legacy for sport in our communities, but Sport Scotland has reported that the recent spiralling costs of the Olympics will lead to a further £7.3 million cut in funding for grassroots sport in Scotland. How can the Secretary of State talk about real benefits from the Olympics for grassroots sport when owing to her budgeting incompetence grassroots sport will face real cuts?

Tessa Jowell: Presumably the hon. Lady subscribes to the manifesto on which she and her colleagues are standing in the Scottish election and which bears directly on the question; it welcomes the opportunity of the Olympics to boost participation through investment in community sports. That is precisely what the Government are ensuring.

Derek Wyatt (Sittingbourne and Sheppey) (Lab): In 1908, we introduced gold medals for culture in the Olympics. Can my right hon. Friend reassure us that there will be no cuts in the cultural part of the Olympics and that over the next four years we shall still be able to innovate?

Tessa Jowell: The answer is definitely yes. My hon. Friend frequently comes up with imaginative and innovative ideas, and I hope that he will ensure that my right hon. Friend the Minister for Sport and I continue to have the benefit of his thoughts on this issue. It is important to view the Olympics not just as a great opportunity for sport, but as a great national and international opportunity for arts and culture. The cultural Olympiad begins next year, when Liverpool is the capital of culture and we become the host city after the Beijing games—it is a great opportunity for the whole country.

Robert Key (Salisbury) (Con): The Secretary of State has assured us that there will be no cut in current plans for lottery expenditure as a result of the Olympics, but can she give me her assurance that there will be no cuts in promised lottery funds, which might withdraw the funding for really important community projects, including the Stonehenge visitor centre?

Tessa Jowell: I cannot give the same sort of categorical commitment because the whole purpose in establishing agreement on lottery funding as we did was to ensure that present commitments were met. What will be affected—but not until 2009—are prospective commitments and future plans. However, because of the safeguards that I outlined to the hon. Member for East Dunbartonshire (Jo Swinson), those matters will be revisited once the lottery is repaid in 2013. It would not be convincing for me to give a categorical and blanket assurance, but I would expect that the vast majority of commitments currently entered into by the lottery will be seen through, regardless of the take in 2009 that will affect future commitments and future plans.

Mr. Stephen Hepburn (Jarrow) (Lab): Will the Secretary of State pay tribute to those unsung heroes in sport—namely, local volunteers such as my constituent, Martin Devlin, whose boxing gym is bursting at the seams? Would it not be ironic if the greatest sporting spectacle that this country will ever have seen—the Olympics—were to deprive that boxing gym of its much needed extension? Will the Secretary of State meet me to discuss the matter further?

Tessa Jowell: I am very happy to meet my hon. Friend, for two reasons. First, I hope to hear more about the community boxing club in his constituency, which is obviously providing an invaluable service; and, secondly, in order to underline the important potential for boxing as a sport—a particularly underestimated community sport—for young men. More broadly, I would like to provide reassurance that the lottery contribution to the Olympic special cause is not bought at the price of excellent community projects such as the one that my hon. Friend mentions.

Mrs. Maria Miller (Basingstoke) (Con): Essential local services in my constituency, such as NeighbourCare and Speakeasy Advocacy, provide important and fundamental services to the elderly and people with learning difficulties, but they are already finding it difficult to secure lottery funding. What assurances can the Secretary of State give me and the people of Basingstoke that that situation will not get worse if there are further miscalculations about how much the Olympics will cost us?

Tessa Jowell: There have been no miscalculations about how much the Olympics are going to cost. The budget has been set and it will be kept to. I would say to the hon. Lady that it is completely unrealistic to ask for the sort of categorical assurance that every single lottery application will be met. It depends on whether it meets the criteria for the lottery distributors and so forth. What the Government have done is to assemble an Olympic budget that will stand the test of time and deliver a legacy for this country. What we have not yet heard is what the Opposition's alternative might be.

Mr. David Clelland (Tyne Bridge) (Lab): I hear what my right hon. Friend says about lottery-funded schemes, but will she comment on the suggestion that Sport England is to divert £26 million from the sort of schemes mentioned by my hon. Friend the Member for Jarrow (Mr. Hepburn) into the Olympics? Can she give us the same sort of reassurance on that front?

Tessa Jowell: Yes, I can give my hon. Friend the same sort of reassurance. I do not recognise the figure that he mentioned, but as ever, I would be happy to meet my

hon. Friend or help him to meet the chairman of Sport England in order to put his mind at rest about that.

Mr. Don Foster (Bath) (LD): Between now and 2012, the total cut in the lottery funding budget for grass-roots sports amounts to nearly £500 million. How does the Secretary of State square that with seeking to persuade the House that there will not be a reduction in participation for grass-roots sports? The Minister for Sport may say that Mr. Derek Mapp, who has been much quoted already, is wrong to suggest that the cut to Sport England is a cut too far. Is the Secretary of State therefore surprised that Sport England is now reducing its target for people participating in sport by nearly 200,000?

Tessa Jowell: I simply do not recognise the claim of a cut of £500 million. That is the kind of financial probity that we have come to expect from the Liberal Democrats, which is why I am afraid that—*[Interruption.]*

Mr. Speaker: Order. When the Secretary of State is replying to the hon. Gentleman, he should be quiet.

Lynda Waltho (Stourbridge) (Lab): Although I welcome my right hon. Friend's assurances so far about current budgets, I received over the Easter recess several lobbies from grass-roots sports clubs, so the message is not getting through—something encouraged in some cases by what one might call mischievous local election candidates. Will she consider giving a written assurance or a co-ordinating body an assurance, so that local organisations will get the message properly?

Tessa Jowell: My hon. Friend has done an enormous amount for her constituents in trying to get the message out clearly and to win community sports facilities, both through the lottery and other sources, for her constituents. Yes, I will certainly take any suggestions that she thinks might be helpful to overcome some Opposition Members' misrepresentations.

Mr. Hugo Swire (East Devon) (Con): In her statement to the House last month on the revised 2012 budget, the Secretary of State gave the broad headings for the new figures, but since then has failed to supply a more exact and detailed breakdown of costs. When will she provide an open, honest and transparent budget as a matter of urgency?

Tessa Jowell: The Olympic Delivery Authority will publish its budget, which will be set out in full. At every turn, as the hon. Gentleman knows, the Government have been open and transparent in ensuring that the Opposition have access to the figures and, as importantly, that Londoners and people who will be affected also have access to them.

Mr. Swire: That will come as some news to my hon. Friend the Member for Faversham and Mid-Kent (Hugh Robertson), who is still waiting to hear from the right hon. Lady about this precise matter.

We have seen speculation in the media in recent weeks and in off-the-record briefings that the Chancellor is set to remove responsibility for the Olympics from the Secretary of State's Department. If that were to happen, what does she think it would say about her handling of the games? Would she not take that as a personal failure and a humiliation for her Department?

Tessa Jowell: One of the jobs of government is to deal with issues, problems and challenges as they arise, rather than being diverted by some of the rather fanciful speculation in the papers.

John Robertson (Glasgow, North-West) (Lab): May I ask my right hon. Friend to ignore the whinging by Opposition parties, which were quick enough to jump on to the bandwagon for the Olympic games and now want to criticise? But may I go back to something that she said in her original answer about the knock-on effect of moneys going to other areas? In Scotland, we would very much like to see some of that money, particularly in Glasgow for our bid for the Commonwealth games in 2014.

Tessa Jowell: As my hon. Friend knows, we expect to make a formidable and very important bid, and we will do precisely the same if it is one for Glasgow as we did for the Commonwealth games for Manchester. Of course, as I have said many times from the Dispatch Box, it is absolutely vital that we ensure that the whole country has the opportunity to benefit, as the people of the country have given such strong support for the Olympics.

Licensing Act

5. **Mr. Philip Hollobone** (Kettering) (Con): How many representations she has received on the impact of the Licensing Act 2003 on fundraising events for charities. [131508]

The Parliamentary Under-Secretary of State for Culture, Media and Sport (Mr. Shaun Woodward): We have received a wide range of representations from community groups and not-for-profit organisations about the costs and processes involved in licensing events under the Licensing Act 2003 and we will continue our dialogue with those organisations to evaluate the effect of the Act.

Mr. Hollobone: My constituent Mr. John Sutton, who is chairman of the county fair committee of the rotary club of Kettering Huxloe, has written to me to express his understandable concerns about the cost—and the financial and other regulatory burdens on exclusively charitable events—of the new premises and entertainment licences. What firm plans does the Minister have to bring forward legislation to exempt charities from the new burdens that he has imposed?

Mr. Woodward: As the hon. Gentleman knows, we are currently considering some of the proposals in Sir Les Elton's report and will subsequently put those out for public consultation. The purpose of the 2003 Act was to introduce a streamlined system. It included charitable events for one simple reason: we had to make a proper assessment, regardless of whether the event was for charity, to make sure that appropriate conditions were attached to licences, to protect to the public. His constituent, Mr. John Sutton, acknowledged the fact that a charge would have to be paid. That does

not mean that Daventry council could not make a contribution to that. As Mr. Sutton said,

"We will simply make the fair bigger and better than ever".

Fiona Mactaggart (Slough) (Lab): In looking at the impact of legislation on charities, will the Minister also consider, in relation to charitable events that use microphones, the impact of the review of how the spectrum is going to be dealt with? As I understand it, there has been a further section of Ofcom's review. Will he make sure that charitable fundraising events can continue without limitations on their use of the spectrum?

Mr. Woodward: My hon. Friend makes an important point. I reassure her and other hon. Members that we are in dialogue with Ofcom about this matter and that we are in constant contact with organisations that will be affected to ensure that in the future the spectrum is allocated effectively, not adversely—which is what she is concerned about.

Sir Paul Beresford (Mole Valley) (Con): The Minister may be aware that my constituency is rural and semi-rural. There are 32 villages. Most have their own halls. Most of those are charities. None has a record of disorderly behaviour at any of its functions. The halls are run for charity and they—particularly the little halls—have been severely hit by the legislation. In his review, will he consider taking some of this heavy-handed legislation off those little village halls, perhaps starting with a de minimis level below which the legislation need not apply?

Mr. Woodward: I understand the point that the hon. Gentleman makes. I wish to point out that 91 per cent. of village halls have a premises licence, which allows all kinds of regulated entertainment to take place. The purpose of the new legislation was to introduce a light-touch regime, bearing in mind that previously an appearance before a magistrate was required or there was a need to apply for different temporary provisions when offering a combination of entertainment. None the less, his point is well made and we are considering proposals for the future.

Film Industry

6. **Miss Anne McIntosh** (Vale of York) (Con): When she last met representatives of the British film industry to discuss public support for the sector. [131510]

The Parliamentary Under-Secretary of State for Culture, Media and Sport (Mr. Shaun Woodward): I frequently meet representatives of the film industry and regularly consult a wide-range of representatives. Most recently, at the end of March, I consulted the International Indian Film Academy in relation to the promotion of Yorkshire's successful bid—I add my congratulations in relation to that—to host this year's Indian academy awards.

Miss McIntosh: Although there have been some notable successes—in particular the film "The Queen", which was recognised in the Oscars this year; we recognise that that was funded in large part by organisations such as ITV—the film industry operates internationally in a highly competitive environment. What are the Minister and his Department doing to ensure that British films will continue to be made in this country, not overseas, where it is frequently cheaper to make them?

Mr. Woodward: I wonder whether the hon. Lady has had a chance to look at the figures for the film industry recently. She would see that—if we simply take last year alone—between 2005-06 and last year, the spend on film production in the UK was up by 50 per cent., and that inward investment last year in the film industry by companies that want to come to Britain to make their films was up by 83 per cent.

Philip Davies (Shipley) (Con): An important, but often forgotten, part of the film industry are the regional film archives. I went to visit the Yorkshire Film Archive over Easter. Will the Minister tell us what support is being given to film archives, and will he consider visiting the Yorkshire Film Archive to see the important work that it does?

Mr. Woodward: Of course the film archive in the UK is an absolutely essential part of the UK film industry. In fact, we have the largest archive of moving film image in the world. This year, the UK Film Council will make £472,000 available to Screen Yorkshire for its work, and I understand that £45,000 of that will be given to the Yorkshire Film Archive.

Mr. Edward Vaizey (Wantage) (Con): The Minister paints a rosy picture of the state of the British film industry, but he knows full well that that success comes despite, not because of, the Government. After the frequent changes to film tax relief, not to mention the fiasco of the British film test, one director was moved to complain that the Government change the rules "frequently and arbitrarily". Now, the abolition of sideways loss relief has led a leading film investor—

Mr. Speaker: Order. We need to hear a question.

Mr. Vaizey: Will the Minister make representations to the Treasury about the abolition of sideways loss relief, which a leading film investor has said will put the British film industry seriously at risk?

Mr. Woodward: It is a real shame that every time the hon. Gentleman speaks at the Dispatch Box, he talks down the successes of the film industry, which is one of the great successes of our creative industries. It is estimated that the film tax relief scheme introduced by my right hon. Friend the Chancellor will cost the Treasury £120 million a year to ensure that we have a sustainable film industry. I suggest that the hon. Gentleman should stop talking down the industry and recognise its terrific successes.

Digital Dividend Review

7. **David Taylor** (North-West Leicestershire) (Lab/Co-op): When she plans to discuss with Ofcom the outcome of the consultation on the digital dividend review. [131511]

The Secretary of State for Culture, Media and Sport (Tessa Jowell): Ofcom plans to release a statement on the consultation on the digital dividend review this summer. Before then, I will have full discussions with Ofcom about the findings of the consultation.

David Taylor: The Secretary of State will know of widespread concerns about the possibly unintended consequences of the DDR on the programme making and special events sector, which are highlighted by early-day motion 531, which has been signed by many hon. Members, including me. Will she reassure the House that Ofcom will guarantee that sufficient quality and quantity of spectrum will be available to prevent serious damage to this wide-ranging, £15 billion UK industry, which covers, inter alia, performing arts, news gathering and many major sporting occasions?

Tessa Jowell: I thank my hon. Friend for that. I know that the matter is of great concern to him—he has taken a leading role—and to right hon. and hon. Members on both sides of the House. There are two elements: the impact on what are essentially amateur events, such as community festivals; and the possible impact on professional theatre and other forms of entertainment. Ofcom has recognised the specific concern about the perceived—I believe that it is unfounded—threat to professional entertainment. It will carry out a separate consultation specifically on that to ensure that any unintended consequences are avoided.

The Government are determined to avoid the risks that early-day motions and other interventions have outlined. Obviously, Ofcom's responsibility is to consider the market price that can be raised for spectrum. However, it was specifically put in the legislation that Ofcom would have to take account of the citizenship impact of any such decision. This is a good example of citizenship in practice.

Mr. Speaker: Order. Perhaps the Secretary of State could use the microphone. It is not necessary to address individual hon. Members; perhaps addressing the Chair is the best way to do things.

Peter Luff (Mid-Worcestershire) (Con): I was fascinated by the Secretary of State's reply. I assure her that the threats from the original proposals set out by Ofcom in its consultation document were not widely perceived, but very well founded. I am grateful to the Under-Secretary of State for Culture, Media and Sport, the hon. Member for St. Helens, South (Mr. Woodward), for agreeing to meet a delegation of users—including those involved in the theatre industry, the film industry, the music industry, news gathering, sports, and special events such as Live Earth—to discuss in detail the consequences for the sector. Does the Secretary of State realise that if the original proposals are not amended, the effective loss of radio microphones will have a devastating impact?

Tessa Jowell: We absolutely recognise that. It is why we shall not allow the review to have an impact on the sort of community events that I described, or on the professional theatre and other professional entertainment.

Mr. John Grogan (Selby) (Lab): Is my right hon. Friend concerned about one aspect of the digital dividend review? Freeview is now the most popular digital television platform and millions of people are being sold HD-ready television sets, but there is a real prospect that, unless something is done, most British viewers will not be able to watch the 2012 Olympics on high-definition television, whereas most viewers in the rest of the developed world will be able to do so.

Tessa Jowell: That is precisely why the review is so important and timely. My hon. Friend will know that 70 per cent. of the potentially available spectrum has been allocated to freeview to enable the roll-out of digital television. The further availability of spectrum for high-definition television is a matter for discussion with the public service broadcasters, but technology and consumer expectations are moving fast and we have to make sure that we keep up with them.

Footballers' Behaviour

8. **Mr. Graham Allen** (Nottingham, North) (Lab): If she will convene a meeting of football club chairmen to discuss the on-pitch behaviour of footballers and the example set for young sports participants. [131512]

The Minister for Sport (Mr. Richard Caborn): First, I thank my hon. Friend for again raising this important matter, which we debated in Westminster Hall only a few months ago.

We can rightly be proud of professional football in this country. The premiership is now undoubtedly the best and most competitive football league in the world. That was underlined last week when Manchester United, Chelsea and Liverpool qualified for the champions league semi-finals. However, football players, who are idols and role models to millions of young boys and girls must understand the responsibility of the privileged position they hold. I have written to the chairmen of the professional clubs a couple of times now to make sure that they remind their players—and, indeed, their managers—of the fact that they have all signed up to the fair play charter, and of their responsibilities as role models in our society.

Mr. Allen: The Minister will know that the values that sport promotes—leadership, teamwork and fair play—are nowhere more important than in under-educated and poor constituencies, where there is often no male role model in the house and where parents and teachers struggle to communicate those values to children. Does he accept that the impact of the antics—cheating, cynical fouling and a lack of sportsmanship—that we see sometimes from a minority of professional footballers, who are role models for those youngsters, runs exactly counter to the efforts that parents and teachers are making? Will my right hon. Friend ensure that professional footballers, managers and chairs live up to their social as well as their sporting responsibilities?

Mr. Caborn: I fully agree. We should remember that there are 40,000 amateur football clubs in this country—football is by far the most widely played sport. We should emphasise respect for referees from players on the local parks right up to the national stadiums. Many of us are fed up with the growing sport of referee bashing played by some managers, who spend most of the post-match interview defending the

indefensible actions of their players. Managers should set a better example by accepting their team's responsibility rather than berating referees, who do a pretty tough job, by and large, in a very fair way. I wholeheartedly agree with my hon. Friend.

Bob Russell (Colchester) (LD): To continue the theme of the Minister in acknowledging that the on-pitch behaviour of some players is the responsibility of managers, does he agree that boards of directors and the parasitic behaviour of some agents and others in the game are also involved? Obviously, I exclude Colchester United from those observations. Does he agree that, notwithstanding the elite performance of some premiership clubs, the state of football in this country all the way down to the grass roots is such that it is time we set up a royal commission on the national sport?

Mr. Caborn: I do not think that we need a royal commission; we just need some common sense in the game. In rugby union, rugby league and cricket, do we get the professional players or the managers arguing about the officials in those sports? No, we do not. I thought that it was time to write to the chairmen—the chairpersons, I should say, because I think that there was one lady among them. *[Interruption.]* If they were all chairmen, I would call them chairmen. On the very point raised by the hon. Member for Colchester (Bob Russell), I raised with the managers the issue of bringing back that type of discipline. Without mentioning one or two clubs in the premier league, there are some—

Mr. Speaker: Order. I am the referee here, and I call the next Member.

Barbara Keeley (Worsley) (Lab): A recent report told us that schoolgirls as young as nine or 10 have given up all playground activity, including football and other games. We are not sure whether that is because of role models and the behaviour that has been mentioned by hon. Members, but the lack of physical activity undertaken by girls of that age should concern us all. Will my right hon. Friend take up the lack of activity at school among girls as young as nine and 10, and see what can be done to increase their activity in games at school?

Mr. Caborn: Very much so. More competitive sport is being played in school than has been played for many years, and football has a role in that. After "Bend It Like Beckham", in excess of 1 million young girls and women have registered with the Football Association, and football is the fastest growing participation sport for young women, so in that respect it has done a first-class job. I repeat that there is more competitive sport in schools than there has been for many years.

Urban Regeneration

9. **Sarah McCarthy-Fry** (Portsmouth, North) (Lab/Co-op): What recent assessment she has made of the role of culture in urban regeneration. [131513]

The Parliamentary Under-Secretary of State for Culture, Media and Sport (Mr. David Lammy): The role of culture in regeneration has recently been strengthened by a joint agreement signed by the Department for Culture Media and Sport, the Department for Communities and Local Government and a number of non-departmental public bodies.

Sarah McCarthy-Fry: During the Easter recess I visited Dot To Dot, a community arts project in my constituency. It has a good record of involving the community in its projects. A lot of its work is done with mosaics; it gets people from the community to put the tiles together, and it has found that when the mosaics are put up, there is a significant reduction in vandalism and graffiti. Does my hon. Friend agree that, when there is community ownership of that kind, we get the best out of cultural projects in urban regeneration?

Mr. Lammy: My hon. Friend's constituency has some real deprivation and culture is making a positive contribution, particularly at the Making Space centre in Leigh Park in Havant. We have moved forward from the days when culture was not on the table when planning and housing developments were under way. I look forward to visiting her constituency over the coming months to see what is happening there.

Mrs. Gwyneth Dunwoody (Crewe and Nantwich) (Lab): We are blessed in Crewe with a live theatre housed in an Edwardian gem. Does the Minister agree that what we really need is a little flair in connecting the theatres and the arts movement in the north-west, so that we can get some of the benefits of having so many bright people in the region, and can use them outside the large urban areas?

Mr. Lammy: My hon. Friend will know that there has been an increase in funding to the arts of 73 per cent., and the lion's share of that funding from the Arts Council has gone on theatre. I am happy to look into the theatre infrastructure in her area and into the wider arts community to see what more can be done with the Arts Council.

BBC World

10. **Norman Baker** (Lewes) (LD): If she will consider the merits of providing public funding for BBC World. [131515]

The Parliamentary Under-Secretary of State for Culture, Media and Sport (Mr. Shaun Woodward): BBC World is a commercial service and we have no plans to consider public funding.

Norman Baker: I cannot say that I am surprised by that response, but will the Minister explain what the logic is of the BBC World Service radio programmes—I understand that there is now some television, too—being funded through a Foreign and Commonwealth Office grant? I recognise the great value of the BBC World Service to this country, but BBC World, which after all uses the growing medium of television rather than radio, is not funded in that manner. Is that not an anachronism that ought to be sorted out?

Mr. Woodward: The hon. Gentleman makes what may seem to be an interesting point, but I think that he may be a little dispossessed of the facts. Of course we admire the work done by BBC World, as well as the work done by the World Service. The World Service receives £252 million through grant in aid from the Foreign Office, but BBC World is a separate operation. Unlike the World Service, it is a commercial operation

funded by subscription and advertising revenues. As such, BBC World contributes to relieving financial burdens on the licence fee payer for the BBC overall.

Remote Gambling Summit

11. **Mr. Andrew Mackay** (Bracknell) (Con): If she will make a statement on the Government's international summit on remote gambling. [131516]

The Minister for Sport (Mr. Richard Caborn): During the summit there was widespread agreement to co-operate further in a number of key areas to ensure that gambling remains fair and crime-free and that vulnerable people are protected. On 29 January, we published the summit communiqué. We are now inviting views on the scope and membership of an international working group to consider standards in these key areas, and my Department is in discussion with the industry, regulators and experts in other key sectors, including finance.

Mr. Mackay: The simple truth is that online gambling is just about impossible to police, so does the Minister agree that the Chancellor of the Exchequer's proposals to increase taxation on gambling in this country will drive more of the industry abroad and make it even harder for the Minister to regulate, which he and I both want.

Mr. Caborn: Irrespective of the taxation issue, that international conference was attended by representatives from 35 jurisdictions, because of the very issues raised by the right hon. Member. It is true that it is not an easy issue, but at the conference, for which we called because of the problems of internet gambling, we agreed that we should have a framework of international regulation and governance that begins to address the three principles that I outlined. Irrespective of where the operation is, and in whatever country, it is important that people sign up to that charter, and that is what we are trying to achieve.

ELECTORAL COMMISSION COMMITTEE

The hon. Member for Gosport, representing the Speaker's Committee on the Electoral Commission was asked—

Political Engagement

18. **Fiona Mactaggart** (Slough) (Lab): What assessment he has made of recent work undertaken by the Electoral Commission on political engagement; and if he will make a statement. [131439]

Peter Viggers (Gosport): The Electoral Commission and the Hansard Society have recently published the results of their fourth joint audit on political engagement. However, the hon. Lady will know that the Speaker's Committee has no role or duty to make a specific assessment of that or of other recent work undertaken by the Electoral Commission on political engagement.

Fiona Mactaggart: I thank the hon. Gentleman for his reply but, like me, he will have noted that that report showed that 70 per cent. of people were willing to sign a petition and that 55 per cent., which is about the same as the number of people who voted in the last election, had done so. Does he therefore think that the way in which the House deals with petitions from members of the public can be improved, and will he discuss with the House authorities how we can use petitions from our constituents more effectively?

Peter Viggers: The Speaker's Committee has no specific role in examining those matters, but the hon. Lady makes a very important point. The growth in early-day motions in the House has led to an awareness that there are many ways in which people seek to draw issues to public attention, and petitions are one way in which they do so. She makes a valuable point which, I am sure, will be considered.

Michael Jabez Foster (Hastings and Rye) (Lab): Does the hon. Gentleman agree that there is a need to engage younger people in the process, and should not greater support be given to the UK Youth Parliament, and excellent youth MPs such as Luke Springthorpe in my constituency, who do a great deal to engage young people? Perhaps we should even provide votes for them at 17 rather than at 18.

Peter Viggers: Yes; the commission informs me that it has enjoyed significant success in increasing young people's interest in politics through activities such as advertising campaigns, educational resources, workshops and a grant programme. An independent survey of 18 to 24-year-olds found that 52 per cent. of them had seen the commission's 2006 local elections campaigns, and 24 per cent. claimed to have voted because of them.

Peter Bottomley (Worthing, West) (Con): Will my hon. Friend give encouragement, through the Speaker's Commission, to the Electoral Commission, to continue to encourage voters and potential voters to register to vote where they are, which will help young people and others to take part in elections, whether local or national.

Peter Viggers: Yes, the recent study of the Electoral Commission by the Committee on Standards in Public Life, and the Electoral Commission's response, indicated that the Electoral Commission does indeed intend to devote more resources to electoral registration and the mechanics of voting.

CHURCH COMMISSIONERS

The hon. Member for Middlesbrough, representing the Church Commissioners, was asked—

Cathedrals

19. **Michael Fabricant** (Lichfield) (Con): What assessment the commissioners have made of the effect of single stream funding on the operations of English cathedrals; and if he will make a statement. [131440]

The Second Church Estates Commissioner (Sir Stuart Bell): The rationale behind the proposal is that funds might be more accurately matched to local priorities if some of the financial decision making were localised. By way of a statement, some dioceses and cathedrals have asked to test the proposal, which is one of a number under consideration as we contemplate the best use of the commissioners' funds from 2008 to 2010.

Michael Fabricant: The hon. Gentleman may know that a number of cathedrals feel very uncomfortable about that arrangement. Does he agree that diverting funds away from cathedrals to dioceses will weaken cathedrals' ability to attract people of faith and of no faith at all? Does he agree that a centrally based body, rather than a diocesan-based body, is better positioned to give a strategic view on how funding should apply to cathedrals?

Sir Stuart Bell: I am sure that the hon. Gentleman's point will be taken into account in the consultation process. We are consulting the Association of English Cathedrals, the House of Bishops, the Archbishops Council and diocesan representatives about our spending plans, and we will consider very carefully the views put forward by the hon. Gentleman.

David Taylor (North-West Leicestershire) (Lab/Co-op): Will my hon. Friend say whether he thinks that consultation should take place directly with cathedrals, such as St. Martin's in Leicester? I agree with the hon. Member for Lichfield (Michael Fabricant) that there is a deal of unease that the proposals might weaken the way in which that cathedral has developed its community role in such a magnificent fashion in the past two decades.

Sir Stuart Bell: I am grateful to my hon. Friend and to the cathedral to which he has referred. We will write to the cathedral directly and ask for its views. The single stream idea will not be imposed on anybody, but some dioceses have indicated that they might like to have a trial run. I welcome that, because we need to be creative if the Church is to enjoy maximum value from our distributions, as I am sure that he and the hon. Member for Lichfield (Michael Fabricant) agree.

Robert Key (Salisbury) (Con): The English cathedrals have had a double whammy from this Government. First, single streaming will have a damaging impact. Secondly, have the Church Commissioners assessed the impact of the reduction in the basic rate of tax on tax-giving in cathedrals? An unintended consequence of lowering the basic rate of tax has been a substantial loss.

Sir Stuart Bell: The hon. Gentleman's question is broad and wide. With your dispensation, Mr. Speaker, I will take up that point with the commissioners and give him a proper answer, which may also end up in the Library.

Sir Patrick Cormack (South Staffordshire) (Con): Will the hon. Gentleman accept that one of the great glories of our English cathedrals is the quality of the music that they produce, which is at risk because of the proposals that are being considered?

Sir Stuart Bell: I am grateful to the hon. Gentleman for referring to music. One of the great features of my visits to Lichfield cathedral is listening to the music, and many cathedrals are renowned for their music. We often discuss the importance of our outstanding cathedrals and their ministry to the whole nation. This House pays tribute to the cathedrals, to their music and to all that goes on within their precincts.

ELECTORAL COMMISSION COMMITTEE

The hon. Member for Gosport, representing the Speaker's Committee on the Electoral Commission was asked—

Electoral Spending

20. **Dr. John Pugh** (Southport) (LD): What progress the commission has made in its consideration of whether further regulation is required to differentiate more clearly expenditure spent on behalf of an individual candidate in a constituency and national expenditure spent on behalf of that candidate's party in that constituency. [131441]

Peter Viggers (Gosport): The commission has informed me that it intends to consult the political parties following the 2007 May elections to consider, among other issues, whether there is a need for further regulation on the treatment of party and candidate expenditure.

Dr. Pugh: Does the hon. Gentleman agree that election literature that names a constituency, that comments on issues in a constituency and that urges people to vote for one party and not for another should no longer be kept off candidates' expenses, even though the candidates are not named?

Peter Viggers: The hon. Gentleman's point does not precisely follow his question, in my opinion, but he has made his point. On the broader issue of funding, the Electoral Commission made its own recommendations in its study in 2004. The situation has moved on since then with the publication of Sir Hayden Phillips's report. The matter is now in the hands of the parties to discuss that report and to find a way forward.

CHURCH COMMISSIONERS

The hon. Member for Middlesbrough, representing the Church Commissioners, was asked—

Clergy Working Group

21. **Ben Chapman** (Wirral, South) (Lab): What recent discussions the Church Commissioners have held with the Department of Trade and Industry on the work of the clergy working group. [131442]

The Second Church Estates Commissioner (Sir Stuart Bell): The clergy working group, on which the Church of England was represented, produced a statement of good practice setting out minimum standards for the terms and conditions of service for ministers of religion. The Church of England has committed itself to those principles and the General Synod has drafted legislation that has been sent to DTI officials, with whom we regularly communicate.

Ben Chapman: Even accepting that the wheels of the Church grind slowly, does my hon. Friend agree that, given that we have been talking about this for some 10 years, it needs to move more quickly than it has? In so far as he can, will he encourage, through the clergy working group, other churches with similar problems to move equally quickly?

Sir Stuart Bell: With regard to my hon. Friend's latter point, I certainly agree to do that. He has campaigned consistently on this and is understandably impatient about the synodical timetable. I can assure him that the Church has made excellent progress with these complex matters, and with his support, and that of the House, we will ensure that they reach legislation as quickly as possible. I have to tell him, however, that within the Church "quickly as possible" means "not before 2009."

ELECTORAL COMMISSION COMMITTEE

The hon. Member for Gosport, representing the Speaker's Committee on the Electoral Commission was asked—

Electoral Administration

22. **Bob Spink** (Castle Point) (Con): What plans the Electoral Commission has to exercise the powers given to it under the Electoral Administration Act 2006 to set and monitor performance standards in electoral services. [131443]

Peter Viggers (Gosport): The Electoral Commission informs me that it is developing performance standards for electoral services. It is intended that the standards for electoral registration will be set in early 2008 and that the standards for elections will be in place for 2009.

Bob Spink: I am grateful for that answer, but how can we ensure that during the current elections, pending the new performance standards, no electoral returning officer will make perverse decisions that are possibly against the law?

Peter Viggers: The commission informs me that it has no powers to compel performance improvement. Its powers are restricted to setting the standards and requesting information in order to measure performance against the standards. To put that in context, the Audit Commission has no powers to enforce particular regulations on local authorities; it does it by example. The Electoral Commission feels that it has sufficient authority to raise standards among electoral registration officers.

Constituency Boundaries

23. **Simon Hughes** (North Southwark and Bermondsey) (LD): If his Committee will discuss with the Electoral Commission the effect of disparity in sizes of electorate on the constituency boundaries. [131444]

Peter Viggers: The Speaker's Committee has no plans to do so. Responsibility for review of parliamentary constituency boundaries rests with the four parliamentary boundary commissioners, not the Electoral Commission.

Simon Hughes: Will the hon. Gentleman discuss with his colleagues on the Speaker's Committee and the Electoral Commission the proposal that is on the agenda to bring under one umbrella somewhere the review of all the boundaries of parliamentary constituencies for Westminster in Northern Ireland, Scotland, England and Wales, in order to ensure that whatever way people vote and whatever constituency they are in, the same criteria apply across the country, and above all that votes are worth the same because the constituency quota is the same whether in Scotland, Wales, England or Northern Ireland?

Peter Viggers: The Electoral Commission has no direct role in relation to parliamentary constituency boundaries. As to how the review might be carried forward, the last review was carried through by Parliament itself. The Electoral Commission has no opinion as to whether it should be responsible for the review. The hon. Gentleman will have noticed that the Committee on Standards in Public Life also expressed a view on this issue.

CHURCH COMMISSIONERS

The hon. Member for Middlesbrough, representing the Church Commissioners, was asked—

Parish Interregnums

24. **Chris Bryant** (Rhondda) (Lab): How many parishes had interregnums of more than three months last year. [131445]

The Second Church Estates Commissioner (Sir Stuart Bell): The information is not held centrally.

Chris Bryant: It is a shame that the figure is not available, because we should know how many interregnums last for a substantial period during which many churchwardens and ordinary clergy are happy to take up the slack in parishes around the country. Will my hon. Friend pay tribute to the many clergy and churchwardens who are not only doing a fabulous job in their own parish but covering for others when there are prolonged periods without clergy in other parishes nearby?

Sir Stuart Bell: Of course, we pay respect and homage to all those within the Church who do their job and do their duty, certainly as regards the case that my hon. Friend mentions. I would point out to him that

churches often find that a period of interregnum results in the congregation becoming more vibrant as greater numbers of parishioners participate. However, his point is well taken.

Equality Act Regulations

25. **Mr. Peter Bone** (Wellingborough) (Con): What recent discussions the commissioners have had on the likely effect of the implementation of the Equality Act (Sexual Orientation) Regulations 2007 on parish ministries in areas of need. [131446]

Sir Stuart Bell: The Archbishops Council has been giving careful consideration to the effect of the regulations and will be producing general advice. *[Interruption.]*

Mr. Speaker: Order. It is unfair to the hon. Gentleman for hon. Members to make so much noise. I ask them to be quiet. There are only a few minutes to go.

Mr. Bone: I appreciate the hon. Gentleman's reply, but does he agree that it would have been better if there had been more discussion about those regulations and Members of this House had been allowed to speak on them before the decision was made?

Sir Stuart Bell: That is of course a matter for the House authorities, not for me. I would, however, say that the regulations contain a set of exceptions for religious organisations, broadly equivalent to those in the Equality Act 2006, and it is for individual parishes to decide whether to take advantage of those exceptions.

Iraq

3.30 pm

The Secretary of State for Defence (Des Browne): With permission, Mr. Speaker, I should like to make a statement about operational events over the recess.

Before I start, I know that the whole House will want to join me in expressing my condolences to the families and friends of the nine servicemen and women who have lost their lives since the House last sat.

On 1 April Kingsman Danny Wilson and on 2 April Rifleman Aaron Lincoln were killed by small arms fire while on patrol in Basra city. On 5 April Second Lieutenant Joanna Yorke Dyer, Corporal Kris O'Neill, Private Eleanor Dlugosz, Kingsman Adam Smith and their interpreter were killed when their Warrior vehicle was hit by a massive bomb west of Basra city. On 13 April Private Chris Gray was killed in Afghanistan in a firefight with the Taliban, and on Saturday night two servicemen were killed when two UK helicopters collided north of Baghdad. An investigation is ongoing, but all the evidence so far indicates that that was an accident, not an attack.

Several personnel were seriously injured over that period in those and other incidents in Iraq and Afghanistan and they, too, are in our thoughts. That is a reminder of the risks faced every day by our forces on our behalf. I offer our gratitude and profound respect for those who have died and those who have been injured in the service of their country.

I am sure that the House will wish me in the time available to focus on the incident that has attracted the most public and parliamentary attention over the recess, namely the incident in which 15 of our personnel were captured and detained by the Iranians, and the events that followed. I will describe, first, the incident itself; secondly, how it was handled diplomatically; and thirdly, how it was handled in media terms, including the decision to allow serving personnel to talk to the media individually and to accept payment for so doing—decisions for which, as I have already made clear, I accept responsibility. Finally, I will set out how we intend to learn the lessons for the future.

Let me first turn to the incident itself. On 23 March HMS Cornwall was operating as part of the Coalition Task Force in the northern Arabian gulf, under the authority of a UN resolution. The task force is responsible for a range of maritime security operations, including protecting the Iraqi oil infrastructure and undertaking boardings to disrupt weapons smuggling.

At 07.53 Cornwall launched two boats, with a Lynx helicopter in support, with the intention to board MV Tarawa, a merchant vessel that had evaded a boarding the day before. En route, the Lynx flew over a different vessel, MV al-Hanin, and reported a suspect cargo. A decision was made to board the al-Hanin. The position was well inside Iraqi waters.

The boarding team boarded the vessel and, at 08.46, the Royal Marine boarding officer reported the ship secure. The Lynx was tasked to return to Cornwall. By 09.00 the helicopter was back on board and put at 30 minutes' notice to fly.

At 09.04 one of the two Royal Navy boats reported Iranian Revolutionary Guard navy activity nearby. Very soon afterwards, one of the boats reported that the Iranians were "beside them". By 09.06 voice communications with the boats were lost, and shortly after, all communications were lost. At 09.28 the Lynx was launched again and returned to the position of the al-Hanin. Initially it was unable to find the UK boats but at 10.05, one was spotted being escorted by Iranian vessels.

That concludes what I can say about the operational details. I am happy to answer questions, but there is not much more to say at this stage, until investigations are complete. I will say two final things. First, the Royal Navy is not currently conducting boarding operations, although coalition partners are, and the Navy continues to fulfil its other tasks. Secondly, I support the decision of the Royal Marine captain to order his boarding party to lower their readied weapons. As he put it, he judged that, if they had resisted,

"there would have been a major fight, one we could not have won, with consequences that would have had major strategic impact".

Let me turn now to the diplomatic handling of the incident. The Iranians detained our personnel illegally, taking them first to an Iranian Revolutionary Guard naval base, and from there to Tehran. We made it clear, both directly to the Iranians and in public statements, that their detention was unacceptable and that they should be released immediately. We made intense diplomatic efforts to establish direct lines of communication with Iranian leaders, to prevent the situation from escalating and to resolve it quickly. It became clear that this alone would not be enough, not least because of the internal struggles within Iran as to who had control of the situation. We therefore galvanised the international community to put pressure on the Iranian regime. The Prime Minister has rightly paid tribute to those friends in the EU, in the UN, and in the region who supported us and condemned the illegal detention. I am in no doubt that this focused minds at the top of the Iranian regime.

Our personnel were released on Wednesday 4 April, after a predictable attempt by the Iranian President to turn it into a propaganda victory. But this should fool no one. Serious observers do not believe that Iran has emerged from this in a stronger position, and we should remember that our main objective—the peaceful resolution of the incident and the safe return of our people—was achieved, earlier than many predicted. And let me be clear: there was no apology, and there was no deal.

Let me turn now to the media handling of this incident. On Thursday 5 April, the 15 personnel arrived in the UK, and were debriefed and reunited with their families. The next day, six of the 15 held a collective press conference, organised by the MOD, which was uncontroversial. The controversy surrounds the relations between individual personnel and the media. The media had approached the families of the detainees while they were still being held in Iran. There were many offers of payment. These approaches intensified as soon as the 15 were released, and it was clear that the pressure would soon be transferred from the families to the individuals themselves. They were

already aware of the criticism of their behaviour while detained, and some were intent on setting the record straight.

This left us with a dilemma. We had a duty of care to the individuals and their families, who were under intense pressure. On the Thursday, all those involved took the view that we should allow the individuals to talk to the media, and that we should support them through that process. I believe that all those involved in this decision acted in good faith and out of a desire to protect the individuals, to protect the service, and to protect operational security against the risks inherent in unofficial dialogue with the media. These were real risks, which have materialised in the past.

Once the decision had been taken to allow the individuals to talk to the media, this raised a second question: how to handle the fact that the media were competing for these individuals by offering substantial sums of money. This second question was considered by the Navy over the same short period. The Navy concluded that payments were "permissible" under Queen's Regulations, and that in this particular situation it was "impractical to attempt to prevent" them. This was the position presented to me in a note sent from the Navy's HQ in Portsmouth to my office on Thursday afternoon, and which was put to me on Good Friday. I accept in retrospect that I should have rejected the note and overruled the decision. The circumstances were exceptional, and the pressure on the families was intense. The Navy's decision was made in good faith, and so was its interpretation of the regulations; but I should have foreseen that that attempt by the Navy, in good faith, to handle an exceptional situation would be interpreted as indicating a departure in the way in which the armed forces deal with the media.

Over the weekend I discussed the issue further, and on Monday I asked for further advice from naval chiefs and the Chief of the Defence Staff. I decided that we must review the rules immediately, and stop any further media payments to serving personnel until the review was complete. I informed the Prime Minister—which, as he has made clear, was his only involvement in this matter—and announced the decision in a statement.

Let me be clear to the House: I made a mistake. I have been completely open about that. To the extent that what happened between Friday and Monday has caused people to question the hard-won reputation of the armed forces, that is something I profoundly regret; but I remind people that precisely because that reputation is hard won, it is not easily undermined.

Those are the facts as I know them. Let me now turn to what happens next. I made clear on Monday the implications for the specific issue of serving personnel receiving payment—I made it clear that it must not happen again—but clearly there are other lessons to be learned from the whole incident.

The first aspect relates to the operational circumstances and factors leading to the capture of the 15 personnel. This was an unusual situation with wide and far-reaching consequences. To reflect that, I can announce that the Chief of the Defence Staff has appointed Lieutenant-General Sir Rob Fulton of the Royal Marines, currently the Governor and Commander in Chief of Gibraltar, to lead an inquiry. As a retired former commander of UK amphibious task forces, he will bring both expertise and objectivity to the inquiry.

The inquiry will cover all operational aspects, including risk and threat assessment, strategic and operational planning, tactical decisions, rules of engagement, training, equipment and resources. I expect it to take around six weeks. Clearly those conducting the inquiry will consider operationally sensitive material and it will therefore not be possible to publish all the conclusions, but they will be presented to the House of Commons Defence Committee in full. I am committed to ensuring that Parliament and the public have the full facts, but also—which is just as important—to ensuring that the Ministry of Defence and the services learn from these events and do not let this happen again.

In a similar spirit and in the same time frame, I can also announce that I will be asking a small team to take over the review of the media handling which I started last week. The team will consist of a senior officer and a senior MOD official, both unconnected with these events, and will be led by an independent figure with wide media experience. The review will draw on all relevant experience, not just this particular incident but other high-profile incidents involving personnel on operations.

I want to make it clear that the review is not a witch hunt. As I have already said, I take responsibility for this particular case. Rather, the review will seek to identify lessons and make recommendations on how to manage the complex issues involved. It will make recommendations on how to balance our duty to support our people with our duty of transparency, our duty to protect the reputation of the services and, most important, our duty to protect the security of our personnel in a demanding media environment.

I take responsibility for what happened last weekend. I have acted to put it right. I have acted to ensure that we learn the lessons of the whole episode, in a manner that allows full parliamentary scrutiny. As we go through that process, we should remember the most important point—which is that we got our people back safe, and on our terms.

Dr. Liam Fox (Woodspring) (Con): Let me begin by fully associating the official Opposition with the sentiments expressed by the Secretary of State about the nine servicemen and women who died serving our country. Our thoughts and prayers will be with their friends and families, and the whole country should be proud of and grateful to them.

I welcome the Secretary of State's statement, but like all Members, I deeply regret the circumstances that made it necessary. The statement goes to the very heart of our democratic system, because it poses the question "What are politicians responsible for?".

No one expects the Secretary of State for Defence to have day to day knowledge, far less management, of naval manoeuvres in the Persian gulf, but the wider picture is a different story. It is only three years since naval personnel were illegally abducted by Iranian forces. It should never have been allowed to happen again, especially as the threat from an ever-more belligerent Iranian regime has increased rather than decreased.

[Dr. Liam Fox]

How can it be that the incursion of Iranian forces was not detected by air or by the ship's radar? If it was detected, why was it not communicated to our sailors and marines? If communications were lost at 09.06, as the Secretary of State said, why did it take until 09.28 for the Lynx helicopter to be relaunched? Perhaps more importantly, do we even have the right naval configuration now in the northern gulf? If the northern waters are too shallow for HMS Cornwall and if we still need to protect Iraqi oil installations and carry out searches on shipping in the gulf, should we not have more, smaller vessels to supplement the activity and properly protect our personnel?

I note that there are other countries continuing their UN duties of searching shipping in the gulf. I believe that the decision to stop the Royal Navy boarding shipping in the light of this incident sends exactly the wrong signals about our resolve and intention.

We welcome the announcement of an inquiry, but we want an assurance that there will be a chance for the whole of the House of Commons to debate its broad findings, not just the Defence Committee, for this is an issue of great national importance. As the shadow Foreign Secretary said yesterday,

"It has undermined the reputation of our armed forces at home and abroad".

Or, as *The Sunday Times* put it,

"Nations with unfriendly intentions towards Great Britain will have observed this latest episode with interest."

Countries are inclined to take risks if they detect a lack of resolve. Does no one in the Government actually feel responsible for the national humiliation that we have suffered at the hands of the pariah regime of Iran?

But even if Ministers do not feel responsible for that, they cannot avoid the direct responsibility for the second fiasco; the media handling of the return of the captives. The eventual return of the captives, welcome as it was, was not a shock and the shambles around the media handling is unforgivable. The Government initially excused the decision—*[Interruption.]*

Mr. Speaker: Order. The hon. Gentleman must be heard. There should be no interruption.

Dr. Fox: The Government initially excused the decision to allow stories to be sold on the basis that there was excessive media pressure and that stories would come out anyway. Yet we now know that the Press Complaints Commission offered to help the Government in preparation for this matter in advance but were snubbed by the Government. The Government initially told us, repeated by the Secretary of State today, that this was a decision for the Navy. But we know that that is not true. The Defence Council guidelines, published in 2004 after the death of David Kelly, state that for those seeking to deal with the media on national issues, authorisation should be obtained from the chief press officers in the directorate news organisation. Queen's Regulations clearly state:

"Normally permission to express views on politically controversial issues will be refused. For any exceptions to this rule, the Director of Information Strategy and News will seek the prior approval of the Secretary of State for Defence."

Queen's Regulations also state that

"If there is insufficient time, the invitation should be refused."

Does not that make a mockery of the Secretary of State's version of events? He says that he was asked to note the decision. The truth is that he is asked to make the decision, as Secretary of State. He said that, over the weekend, he was not content with the analysis and he did not think that the Navy was either. Given that neither was content with it, why did it take almost 72 hours for the policy to change? The Secretary of State said previously that Downing street was not aware of the decision until the Sunday. Yet the Leader of the Opposition, the shadow Foreign Secretary and I were all aware on the Saturday. How can that be true? Is not the truth that the Secretary of State went back to his constituency without fully appreciating the importance of the decision he was making, and is not that the greatest indictment of all?

What I find most unbelievable is that a decision to allow stories to be sold could be taken without understanding the impact that that would have on the Army, the RAF and large parts of the Navy. For those in the Army in particular, which has taken the bulk of casualties and fatalities, to see unharmed naval colleagues profit financially caused anger, injury and offence. The hurt done to the families involved can only be guessed at. It was best summed up by the mother of one of those whose bodies were returned to the United Kingdom last week. She said:

"If you are a member of the military, it is your duty to serve your country. You should do your duty and not expect to make money by selling stories."

In a more honourable time in politics, the resignation of a Secretary of State who had overseen such a humiliating fiasco on his watch would have been an inevitability. The Secretary of State said that he took responsibility, but the word "sorry" never passed his lips. When Argentina invaded the Falkland islands 25 years ago, no one believed that that was the fault of Lord Carrington. Yet he and his team resigned because it happened on their watch and they believed that the buck stopped with them. For them, that was a matter of honour.

We have asked a number of detailed questions of the Secretary of State. On the basis of his statement today, I believe that his position is becoming untenable as he cannot command the necessary confidence in his political decision making. That confidence is essential to the belief, morale and strength of our armed forces. His colleagues must make their own judgments. Ultimately, so must he.

Des Browne: I thank the hon. Gentleman for his remarks in relation to those who have been lost while the House has been in recess. He speaks for all Members in what he says on that.

Anybody who has been following the hon. Gentleman's comments over the past week could be forgiven for not being absolutely clear as to what his position is. Members will remember that initially he was accusing me of orchestrating this entire episode for propaganda purposes. A couple of days later he was complaining that precisely the opposite was the case—that I did not orchestrate the episode at all. Clearly, those claims cannot both be correct.

Many things have been said and printed over the past week. Some of them have been true and some have

been untrue, but I have made my position clear throughout. I have described to the House my involvement in this process—and, indeed, also the involvement of the Prime Minister. I have said that I made a mistake. If that caused people to question the hard-won reputation of the armed forces, I deeply regret that.

It will, of course, always be the case that the hon. Gentleman will be able to find a word that I have not used, but it seems perfectly clear to me that I have expressed a degree of regret that can be equated with an apology and if he wants me to say "sorry" then I am happy to say sorry. It is possible to come up with any number of questions, but what is important is that we focus and learn from these circumstances. I intend to do that, and to get on with the job.

The hon. Gentleman also questions whether I have the confidence of the armed forces. He and others will need to ask the armed forces that for themselves. I can say that they should do so because I have confidence as to the answer that they will receive.

On operational issues, the hon. Gentleman raised a number of questions. In my statement, I made the point that because of operational security there is a limit as to how useful or appropriate it would be to debate such issues. In particular, he asked questions about why the UK has not recommenced boarding operations. Currently, advice is awaited from PJHQ—permanent joint headquarters—as to where, when and how those operations will be recommenced, and until I receive that advice, no decision can be made.

On the other issues raised, I suggest that they are precisely those that the inquiry should, and will, look at. I hope that Members were clear from the description in my statement that this inquiry has the right scope and is led by an officer with the right expertise and objectivity to ensure that the issues are looked into properly, to ensure that Parliament gets the answers it deserves and, most importantly, to ensure that we learn the lessons for the future.

Nick Harvey (North Devon) (LD): I thank the Secretary of State for his statement and for notice of it. I echo his words of condolence in respect of the nine servicemen who have lost their lives and those who have been injured. The media coverage of this sorry affair has been a national embarrassment and the judgment that it would be right to allow those people to sell their stories has hardly been vindicated by the sort of reports that we have seen of one in particular complaining that he had had his iPod taken away and that his Iranian captors had called him Mr. Bean. That is not something that has covered the nation in glory around the world. The House will note that the Secretary of State has accepted some responsibility for those judgments.

The greater issues that need attention, and the questions that need to be asked now, relate not to the media coverage but to the original incident itself. Why was there inadequate cover? Why did the helicopter go back to the boat? Why, given that we are part of a coalition, were no other air assets available to help? Why were no other boats on hand? I understand that HMS Cornwall could not go in, but there are many craft between a RIB and HMS Cornwall. Why was no other support available in the sea? Following the previous incident, what sort of risk assessment had been made, and what lessons were learned?

Those are the sort of questions that the Secretary of State tells us will be addressed by the inquiry. We note that that has been set up by the Chief of the Defence Staff and is to be conducted by a former head of the Marines. Would it not be a valuable addition to have some political input, perhaps from Privy Councillors with relevant experience in that area.

It is those questions about what happened on 23 March that need to be answered and which should determine the fate of the Secretary of State for Defence. It would not be right for him to resign his post over the media coverage of those events while the Prime Minister and Cabinet who led us into the most disastrous foreign intervention in 50 years remained in post.

Des Browne: I do not intend to be drawn into a discussion that involves us sitting here, in the comfort of these Benches, and criticising the behaviour of young people whom we have asked to carry out a very dangerous job in dangerous circumstances—[Hon. Members: "Hear, hear."] The hon. Gentleman asks several very pertinent questions and he is right that those are just the questions that the operational inquiry will have to consider. If the hon. Gentleman wishes to suggest questions for the inquiry, I would welcome that. I can assure him, from my conversations with the chiefs of staff—and in particular with the Chief of the Defence Staff—that it is already the intention that the terms of reference of that inquiry will reflect the broad range of questions that the hon. Gentleman poses. In passing, I should say that we will publish the terms of reference of the inquiry once they are settled.

The hon. Gentleman invites me to consider adding someone from a political background to Lieutenant-General Sir Rob Fulton, who is an eminently qualified person to carry out an operational inquiry, given his distinguished career in the Royal Marines and his own significant experience of operations. That would be entirely inappropriate. It is important that the operational matters are investigated by and recommendations made by people with the appropriate experience and expertise to do that. I cannot think of anybody from a political background who would add anything to those necessary ingredients.

Sir Gerald Kaufman (Manchester, Gorton) (Lab): Since the shadow Secretary of State for Defence mentioned the offer from the Press Complaints Commission to advise the 15 young service people who were risking their lives for their country but were totally inexperienced in dealing with the press, can my right hon. Friend say whether the PCC cited the example of a public servant—the chairman of the PCC—who as ambassador to Washington broke every rule in the book in selling his story to the press? There was no PCC investigation of that.

Des Browne: Somewhat surprisingly, in the short e-mail received from the PCC no mention was made of the issues that my right hon. Friend raises. However, the offer should be seen in its proper context and in its terms. I am grateful to the PCC, which helpfully reminded the MOD on Thursday 5 April that it was on

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hand to help, should the need arise. That was the actual offer. As a matter of fact, early on, the MOD had put in place comprehensive plans to ensure that each family was properly protected from media intrusion, and that protection, which is part of our duty of care, continues. Our media minders report that, despite the media pressure on the families, to date none of the 15 service personnel or their families has complained about media harassment. I remind Members that the rules of the PCC require the commission to satisfy itself that any complaint has first been dealt with by the editor of the newspaper involved before the PCC can take and exercise its jurisdiction.

Sir Malcolm Rifkind (Kensington and Chelsea) (Con): The Secretary of State must appreciate that one does not have to be partisan to conclude that he has presided over a trinity of national embarrassment. He has already announced a public inquiry into the apprehension of the service personnel. He has apologised for the media handling, but he has not so far commented on the third national embarrassment—that certain of the service personnel, when they were apprehended and paraded on Iranian television, chose to apologise for their behaviour and for the fact that their country had—*[Interruption.]*

Mr. Speaker: Order. Let the right hon. and learned Gentleman speak.

Sir Malcolm Rifkind: These are matters of grave public importance, because in the past service personnel have constantly been instructed as to what they should do when they find themselves in the hands of the enemy. Is the Secretary of State taking action to discover whether those service personnel were given proper instructions as to how they should behave, and will he try to ensure that in future, so far as it is within the power of his Department, British service personnel do not give unjustified apologies that merely embarrass not only the Government but their country?

Des Browne: As I have already said, I do not intend, from the comparative comfort of this place, to get into criticising the way in which young people behaved in circumstances of which I have no experience. However, that said, I accept the broader points that the right hon. and learned Gentleman makes. I can assure him that all but one of the service personnel involved were given the appropriate training, as far as I am aware. I am advised that that is the case; all but one of them was given appropriate training in how to conduct themselves in those circumstances. However, the people who debriefed the personnel, who have the interrogation expertise to make this judgment, have told me that in their view those young people deported themselves and behaved well within the bounds of appropriate conduct in the situation in which they found themselves. I am not in a position to make that judgment on their behalf, but I accept the judgment made by those with the expertise. In my view, there is no legitimate criticism to be made of those young people and I do not accept that the way in which they conducted themselves and the way in which they were opportunistically exploited by the Iranians for propaganda purposes causes any embarrassment to this country.

Alison Seabeck (Plymouth, Devonport) (Lab): My right hon. Friend will be very aware that both Faye Turney and Arthur Batchelor are my constituents, so I was in close contact with the media during the course of their detention. Indeed, the media were camped outside a number of homes in my constituency and it became clear from my conversations with those people that they believed that the stories had already been sold before either Faye or Arthur left Tehran.

My right hon. Friend spoke about reviewing the regulations and ensuring that service personnel cannot sell their stories. How could the Government have controlled the leaking of stories via a third party? Clearly, the families were under the most pressure, so what specific support was given to the families: was it one-to-one, or did the families have to ask for it?

Des Browne: The specific support given to the families was the responsibility of the Royal Navy. Members will recollect that on the day the detainees were released, almost every single family expressed through the media its deep gratitude for the support received from the MOD and the Navy. These matters are continually kept under review to ensure that we are in a position to support families that find themselves in these very difficult circumstances. We can say with a degree of satisfaction that that part of the support passed without incident and certainly without controversy.

My hon. Friend puts her finger exactly on one of the complicating factors that created the difficult circumstances in which those who acted in good faith made the decision and interpretation of the regulations that they did. The view was taken—I understand this—that these stories would be told and that the likelihood was that they would be told in an uncontrolled environment where there would be some danger of risk to operational security. In my view, there can be no controversy about the decision to support the young people to tell their stories—just as the decision to support the young people who gave the press conference was the right decision to ensure that no operational risks would take place. The controversy arises from the issue of payment for those accounts of events, which is exactly what I have asked the review to look into. I will act on the recommendations of that review.

Mr. Elfyn Llwyd (Meirionnydd Nant Conwy) (PC): On behalf of Plaid Cymru and the Scottish National party, I associate myself fully with the Secretary of State's expressions of condolence.

Many of us believe that the Secretary of State should have declined to accede to the MOD request immediately he received it. Does it not presuppose a problem with military discipline? Should he not have gone back to the top brass and told them to remind the young people of their obligations and order them not to speak to the media?

Des Browne: I have admitted my mistake in relation to that matter and the answer to the hon. Gentleman's question can be seen by my actions subsequently, when I did just that.

Mike Gapes (Ilford, South) (Lab/Co-op): The Foreign Office and other parts of the Government who secured the release of our people from unjustified detention should be congratulated. [HON. MEMBERS: "Hear, hear."] However, those people in the United States and elsewhere—the neo-cons—who wanted to create some kind of military confrontation out of this crisis were not providing good advice. Will the Government continue to work in a measured, diplomatic and calm way to deal with the very difficult problems presented by this disgusting regime in Iran and its manipulation of the media? This will surely not be the last of the attempts by the Iranians to win propaganda victories. The reality is that we face very serious problems in that region and so does the rest of the region and the rest of the world.

Des Browne: As I have said before at the Dispatch Box, in my view Iran represents a strategic threat to the region by its behaviour, not least given the evidence that elements in Iran are interfering in Iraq, as well as the relationship with Hezbollah and, indeed, with terrorist and insurgent forces in Palestine. My hon. Friend is quite right that Iran has to be made to face up to its responsibilities. The Government's efforts have concentrated on working with the international community, with our partners in the region and with others whom we worked with to secure the release of the detainees, and we will continue to do just that to ensure that the Iranian Government face up to their responsibilities.

Robert Key (Salisbury) (Con): All the real losers in this sorry business are the men and women of the Royal Navy, who are hanging their heads in shame, as one of them said to me yesterday. Will the Secretary of State confirm that he will ensure that the media inquiry looks at the reasons why, unlike the Army, the Royal Navy continues to refuse to have a permanent, professional media-trained staff to handle this sort of incident? Given that that has been the responsibility of the Second Sea Lord from start to finish of this sorry business, can the right hon. Gentleman confirm whether or not the Second Sea Lord has offered his resignation?

Des Browne: I have no evidence to suggest that the absence of that skill at that level in the command chain in the Navy contributed to the circumstances. It will, of course, be a matter that may come out in the review, in considering the support that individual services need to support their people in this modern media environment. I have no intention of discussing the status of the Second Sea Lord. As far as I am concerned, today is about my accountability to Parliament, and I have accepted my responsibilities.

Stephen Pound (Ealing, North) (Lab): My right hon. Friend may have anticipated having to endure a heavy barrage this afternoon, but from my perspective, it seems as though most of the shells were blank and all of them singularly ill-aimed. Does he agree that, while hell hath no fury like a tabloid editor outbid by a rival, those very editors would surely have been constructing headlines along the lines of "Hero hostages gagged" if they had not been allowed to speak? May I ask my right hon. Friend, in continuation of the calm, sober and dignified statement that he has made to the House this afternoon, to leave this matter to Lieutenant-General Sir Rob Fulton, to concentrate on his vital task as Secretary of State for Defence and not to be further distracted by this irrelevance?

Des Browne: My hon. Friend, in his own inimitable style, puts his finger on part of the complexity of the environment that we now live in. In particular, supporting young people and their families in that environment if they are exposed, as these young people have been, to such newsworthy events is a significant challenge, and part of my responsibility and part of my intention, as I continue to lead the MOD, will be to ensure that we put in place the support that is necessary to ensure that we can protect our young people, to the extent that we can, from the complexity of those challenges and support them through the difficulties in which they might find themselves in future, because the one thing that is certain is that, as operations continue, the pressure on people to sell their stories to the media will continue.

Mr. Paul Keetch (Hereford) (LD): Is the decision to return the Lynx from the area of the boarding party the standard operational procedure for air support for such boarding operations? Why was HMS Cornwall—a batch 3 Type 22 frigate equipped to carry two Lynx helicopters—deployed in that war zone with only one Lynx helicopter?

Des Browne: Having a helicopter observe a compliant boarding was not required by the standard operating procedures. The Lynx was available and was used for the initial stages of the operation, in line with previous experience. Once the boarding party was aboard, the Lynx was tasked to return to the Cornwall. The helicopter did not remain above the al-Hanin not because of the availability of helicopters, but because operational procedures did not require it to remain. The answer to the hon. Gentleman's question about why the Cornwall was deployed with the resources that it has is that that followed the assessment of the resources that would be needed to do the job.

Mr. Don Touhig (Islwyn) (Lab/Co-op): My right hon. Friend was quite right to come to the House at the earliest opportunity to give us an account of what happened in Iran. In all the fuss over the last week about the sale of the stories to the media, one fact seems to have been forgotten: our naval personnel were seized illegally and in an act of provocation by Iran, and their release was secured only by the success of British diplomacy. After my right hon. Friend's statement, Britain's best interests would be served by all of us condemning Iran for its action and reaffirming our support for the men and women of the British armed forces—the finest armed forces in the world—who deserve our backing as they continue our struggle in the middle east.

Des Browne: I am grateful to my right hon. Friend for his contribution. We should not forget that Iran detained our people illegally and that as a result of bilateral and multilateral pressure it was forced to return them without any form of deal and without the apology that the Iranian Government craved to save

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face. While the events of the last 10 days have not been satisfactory, they do not change the fundamental position. The Iranian Government know that they lost this propaganda war and so do the other countries of the region.

Dr. Andrew Murrison (Westbury) (Con): The Government's position seems to be that shallow-draft fast patrol craft cannot safely be deployed to the Gulf because they lack air assets, but given that Cornwall's Lynx helicopter, on this occasion and for whatever reason, appears to have been as useful as a chocolate fire-guard, will the Minister revisit his decision to dispose of three minor war vessels that are tied up alongside in Devonport, pending the outcome of his review?

Des Browne: As with all military operations, the use of one capability over another involves a trade-off. As the hon. Gentleman points out, smaller vessels would inevitably not have many of the capabilities of HMS Cornwall and vice versa, which may have been relevant depending on the scenarios that we were dealing with. This is certainly an issue that the inquiry will consider—I will ensure that it does. I know that the Chief of the Defence Staff wants it to be one of the issues that the inquiry will consider. It is clear that minesweepers are not the answer, because they lack the speed required and are too lightly armed for this work.

Ann Clwyd (Cynon Valley) (Lab): I consider the Secretary of State a man of the highest integrity and of considerable humility—a quality that is missing too often in the House. He has said that he is sorry and we should leave it at that. Since the Navy does a very useful job in Iraq in patrolling the coast and protecting the oil infrastructure of the country, and in preventing smuggling, will he assure us that that operation will continue with our full backing?

Des Browne: I am grateful to my right hon. Friend for her opening remarks. I appreciate them greatly. Coming from her, they are all the more valuable to me. It is our intention to continue to make a contribution to the taskforce that carries out those maritime operations in the north Arabian gulf. I have visited one of our ships out there to see how important that work is. There has been a concentration on one aspect of their work in the House today, and understandably so, but substantially the Cornwall is there to protect a really important part of the Iraqi oil infrastructure: the oil terminal. That is why the Cornwall, and ships of that class, are the appropriate ships to be there: because of the nature of the work that they need to do. We should not forget that, on occasions, 85 per cent. of the GDP of Iraq comes out through that terminal. It is crucially important to the economic welfare and development of Iraq. It is not our intention to abandon that very important work that we currently carry out with the United States and the Australians, as well as with the Iraqis themselves.

Patrick Mercer (Newark) (Con): The sad long list of names that the Secretary of State for Defence read at the beginning of his statement demonstrates that, while the House talks about sailors selling stories, soldiers face death and danger on a daily basis on the streets. Yet still they do not have the correct armoured vehicles in which to patrol and they expose themselves to unnecessary danger from Iranian weaponry and munitions. When will those soldiers get the tools to do the job?

Des Browne: I respect the hon. Gentleman's views on these matters because of his experience in, and contribution to, our armed forces. He regularly engages with me on such issues and knows my commitment to ensuring that we live up to the undertaking of giving our commanders what they need to do the job on the ground. He also knows the advances that we have made in the past 12 months on getting additional protected vehicles in place, especially in southern Iraq. However, the experience of the attack on the Warrior makes it very clear that the type of device that is being deployed against our forces is such that it is unthinkable that we could find an armoured vehicle that would stand against that and with which we could do a job. As he knows, this is about not just vehicles, but tactics, intelligence and other operational requirements. As events over the weekend have shown, all those things have improved exceptionally in Basra. Our troops there are literally fighting back against the risks with significant success.

Mr. Ronnie Campbell (Blyth Valley) (Lab): As far as I am concerned, we should be packing their bags and bringing them all back home. However, may I ask the Secretary of State a question about the Royal Marines who were captured? They never went running to the press like the Royal Navy did, so were there different orders for the Royal Navy and the Royal Marines?

Des Browne: I am sure that my hon. Friend knows that both the Royal Marines and the seamen are members of the Navy, so the same rules applied to both. The decisions that people made in relation to the offers available were a matter for them. I do not have the detail of who was offered what, and even if I did, I do not think that it would help the question of my accountability to the House to discuss such issues.

My hon. Friend's views about our operations in Iraq are well known. It is my intention that those who serve in our armed forces in Iraq will come home as soon as possible, but that will be when the conditions are right and we can say that the Iraqi forces are able themselves to address the threat that continues to exist in that part of the world.

Mr. Alan Beith (Berwick-upon-Tweed) (LD): Should the Secretary of State have been more mindful of the thousands of the people in the armed services, including special forces, and in the intelligence community who have to accept the discipline that they do not talk to the press about their work? They are helped in doing so if the rules are clear and undermined if stories are sold. There are many difficult decisions that the Secretary of State has to take, but surely, given the predictable outcome, this was not difficult.

Des Browne: People should be clear that the same Queen's Regulations apply to all three services. It was to ensure that there was not differential interpretation of the regulations in the future that I structured the announcement that I made on Monday in such a way.

Sarah McCarthy-Fry (Portsmouth, North) (Lab/Co-op): The news management of returning detainees is nothing new, as anyone who read John Nichol's account in yesterday's edition of *The Observer* would know. When he returned in 1991, he was told:

"ministers have decreed that former PoWs will attend a mass press conference and relate their experiences",

whether they wanted to or not. He wrote that a few days later "someone changed their mind." I do not need to remind people that the Ministers in 1991 belonged to the so-called honourable Conservative party—I do not recall hearing calls for resignations. Of course, what has changed is the climate, because we now have mobile phones that can send pictures instantly. Will the new regulations that my right hon. Friend will introduce take such new technology into account?

Des Browne: That is part of the changed circumstances that will be addressed by the review. Without any great furore, we are regularly treated to the broadcasting on our media of film that has clearly been taken on mobile phone cameras by serving personnel in the heart of operations, and nothing like such concern has been expressed about that. Perhaps, just as the whole of the 1991 episode revealed, it is long overdue that such issues are addressed in the way in which I have set out.

Mr. Desmond Swayne (New Forest, West) (Con): The Secretary of State has said that he is awaiting a signal from PJHQ in respect of the recommencement of boarding operations. Is that something for him to note, or to decide?

Des Browne: We will restart boardings when PJHQ has reviewed the operational environment and has issued further direction on exactly when, where and how such operations should take place. My understanding is that that matter will come to me for decision.

Mr. Eric Joyce (Falkirk) (Lab): I realise that one or two Conservative Members are former cavalrymen, but there seem to be far more hon. Members looking down on the situation from very high horses. It seems likely that some parts of the Queen's Regulations will be examined, but does my right hon. Friend agree that, whatever the regulations eventually state in black and white, it is essential that senior officers and Ministers have fair room to exercise their proper judgment?

Des Browne: As someone said from a sedentary position, that is a good question. It is true that the inflexible application of regulations sometimes results in inappropriate outcomes. However, a far more important part of the lesson of last weekend is that clear consistency regarding the interpretation of the regulations is needed across all three services. I am determined that that will be achieved. It is important that those who serve in the armed forces know exactly where they stand and that there is no doubt about whether they should be required to resist the sorts of payment that were put in front of those young people.

Mr. Crispin Blunt (Reigate) (Con): What we cannot escape is that we endured an operational humiliation at the hands of Iran, followed by a self-inflicted humiliation for the reputation of the Royal Navy at the hands of its own board. These wretched events are symptomatic of a collapse of the covenant between the nation and its armed services. The Secretary of State must give serious consideration to whether in the present circumstances, having given the apology that he has given to the House, he is the right person to try to repair and put that covenant back together.

Des Browne: The hon. Gentleman exaggerates in several respects. First, not all operations are successful. As senior military officers often say to me, in the vocabulary that he will recognise, "the enemy get a vote". That is why we need to review the operation and those of a similar nature to ensure, to the extent that it is ever possible to do that, that what happened does not happen again. However, I do not accept that the operation was a humiliation for the Royal Navy.

On the hon. Gentleman's other point, the people must judge my record in the whole of the past year. This is a challenging time for the MOD—perhaps the times are always challenging for the MOD—I have an important job to do, and I intend to get on with it.

Kate Hoey (Vauxhall) (Lab): It is very refreshing for a Secretary of State to come to Parliament, to admit full responsibility, to say that he is to blame and to say that he is sorry. I congratulate my right hon. Friend on doing that. I genuinely want to ask him, because it is the sort of question that the public will be asking, if a Secretary of State has made mistakes and admits that he has done something wrong, what sort of mistake does it take for him then to decide that he should offer his resignation? I am asking for my right hon. Friend's view.

Des Browne: My hon. Friend's opening remarks are no mean praise and I accept them in the spirit in which they are offered. I decline her invitation to set out the parameters and thresholds for ministerial resignation.

Mr. John Baron (Billericay) (Con): I welcome the Secretary of State's contriteness in now—belatedly—accepting the principle that service personnel join up to serve their country, not their pocket. Nevertheless, it remains disturbing that the 15 captives, who included two officers, were so easily manipulated into making apologies that were not due. I suggest that, instead of trying to wash his hands of the whole incident, the Secretary of State should accept that he is ultimately responsible for the armed services. He should examine the situation carefully to ensure that it does not happen again, because it has been a disgrace to this country.

Des Browne: I accept my responsibility, but I say very clearly, as I have already done twice in the House, that I do not think that I or anybody else in the House should volunteer themselves into a situation in which they can condemn those young people for their behaviour, and for their exploitation in circumstances of which, as far as I am aware, nobody in the House has any experience at all. The hon. Gentleman asks that I accept responsibility; I have accepted responsibility, and there is nothing belated about my doing so. I have nothing further to add in relation to the conduct of the young people involved.

Mr. Bob Blizzard (Waveney) (Lab): A constituent of mine was one of the 15 members of our armed forces captured by Iran. May I say to my right hon. Friend that the overwhelming feeling in my community is one of relief and joy that the safe recovery of those brave people was secured? My constituent chose to say very little to the press, but of all the other commentators who have piled in on the issue, both inside and outside the House, is it not a pity that more did not choose to thank those responsible for, and involved in, the peaceable resolution of the matter?

Des Browne: Clearly, in securing as we did, through the means by which we did, the safe return of the people concerned, the Government were doing their job. I have to say that in my time in government, I have long moved away from expecting anybody to recognise something as being other than what is expected from the Government, and that is exactly how it should be. May I take the opportunity to pay tribute to my hon. Friend's constituent, whose identity I do not know, for the service that he has given, the job that he was doing in difficult circumstances, his ability to sustain himself in detention, and the way in which he has conducted himself since he returned?

Modernising Medical Careers

4.32 pm

The Secretary of State for Health (Ms Patricia Hewitt): With permission, Mr. Speaker, I should like to make a statement on the progress that we are making in relation to modernising medical careers. As I explained to the House in my written statement on 27 March, the independent review group continued its work over the Easter recess, which included making two important announcements to applicants for training places. Copies of those announcements are being placed in the Library today. The review group decided that it would be wrong to abandon the process of interviews now under way and concentrated instead on how to change the process in order to meet the needs of junior doctors and the NHS as a whole. Furthermore, it concluded that the problems that have arisen relate in the main to the implementation process, and not to the underlying principles of modernising medical careers.

Following the review group's recommendations, recruitment to general practice training programmes, which has not generally given rise to problems, will continue as planned, although the timetable may need to be revised to make sure that it is co-ordinated with the revised timetable for other specialties. The review group is undertaking further work on recruitment to academic medical programmes, and it will make a further announcement on that shortly.

On recruitment for speciality training, which is where most of the recent problems arose, the review group's statement on 4 April sets out the changes needed. The group's proposals have the support of the Academy of Medical Royal Colleges and the British Medical Association and are now being implemented by the NHS with the postgraduate deaneries. For applicants who have already been shortlisted, all interviews already conducted in round 1 will be honoured and the outcomes will count. Eligible applicants will also be able to revise their preferences later this week in the light of published competition ratios, and they will be offered an interview for their first preference post, if they have not already had one. Eligible applicants who were not previously shortlisted will also be able to revise their preferences and will be guaranteed an offer of an interview for their first preference.

We expect job offers to begin to be made in early June, but not all jobs will be filled at that point. There will then be a second round of recruitment for applicants who do not get a job in the first round. That second round will be based on a revised short listing and interview process, which will include a structured CV.

This has been a time of great distress for junior doctors and their families, and I apologise to them unreservedly for the anxiety that has been caused. I believe that we now have the right way forward for this year's recruitment to general practice and speciality training, and that applicants can be confident that they will be treated fairly. I want to record my thanks to Professor Neil Douglas and his review group for the very considerable amount of time and expertise that they have already contributed. They will continue their work and, as I have said previously, we will publish

their final report. I want to thank, too, the NHS consultants and deaneries who are being asked to conduct a large number of extra interviews within a short space of time. We will keep the timetable under review. The Health Departments in the other home countries will be making their own announcements on the arrangements that apply there.

Finally, the review group was set up to deal with this year's recruitment process. We are now some two years into the modernising medical careers programme that began with the successful launch of foundation programmes in 2005. The time is now right to undertake a wider review, to clarify and strengthen the principles underlying MMC and to ensure that, where necessary, we make further changes for future years. Historically, Britain's medical education and training system has been rightly regarded as second to none. The creation of a competence-based training system that is widely accepted remains the right way forward, but all involved must be confident that the pursuit of excellence remains at the heart of the system. I am therefore establishing a second independent review to consider those and other broader issues. I am very pleased that Professor Sir John Tooke has agreed to chair the independent review. Sir John is dean of the Peninsula medical school, chair of the Council of Heads of Medical Schools and chair of the UK health education advisory committee. We are working with Sir John on the terms of reference and membership of the review, and I will make a further announcement shortly. Modernising medical careers is a UK-wide programme, so the devolved Administrations will be fully involved in the process. We will, of course, publish Sir John's report.

Mr. Andrew Lansley (South Cambridgeshire) (Con): I am grateful to the Secretary of State for her statement and for the chance to see it beforehand. I am glad that she volunteered a statement on this occasion, instead of being dragged to the Chamber, as she was on 19 March. She has had to eat three helpings of humble pie this afternoon—first, in making an apology, which she should have done on 19 March, but I am glad that she has done so now; secondly, in saying that at least in the second round of interviews there will be access to a structured CV, which, she maintained, would be true in the first round, when she spoke to the House on 19 March; and, thirdly, in accepting the need for a further strategic review, which she has not been willing to concede previously.

In her statement, the Secretary of State said that it was the implementation process that went wrong, not modernising medical careers itself. She is right that MMC has attracted support in principle, including from the Opposition, but questions about implementation were raised by the British Medical Association and the royal colleges, which she and her Department have overridden—if only she had listened. When Professor Alan Crockard resigned as national director of MMC he said that the medical training application service

"was developed and procured by the Department of Health outside my influence."

He went on to say:

"From my point of view, this project"—

namely, MTAS—

"has lacked clear leadership from the top for a very long time."

Subsequently, when Professor Shelley Heard resigned as the MMC national clinical adviser she said that the principles that the Secretary of State says have so much support

"have been lost in the detail and acrimony of a recruitment process which should have supported and not driven it."

There have therefore been two resignations by people who hold others responsible. Who, then, does the Secretary of State hold responsible?

The way forward this year is still fraught with difficulty. Does the Secretary of State believe that it is sustainable to offer applicants up to four interviews in the first place, but to make them choose only one? She said that the second round will be based on a revised shortlisting and interview process, including a structured CV. Does that mean abandoning the absurd scoring system for shortlisting? Will interviewers in the first round have access to a full CV and references or, as I understand it, will the first interview still be conducted on the same basis as was first proposed, with all the attendant problems?

Will the Secretary of State say how many posts will be available—18,500 have been loaded on MTAS so far, and there were originally 33,000 applications? What are the two respective figures now?

Clearly, there were more applicants than the Department expected. On 19 March, I asked the Secretary of State whether she would create extra training posts by reclassifying trust grade posts. Will she now confirm that her Department has subsequently asked trusts to do as I proposed? And how many such posts is she willing financially to support?

Will the Secretary of State ensure, not least by creating new training posts, that the lost tribe of senior house officers are not forced into a dead end? She must know that they were disadvantaged under the MTAS scoring system, and if they do not gain ST3 posts this year, they will be ineligible in future years. For example, she must know that 1,829 surgeons have been shortlisted for ST3 posts and that only 534 posts are available. Will the Secretary of State promise that they will be able to access training posts this year, even if only on a one-year basis, and that they will be eligible for run-through training posts next year and potentially the year after, so that there is a viable transition for them?

Finally, I welcome Sir John Tooke's appointment to head a full review, which we also called for. It is time for the medical profession to reassert its responsibility for the education and training of future medics. MMC is needed to reflect a changed world in which trainees are no longer expected substantially to deliver NHS services, but the principle has been undermined by lamentable implementation. The Secretary of State and her Department must accept responsibility for that, and in the light of the appalling shambles that they have made of the situation, will she promise to listen and to let the medical profession give the lead in future?

Ms Hewitt: The hon. Gentleman referred to the recent resignations from the MMC team. My colleagues and I regret the resignations of both Professor Alan Crockard and Professor Shelley Heard. They are both distinguished figures in the field of

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medical education and training, and I am sure that they will both continue to make a contribution.

The hon. Gentleman referred to the MTAS system and to what he described as the "absurd selection criteria".

Mr. Lansley: Scoring criteria.

Ms Hewitt: The development of the selection criteria and the scoring system was undertaken by members of the medical profession in consultation with all key stakeholders as well as the Department of Health. That is, of course, being reviewed, which is one of the reasons why we have the review group under Professor Neil Douglas, which is now looking at the details of round 2.

The hon. Gentleman referred to the number of applicants. As I have previously told the House, we received just over 32,000 eligible applications, the great majority of which came from people who are already working within the NHS in one capacity or another. He referred to the number of training posts and, in particular, run-through training posts, and I hope that he agrees that the number of training posts needs to be shaped by the needs of the national health service and future developments in medical technology. As part of the Department's work with the review group, we asked the service some weeks ago to look at the number of training posts that it was making available in different specialties to see whether it wished to change either the number or the level at which those training posts become available.

The hon. Gentleman asked me to listen to the views of the medical profession and, I hope, the deaneries and others involved in medical education, which is precisely what we have been doing over many years in developing MMC, over the past two years in the successful introduction of the foundation programme and in recent weeks in this difficult transition year and the first year of implementation of full speciality training. I remind him what Dr. Jonathan Fielden, the chairman of the British Medical Association central consultants and specialists committee, has said:

"Having heard the major concerns of the profession and considered all available options we have now produced a practical solution deliverable in England."

We can now

"move on and appoint the best candidates to the right posts to train and treat patients."

Dr. Jo Hilborne, chair of the BMA's junior doctors committee, says:

"We have worked hard to find a practical way forward which treats applicants fairly."

The training group of the Academy of Medical Royal Colleges says that it has achieved its aim of maximising choice for applicants applying to modernising medical careers without compromising patient safety by overburdening the service.

That is why I said with confidence that the work of the review group and the changes that we have made, on the basis of its work, to this year's process have the full support of the medical profession.

Mr. David Blunkett (Sheffield, Brightside) (Lab): I congratulate my right hon. Friend, first, on the establishment of the full review and, secondly, on her fulsome apology to those who have been affected. Will she confirm that in addition to the obvious need to get it right for the individuals concerned, it is important that the Department now concentrates on raising the morale of all those affected? Morale in the health service is worth an enormous amount of resource and of those individuals' personal commitment, and so many of the young people affected feel that they have been neglected and, in some cases, let down by the system.

Ms Hewitt: My right hon. Friend is absolutely right. There is no doubt that because implementation in this first year of full transition to the new system was not in any way adequate, several of those highly committed junior doctors do indeed feel let down. I, and others, have fully acknowledged that. That is why enormous efforts are being made, particularly by consultants across the service. I am very grateful not only to consultants but to the service as a whole for ensuring that those consultants can be released from their normal commitments for the additional time that will be needed to interview the additional applicants who will now get interviews. That will ensure that all applicants are treated fairly and that the best people are appointed to training programmes and posts within the NHS, which is what all of us would want for the patients whom we all serve.

Norman Lamb (North Norfolk) (LD): I thank the Secretary of State for the advance copy of her statement.

The Secretary of State's apology is welcome, as is the announcement of the wider review, although I think that most people will be confused about how many reviews we how have. Could not this whole debacle, which has so sapped morale in the profession, have been avoided by proper piloting and better engagement with professional groups in listening to concerns that they have been expressing for a very long time?

The statement asserts that there is no problem with the underlying principles, yet goes on to say that the wider review will

"clarify and strengthen the principles".

Is there a problem with the principles, or not?

Has there been any assessment of the cost of the recovery operation and the impact on patient care of thousands of additional interviews over a six-week period—and, indeed, of whether it is logistically possible?

The Secretary of State highlights the support for the review group's proposals, but does she accept that many people do not support the plan? Does not Remedy UK have a powerful case in that the process remains deeply flawed, with so-called rescue interviews taking place later and possibly with different panel memberships? That is not a fair interview process. The statement refers to second-round interviews using a

"revised shortlisting and interviewing process".

When will the details of that be known? Is it not remarkable that no reference is made to the massive

mismatch between the numbers of applicants and the numbers of training posts available?

What will happen to those who do not get posts? It is still not clear quite how many there will be; I heard the answer to the previous question. Has not there been a total failure of work force planning whereby thousands of expensively trained dedicated professionals may be left without specialist training posts? Will those issues be part of the wider review? The Secretary of State said that there were likely to be some extra training posts. When will we know whether that is so, and how many there will be?

Will the Secretary of State include in her review a thorough analysis of what went wrong and who is responsible for creating this crisis in the first place?

Ms Hewitt: The hon. Gentleman refers to the two reviews. We established the independent review group under Professor Neil Douglas to deal with the situation that had arisen this year. The absolute priority was to sort out the problems that had arisen with this year's applications in order that posts could be filled, as they must be, for August, when the current posts, by and large, come to an end. That was what we had to focus on and that is what we have done for several weeks since the scale of the problem became clear.

However, we also need to ensure that we learn broader lessons for the future. As I said, I believe that the principles underlying modernising medical careers are sound, which is precisely what the review group and many others have said. However, particularly in the light of what has happened this year, we need to consider how those principles can be further reinforced and how their implementation can be further strengthened, and we are inviting the second independent review group, under Professor Sir John Tooke, to examine, for instance, some of the specific issues that have been raised about the degree of flexibility in the run-through training programmes provided under MMC.

The hon. Gentleman asks whether the new approach to round 1 interviews would be logistically possible, given the number of additional interviews that will now have to be conducted. The view that the Department, the review group and others take is that it is logistically possible, but only with considerable effort. That is why I referred, in response to the comments from my right hon. Friend the Member for Sheffield, Brightside (Mr. Blunkett), to the fact that the service around the country will in many cases need to release consultants from their planned activities in order to make time available for the additional interviews. That is why we are keeping the timetable under review.

The hon. Member for North Norfolk referred to Remedy UK and those who had suggested that a more radical change should have been made for this year. Let me refer him to what the review group said on Wednesday 4 April:

> "Serious consideration has been given to all of the options available, including a full and detailed analysis of pulling out of the current selection process completely. In the end, it was simply not a credible option. It would be impossible to place the best candidates in posts and fulfil the service needs in time for August using the old system of recruitment. We believe we have come up with the best available solution for England."

That conclusion of the review group, as I said, has been endorsed by the medical royal colleges and by the BMA.

The hon. Gentleman refers to the prospect or the possibility of unemployment among junior doctors. Although he did not fall into this trap, let me take the opportunity to refer to the thoroughly misleading statements made in recent weeks about the prospect of thousands of junior doctors finding themselves without work. That is complete nonsense. As I said in response to points made by the hon. Member for South Cambridgeshire (Mr. Lansley), the great majority of eligible applicants are already working in the service.

Of course, there may be situations in which somebody who has applied for a run-through training programme is not successful in obtaining that and will therefore need to continue in the staff job or, in some cases, to apply for a staff job. The review group is working on the nature of the support that we need to give people in that position and will want to make further announcements.

Mr. Russell Brown (Dumfries and Galloway) (Lab): Last Friday, I met a senior house doctor who was speaking on behalf of a number of his colleagues from a variety of professions in the NHS. He said that, as far as Scotland was concerned, much ground had been recovered but that it was vital for all concerned that UK-wide progress could be made. Can my right hon. Friend assure me that ongoing efforts will be made to ensure that the progress that has been made in Scotland will be mirrored right across the country?

Ms Hewitt: I can certainly give my hon. Friend that assurance. Obviously, we are dealing with far larger numbers of applicants in England than the NHS is in Scotland, but that is why we have established the review group and why we are so determined to ensure that we implement its proposals in a way that is fair to junior doctors and other applicants and that reassures them after the anxiety and distress that have been caused. My hon. Friend referred to senior house officers, and it is worth recalling the enormous difficulties that the old training system caused, particularly for SHOs, who, on various occasions, have notoriously been described as a "lost tribe" and who often had to apply for a new job every six months without knowing whether they would be able to continue their training in their chosen specialty.

Mr. John Redwood (Wokingham) (Con): In today's post, I received three glossy brochures about different parts of the NHS and a letter about PCT reorganisation, which reminded me that the strategic health authority in my part of the country takes 10 per cent. of the money that goes to the hospitals and the SHA together. Is not the truth behind this crisis that there is not enough money to appoint decent doctors with appropriate experience and training because the Secretary of State's priority is to have an NHS suitable for the glossy brochure industry and for all these reorganisations?

Ms Hewitt: That comment is not at all worthy of the right hon. Gentleman. It is a bit much for him to allege a lack of funding for the training and employment of

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doctors when the Government of whom he was a part starved the NHS of funds for nearly two decades and when we are training and employing more doctors, nurses and other health care professionals than the NHS has ever had before.

Mr. David Kidney (Stafford) (Lab): When I saw the leader of Stafford's junior doctors last week, she said that there was broad support for the standardisation that this system brings, and for it being an online system. Sadly, however, she also told me of the many instances of great distress being caused by the system. These included stories of people having their choices, and their family ties and personal circumstances, ignored, and of people who felt so disillusioned that they did not even believe that their applications had been properly read before a decision was made. Should not such situations be ironed out of the system? Should not the Secretary of State give an assurance that, in the second round and beyond, there will be greater respect for the individual circumstances of every applicant?

Ms Hewitt: The cases to which my hon. Friend refers are exactly what led us to establish the review group and to change the process for this year's recruitment and training programmes. A critical aspect of the way in which we are now moving forward is that every applicant will be guaranteed an interview for their first preference post. I have no doubt that, when applicants decide their preferences, they take into account the location of the various posts available as well as the specialty within which the post is offered. Similarly, when the service makes decisions on job offers, they will be matched—as far as possible—to the first preferences that have been indicated by all junior doctor applicants.

Peter Bottomley (Worthing, West) (Con): Remedy UK and Mums 4 Medics have done valiant work to try to bring together the concerns of doctors in training and their seniors. Will the Secretary of State, either now or very shortly, announce the e-mail address to which people can send their concerns, including the possibility—or, in some cases, the certainty—that some doctors have had their answers dissociated from their own application and were considered on the basis of answers given by other people? That is one of the real worries that has not yet had the attention that it deserves. Doctors should be judged on their own applications and CVs, not on those of others.

Ms Hewitt: Various allegations about applications being wiped from the system have been investigated and found not to be true. For instance, the allegation that 1,300 or 1,500 applications had been lost turned out to refer to the number of applications from people who were ineligible for training programmes; applications from eligible applicants had not been lost from the system. I have not heard any accounts of people who believe that their details have been lost from their application and someone else's details substituted. If the hon. Gentleman gives me the details of those cases, I will ensure that they are properly investigated.

Rob Marris (Wolverhampton, South-West) (Lab): Last autumn, I wrote to the Secretary of State expressing concerns about this year's implementation. The reply from the then Health Minister, Lord Warner, indicated that my concerns were misplaced, so several weeks ago I wrote back to the Secretary of State's ministerial team pointing out that the implementation was not going well, to say the least, and asking whether anyone responsible had been disciplined as a consequence. I have not received a reply to that question.

I do not wish to know names. I do not wish to hear that the Department does not believe in a blame culture, because that would be avoiding responsibility. I do not wish to hear that it is time to move on. What I would like to know from the Secretary of State is whether any disciplinary proceedings are in train or concluded against anyone whatsoever for these problems; if so, how many; and if not, why not.

Ms Hewitt: As I said earlier, once the problems became apparent our absolute focus was on sorting them out. That has been and remains the priority. But as I also said earlier, of course there are lessons that we need to learn from what has gone wrong this year, and that will be a matter for the independent review group. As far as I am aware, no disciplinary or performance management steps are being taken in the Department, but no doubt that can be considered as appropriate.

Mr. James Paice (South-East Cambridgeshire) (Con): As one who is currently undergoing treatment in the NHS, I pay tribute to the medical care that I have received. However, I also wish to convey the anger that a number of junior doctors whom I have seen when I have been in hospital—not just my constituents—have expressed to me about the way in which the whole debacle has arisen, and the fact that so many of them are now considering taking their careers abroad.

The Secretary of State's earlier answer to a question about possible unemployment was slightly disingenuous. It may be true that nearly all those involved are currently employed in the NHS, but if they cannot see their careers advancing in the NHS, they will take their valuable skills abroad—skills that we have paid to give them.

There are now two groups of people: those who have already been interviewed for their first choice and those whose applications for interviews for their first choice were originally rejected, and who will quite rightly be given them after the Secretary of State's review. There is concern in both groups about whether the interviews will take place on an equal basis. Can the Secretary of State assure us that those who were originally refused interviews and who will be given them now will be interviewed on exactly the same basis, and against the same criteria, as those who were interviewed on the first occasion?

Ms Hewitt: There are more training places for junior doctors now than ever before. As for the important issue of applicants who were not given interviews during the initial shortlisting process and who will be given them now, of course I can assure the hon. Gentleman that all applicants will be treated fairly and

equally. I am sure that the House would expect nothing less of the interviewing panels.

Let me also take this opportunity to wish the hon. Gentleman a speedy recovery.

Dr. Richard Taylor (Wyre Forest) (Ind): I understand the Secretary of State's problems. She has to accept the opinions of the sources that feed information to her. However, I want to make her aware of the grass-roots feeling of senior consultants in the NHS who oppose the views of the Academy of Medical Royal Colleges.

I have received no fewer than 40 letters in the last four or five days from senior consultants involved in medical training, and with only one exception they have said three things: that the national selection process has failed, that despite the review the morale of the juniors is still at rock bottom, and that the only answer is to scrap the medical training application service. Some have suggested ways of filling the posts by 1 August even if MTAS is scrapped.

Ms Hewitt: I always listen carefully to the hon. Gentleman's views on these matters, but I must stress to him that the review group, which includes some rather distinguished members of the medical profession, has looked very carefully at proposals from various quarters for scrapping this year's system and returning to the old system, or doing something else in order to fill the posts by August. As I said when I quoted from the group's statement of 4 April, it concluded that that was simply not credible or possible. On that basis, we need to move forward and I hope that all consultants involved in education and, in particular, interviewing for training places will, despite the difficulties, be able to make the necessary time available to ensure that candidates are treated fairly and that the NHS can appoint the best people.

Mike Penning (Hemel Hempstead) (Con): We have heard evidence from Government Members this afternoon of a great deal of complacency about how this whole situation occurred. May I ask the Secretary of State about the scoring system? The right hon. Lady said in her statement that it was created in conjunction with the medical bodies, but those bodies have indicated that it was imposed on them. Who will bear the cost of this debacle? I hope that it will not be the professional bodies. Will she let us know how much this has all cost?

Ms Hewitt: I am advised that the scoring system was devised with the full involvement of the medical profession and others. No doubt that is one of the issues at which the wider review that I have announced today can look. Clearly, regardless of how it came about, the system needs to be looked at for the future, since so many objections have been made to it now.

At this stage I do not know the additional costs of the changes that need to be made for this year. I have said that there will be some practical problems for the service in making consultants available and freeing them from their normal duties so that they can take part in the additional interviews. We will need to see what the additional costs will be, and in conjunction with the review group we are doing everything possible to keep them to a minimum.

Justine Greening (Putney) (Con): May I ask the Secretary of State about nurses? There are currently nearly 75,000 students training on nursing courses who will graduate over the next three years. What assurances can she give the House that when they finish their courses in the summer they will not find themselves in a similar position to the many doctors about whom we have heard today?

Ms Hewitt: Modernising medical careers obviously does not affect nurses. It is perfectly true that some newly qualified nurses and other health care professionals have found it extremely difficult to get posts in the current year, given the financial difficulties that the NHS has had to grapple with over the past 12 months, but we do not expect those problems to continue—certainly not on that scale—in future years. We are working with the newly strengthened social partnership forum to see, for instance, whether it might be possible to offer guaranteed employment in some cases to newly qualified health professionals.

Mr. Desmond Swayne (New Forest, West) (Con): Who were the 1,300 ineligible applications from?

Ms Hewitt: As I understand it, they were from people who either did not have the necessary permission to work in this country or simply did not meet the basic educational and qualification criteria for the post.

Mr. Crispin Blunt (Reigate) (Con): I have yet to receive a satisfactory reply to this narrow point, which I have raised with the Secretary of State before. It will not be quite such a narrow point if one needs hospital care on 1, 2 or 3 August, when every junior doctor will be either moving or undertaking induction training at their hospital. What arrangements have been put in place to ensure that there is satisfactory doctor cover in our hospitals between 1 and 3 August?

Ms Hewitt: Each hospital must ensure that it has the staff available to meet the needs of patients coming in for planned care and of those who may well arrive as emergencies. In the light of the question that the hon. Gentleman asked me on a previous occasion in this House, I have asked for a full briefing on that subject and I shall be happy to write to him when I have more information.

Point of Order

5.9 pm

Mike Penning (Hemel Hempstead) (Con): On a point of order, Mr. Deputy Speaker. Many colleagues on both sides of the House tried to contribute to the statement on Iraq, but as a result of the length of the Secretary of State's answers many, including those who have served in the armed forces, did not have the opportunity to ask a question. Can anything be done about such protracted answers from Secretaries of State?

Mr. Deputy Speaker (Sir Michael Lord): That is not a matter for the Chair directly, as I am sure the hon. Gentleman appreciates. However, it is always helpful if both answers and questions are no longer than is entirely necessary.

Orders of the Day

Mental Health Bill *[Lords]*

[Relevant document: Fourth Report from the Joint Committee on Human Rights, Session 2006-07, Legislative Scrutiny: Mental Health Bill, HC 288.]

Order for Second Reading read.

5.9 pm

The Secretary of State for Health (Ms Patricia Hewitt): I beg to move, That the Bill be now read a Second time.

As the House knows, I am very strong on productivity in the NHS, and I apply that to the ministerial team as well.

The Bill has been the subject of more debate and consultation than most Bills that come before this Chamber: there has not only been the 45 hours of debate that has already taken place in another place, but there has been eight years of public consultation and parliamentary scrutiny, including the work of a joint scrutiny Committee on an earlier draft Bill.

The debate has been intense and it has also been effective, leading us to change substantially our original proposals—a point that many of our critics, including some Opposition Members, tend to ignore. It is unsurprising that the debate has been so intense as we are dealing with the law as it applies to some of the most vulnerable people in our community—people whose mental illness is agonising for themselves and their families—and with restrictions on people's liberty, and often with matters of life or death.

Mr. David Kidney (Stafford) (Lab): On that vulnerability point, one good aspect of the previous draft Bill was the right to advocacy for all those who were at risk of being detained compulsorily, and that does not appear in the current Bill. Is there a commitment to add that right to the Bill before it completes its passage?

Ms Hewitt: My hon. Friend raises an extremely important point and, as Lord Hunt said in another place on this Bill, we are looking in detail at how we can best move forward on patient advocacy services. I am sure that we will return to that matter in Committee.

At any one time, one in six adults—some 9 million people—reports a mental health disorder. One in every four GP consultations is about mental health. More than 1 million of the people who are out of work and claiming incapacity benefits list a mental health problem as their main disability. Every Member will have dealt with constituents whose lives have been affected, often tragically, by mental illness. Many of us, too, have cared for a family member suffering from mental ill health—as I did over many years for one of my sisters. Our debates on the Bill will therefore be affected by the experiences of our constituents and, for many of us, by personal experience as well. Therefore, although I do not endorse all the views expressed about the Bill, I entirely respect the strength of those views. *[Interruption.]* In that spirit, I shall give way.

Mike Penning (Hemel Hempstead) (Con): I thank the Secretary of State for being so generous in giving way. She is right that many constituents who come to us need our help as their MPs and the help of the mental health services. Sadly however, many wards around the country are closing, such as the St. Julian's ward that caters for my constituents, so such people have nowhere to go even when they want to put themselves forward for help. What plans do we have to open more units, and where will the secure units that the Bill's provisions require come from?

Ms Hewitt: I will address that point in detail shortly, but let me say now that over the last 10 years or so there has been a radical shift in the nature of the care given to many people with mental illnesses. There has been a great shift in emphasis from hospital treatment to community treatment. As I shall explain, there has also been a substantial increase in the resources available to address the needs of such patients. We are also undertaking a review of provision for secure accommodation, to which the hon. Gentleman also referred. In the light of his intervention, before I turn to the provisions of the Bill it might be helpful if I refer briefly to the wider context of mental health services.

Tim Loughton (East Worthing and Shoreham) (Con): The Secretary of State mentions that she had personal experience of caring for someone with mental illness. Does she therefore agree with the findings of the YouGov poll announced today that 88 per cent. of people who knew somebody with a mental illness admitted that those people posed no danger whatever to themselves or anybody else?

Ms Hewitt: There is no controversy or disagreement about that. Those who pose a risk to themselves or to others are a very small minority of the large numbers of people with mental health problems.

Eight years ago, with the new national service framework for mental health, we embarked on a substantial programme to improve mental health services—a programme that in England has been backed by an extra £1 billion investment in the last five years alone. According to the European Commission, the UK now has one of the highest proportions of its overall health budget devoted to mental health of any EU member state. As a result, the NHS has more than 9,000 more psychiatric nurses, more than 1,000 more consultant psychiatrists and more than 3,000 more clinical psychologists than we had in 1997. Because the national service framework signalled a decisive shift of emphasis towards treatment in the community rather than in hospital, the NHS now has 343 new home treatment teams, more than 250 new assertive outreach teams, and more than 100 early intervention teams.

Mark Pritchard (The Wrekin) (Con): Is the Secretary of State comfortable with the civil liberties principle that the Bill, as not amended, would see people who have not committed a crime being locked up—at the same time as the Home Office is releasing people who we know have committed crimes?

Ms Hewitt: The hon. Gentleman has forgotten that mental health laws have included compulsory powers for more than 150 years. The Mental Health Act 1983 already provides for the detention of someone who is seriously mentally ill who has not committed an offence, for the purpose of assessment or treatment.

Hywel Williams (Caernarfon) (PC): Will the Secretary of State bear in mind that the Bill applies to both England and Wales? It is widely recognised that mental health services in Wales are behind—perhaps by as much as four years—those in England.

Ms Hewitt: I thought that that might be the hon. Gentleman's point and I was just about to say that in Wales the Assembly Government's Health and Social Services Minister announced £5 million additional recurrent funding for mental health services, to help implement the revised national service framework for Wales, and an additional £75 million capital investment. That demonstrates the Assembly's commitment to improving standards in our mental health services.

Of course there is more to be done: there always will be. But I pay tribute—as I hope we all would—to the outstanding care that is being given by NHS staff to extremely vulnerable and sometimes very difficult and challenging patients. That work is reflected in the fact that the number of suicides is at the lowest level since records began, and is among the lowest in Europe.

Kate Hoey (Vauxhall) (Lab): The Secretary of State mentioned vulnerable people. Does she agree that children with mental health problems need to be carefully safeguarded and does she not think that the changes that the House of Lords has made to the Bill will improve that safeguarding?

Ms Hewitt: My hon. Friend makes an important point. We have already made the decision to give 16 and 17-year-olds with mental health problems more rights than they previously had. In relation to the amendment by the other place, unfortunately changing the law does not always change the reality on the ground. My understanding is that since the new law was introduced in Scotland, with a requirement for age-appropriate accommodation, the number of young people and children being treated in adult wards has actually increased, not fallen, which is the opposite of the intention of the amendment—*[Interruption.]*

Mr. Deputy Speaker (Sir Michael Lord): Order. It is important that interventions are made in the normal way, not from a sedentary position, if we are to have a civilised debate.

Tim Loughton *rose—*

Ms Hewitt: I will give way again to the hon. Gentleman.

Tim Loughton: The truth about the point that the right hon. Lady made is that before the arrangements for young people under the 2003 legislation the numbers entering adult wards were not counted, so how can she make that comparison?

Ms Hewitt: I am not sure whether we were counting at that stage, so I shall come back to the hon. Gentleman on that point. I was simply pointing out

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that the provisions introduced in Scotland, which were the subject of an amendment to the Bill in another place, have not so far had the intended results.

As I indicated a moment ago, we have had mental health laws, including compulsory powers, for more than 150 years. Most countries have similar laws, so I hope that we are debating not the principle of compulsion but the form it should take, and how best to strengthen the safeguards that are essential when someone is deprived of their liberty or treated without their consent.

The main provisions of the Bill deal with the very small number of patients—fewer than 15,000 at any one time—whose problems are so severe that they need to be detained in hospital for assessment or treatment and to protect themselves or others from harm.

Angela Browning (Tiverton and Honiton) (Con): The difference between the right hon. Lady's proposals and the Mental Health Act 1983 is not just to do with the compulsion elements, which I agree were already in place; the difference is that the Bill couples them with a redefinition of mental disorder. Broadening the definition from a clinical to a behavioural judgment and combining it with the Bill's powers is what makes the measure so dangerous.

Ms Hewitt: I completely disagree with the hon. Lady. Far from broadening the clinical definition of a mental disorder, what we are doing—by simplifying the definition of a mental disorder in the 1983 Act—is removing four legal categories that have no particular correspondence to clinical categories. The categories of definition of mental disorder in the 1983 Act are not clinical, so by removing that confusion and having a single simplified definition we will ensure that people who need treatment in such circumstances will actually receive it. The Bill will bring the law into line with modern developments in mental health services, deal with human rights incompatibilities and strengthen patient safeguards.

Mr. Tom Watson (West Bromwich, East) (Lab): If ever there was a piece of legislation that proved that we cannot please all the people all the time it is this Bill. However, is my right hon. Friend aware that many Members on both sides of the House have been convinced by the advocacy of the mental health charity, YoungMinds? The charity is looking for reassurance during the passage of the Bill that we will never again allow children as young as 10 to be treated in the same way as older people; we do not want to see them on adult mental health wards.

Ms Hewitt: I completely agree with my hon. Friend. Of course, we do not want to see young children treated in adult wards, but nor do we want to put clinicians into a kind of legal straitjacket that could have the wholly unintended result that a young person in desperate need of care is turned away because a child bed or a child ward is not available for them. In my view, we need to focus on continuing to improve the services we provide for children and adolescents rather than believe that simply making changes to the law will solve the problem.

At the heart of the Bill are the provisions in chapter 4 for supervised community treatment. When the current law was introduced, the focus of care for people with the most serious mental health problems was in hospital, and the use of compulsion meant detention, and sometimes forced treatment, in hospital. Modern medicine and clinical practice has shifted the whole focus of care into the community and the law needs to follow. The Bill would, therefore, enable a patient who is detained in hospital to be released under supervised community treatment, enabling some patients to be discharged into the community earlier than would otherwise be the case—a real benefit for them and, often, for their carers, too.

Those provisions, of course, are designed particularly for the so-called "revolving door patients"—people who are hospitalised, whether under compulsion or voluntarily, who respond to treatment, who are released, and who then fail to maintain their treatment, producing another crisis and yet another hospitalisation. That pattern features all too often when someone who has been in contact with mental health services takes their own life—some 1,300 people a year. The same is also true in many of the far smaller number of cases—about 50 a year—when someone else dies at the hands of a mental health patient. We will probably never be able to prevent every such death, but supervised community treatment is essential to help ensure that patients who have been discharged from hospital continue with their treatment in the community, helping to keep them well and thereby helping to protect them, their families and the wider public.

Fiona Mactaggart (Slough) (Lab): On that point, I am glad that my right hon. Friend has made it clear that this provision applies where people represent a risk of harm to themselves or to others. I fear that some people, in reflecting on the Bill, think that supervised community treatment following admission to hospital could be applied more widely than that. Will she look further into the Bill's provisions for victims in those circumstances? I am concerned that victims of those "revolving door patients" who are not dealt with under criminal justice Acts, but quite properly in mental health care legislation, do not have rights under the Bill to information about the person who has made them a victim. That differs from the original draft Bill, so I hope that during the Bill's passage, my right hon. Friend will write in rights for victims.

Ms Hewitt: My hon. Friend makes an extremely important point about rights for victims in these tragic cases—a matter that the Minister of State, my right hon. Friend the Member for Doncaster, Central (Ms Winterton), will want to discuss with her and others so as to establish how best to proceed.

Lynne Jones (Birmingham, Selly Oak) (Lab): Supervised community treatment orders have proved controversial, but they were introduced with relatively little controversy in Scotland. Indeed, the ease with which Scotland was able to improve its mental health legislation was related to the fact that legislators accepted the advice of their expert committees. The hon. Member for Tiverton and Honiton (Angela Browning) raised the issue of definition earlier. The Government accepted the recommendations of the

expert panel in this particular case, but they did not accept other recommendations. I believe that some, though not all, of the Lords amendments and other proposed amendments should be made to improve the Bill.

Ms Hewitt: My hon. Friend makes an interesting point, particularly about Scotland, where the scope of supervised community treatment goes far wider than what we are proposing in the Bill. In Scotland, of course, supervised community treatment is available in relation to any patient—not just those who have been compulsorily detained in hospital. I want to stress a point that has often been ignored: under the Bill, supervised community treatment will not be available to a patient who is already being treated in the community or who is a voluntary in-patient.

As hon. Members will be aware, our original proposal was indeed to make supervised community treatment available in all such circumstances, precisely as the Scottish legislation has done, but we considered very carefully the objections of the joint scrutiny Committee and others to that aspect of the 2004 draft Bill and we decided not to proceed in that way.

We have sought to reach agreement with those in the other place on a number of issues, but we are not prepared to accept those Lords amendments that would restrict the use of community treatment orders to patients who have been detained as compulsory patients at least twice. I believe that that would be a wholly unacceptable restriction on clinicians: it would exclude patients whose first compulsory admission had already been preceded by several voluntary admissions; and it would deny the potential benefits of supervised community treatment to patients until there had been a further crisis and a further compulsory hospitalisation. I simply do not believe that that can be justified, and we will therefore seek to reverse that amendment in Committee.

Under supervised community treatment, clinicians will keep a very close eye on people and, if they are in danger of relapsing, take appropriate action to prevent that. Of course, one part of supervised community treatment provision will be appropriate conditions, which might, for instance, state that somebody live in a particular place or abstain from the use of recreational drugs, from alcohol abuse and so on. When one thinks of the situations that can exacerbate or, indeed, help serious mental disorder, one sees that such conditions are simply common sense.

Tim Loughton: Can the Secretary of State name one physical health condition to which similar circumstances currently apply?

Ms Hewitt: No, I cannot. No doubt the hon. Gentleman will wish to develop that point later in the debate.

Let me turn to the other changes in the Bill. Under the Mental Health Act 1983, people can be detained only if very strict criteria are met. In brief, the patient must suffer from a mental disorder, which must be of such a kind or degree that detention in hospital is appropriate and assessment or medical treatment must be needed to protect the patient or others. In addition, we propose that appropriate treatment—treatment appropriate to the circumstances of the individual—should be available before that person can be detained for treatment.

The new appropriate treatment test will replace the so-called treatability test. That, too, is a point on which we shall seek to reverse amendments made in another place.

Justine Greening (Putney) (Con): Is the Secretary of State not concerned, as I am, that organisations such as the British Medical Association are still concerned about the Bill as currently proposed? In saying that she is going to oppose the Lords amendment, is she not overriding what is probably the best medical advice?

Ms Hewitt: No. I think that there is a very real problem with the treatability test as interpreted in current law and in practice. The problem is that people with personality disorders often have enormous difficulty getting the services that they need, because they are too often dismissed as untreatable on the basis of what people think the treatability test means.

Mr. Andrew Lansley (South Cambridgeshire) (Con): I am grateful to the Secretary of State for giving way on that point, because it is one that she and Ministers of State constantly reiterate. In how many cases in which the Act has not been misinterpreted—that can clearly be dealt with by putting people right—are patients with a personality disorder actually denied treatment on the specific grounds that they are not susceptible to treatment?

Ms Hewitt: Our estimate is several thousand, but, in any case, it is too many. I am afraid that there is a perverse incentive inherent in the treatability test—it is inherent in any test of the likely effect of treatment, rather than its purpose—for some patients to refuse to engage with treatment in the hope of proving that it will have no effect on their condition.

The hon. Gentleman, who is muttering away on the Opposition Front Bench and clearly does not like my answer, needs to recognise that the treatability test is taken into account by the courts in sentencing offenders, as well as by clinicians in deciding whether detention is appropriate. I do not know whether he is aware of this, but let me refer the House to the case of a man called Richard Ley, who was sentenced to life imprisonment in 2005 for setting fire to his own flat in a suicide bid. The judge who sentenced him, Judge Sean Overend, said:

> "You were trying to self harm and did not care about the safety of others. I pass the life sentence with a heavy heart because it seems to me that to send you to prison for life when you have a disorder within the Mental Health Act is an inept disposal. But it is forced on the court because the consultant psychiatrist says that your personal disorder is untreatable so I cannot make a hospital order."

That is precisely what is wrong with the treatability test. *[Interruption.]* I do not know why Opposition Front-Bench Members seem to think that this is a matter for laughter. It was a tragic case. Modern clinical practice is that treatment is possible for people with personality disorders. The current combination of the four different categories of mental disorder—which we are going to get rid of—and the misunderstanding or current interpretation of the treatability test is having precisely the wrong effect.

Mr. Lansley: The Secretary of State has just demolished her own argument. She says that modern treatment is available for people with personality disorders. She has quoted cases. The case of Reid v. the Secretary of State, in 1999, made it perfectly clear that anger management alone could constitute treatment that would justify the imposition of a section. Why can she not accept that, if the law is being misinterpreted and people are not being detained where they should be, that is one thing, but to say that the law is wrong on those grounds is a completely different argument?

Ms Hewitt: I am afraid that the hon. Gentleman is ignoring the fact that, because of the assumption that people with personality disorders were not treatable, services to treat them have not been properly developed over a period of many years. But, of course, as he and I would both recognise, such disorders can be treated. Those services need to be developed and we do not need an unnecessarily complex piece of law, which has been interpreted in the way that I have described, getting in the way of the treatment needed by patients who are seriously ill.

Chris Bryant (Rhondda) (Lab): Is not a further difficulty that many clinicians, when faced with the question, "Will there genuinely be a therapeutic benefit for somebody with a personality disorder?" will not in the first instance be able to guarantee that and will in fact be able to state that in the first two or three months, there will almost certainly be a deterioration in the person's condition? That is the problem that we have to face.

Ms Hewitt: My hon. Friend is absolutely right and that is why we have come to the conclusion that it is much better to focus on the intention and the availability of appropriate treatment, rather than on whether a particular benefit, over a particular time scale, can be predicted.

Martin Horwood (Cheltenham) (LD): I have some sympathy with what the Secretary of State is talking about, because I am familiar with a case in which someone with a severe personality disorder was excluded from treatment—as is so laughingly dismissed by Members on the Conservative Benches. *[Interruption.]* I will return to the case later in the debate and I will explain how that was exactly the case. The person was excluded from treatment—there is no question about it—but he was not excluded simply by the treatability test. The issue is, as the Secretary of State mentioned, the interplay between that test and the narrow definitions of mental disorder. Does she not accept that, if those definitions are removed, the treatability test has lost a lot of its sting and therefore the modest amendments that have been produced by the Lords will still safeguard the interests of people such as James Green?

Ms Hewitt: The hon. Gentleman is quite right that we have to look both at the treatability test and the definition of mental disorder. As I have indicated, we propose to change both. But I do not accept his point that, in the light of the changes that we wish to make to the definition of mental disorder, we can therefore be comfortable with retaining the treatability test. The way in which it has been defined in the amendment made in another place would have thoroughly unhelpful—and in some cases, quite disastrous—consequences, of the kind that he describes in relation to, as I take it, one of his constituents.

I am conscious of the fact that I have been generous in giving way and that there are many other hon. Members who wish to speak in the debate, so let me just turn briefly to the other key provisions in the Bill. I have referred already to the changes to the basic definition of mental disorder in the Mental Health Act 1983—as have others. We also intend to remove all the exclusions from the definition of mental disorder—except the one for alcohol and drug dependance—again in the belief that the simpler we can make the law, the fewer arbitrary obstacles there will be to the proper use of the legislation, thus ensuring that people who are seriously ill and need treatment get that treatment.

The Bill will update legislation in line with new ways of working in health and social care. Many of the statutory functions under the 1983 Act have to be carried out by a psychiatrist or social worker. However, of course, the world has moved on. For example, nurses are now taking on a wider range of roles and gaining additional qualifications in a way that simply was not happening 20 years ago. The Bill thus opens up several such functions to people who have the right skills and experience, regardless of their professional background. I know that those provisions have been warmly welcomed by the Royal College of Nursing, Unison and others.

We will strengthen safeguards for patients who are subject to the compulsory powers of the 1983 Act. At the moment, all patients under compulsory powers have the right to apply to a mental health review tribunal. However, the Bill will establish a maximum period after which all civil patients must be referred to an independent tribunal, even if neither they nor their nearest relative has made such a request. We will also take a power to allow the Secretary of State for Health and Welsh Ministers to reduce that period.

Dr. Brian Iddon (Bolton, South-East) (Lab): What would the Secretary of State say to people who are critical of the six-month automatic referral period, especially those who argue for a 28-day period, which, I understand, is the length of time proposed in the Bill relating to Scotland?

Ms Hewitt: I hope that I can reassure my hon. Friend on that point. We have agreed that it would be desirable to reduce the six-month period, which is why we will take order-making powers in the Bill so that as resources become available—we will, of course, need to expand the capability of the mental health review tribunals—we can reduce that period.

We will amend the Mental Health Act 1983 to remedy a human rights incompatibility regarding the nearest relative. We will also change the Mental Capacity Act 2005 to introduce the so-called Bournewood safeguards, following the Bournewood case in the European Court of Human Rights. Those new safeguards will be important for people who lack capacity and whose care unavoidably, and in their best interests, involves a deprivation of liberty, but for whom detention under the Mental Health Act 1983 would be quite inappropriate.

I have already indicated that we tried, whenever possible, to reach agreement in another place, where the Bill has been extensively debated. In particular, we tabled an amendment in another place to ensure that the code of practice required under the Bill will contain principles and that the Bill will set out the issues that must be covered by those principles. I hope that the new clause, which I welcome, will reassure many of those who were concerned about the provisions of the original Bill and called for principles to be included in it. However, we believe that other amendments made in another place would damage patients and create the risk of harm to them, their families or the public. We cannot accept those amendments and we will try to reverse them in Committee.

Ann Coffey (Stockport) (Lab): My right hon. Friend will be aware that concern has been expressed by approved social workers about the way in which resources are managed locally and that compulsory admission can be a fraught affair. Will she consider ways of addressing such concerns and improving local arrangements?

Ms Hewitt: My hon. Friend has extensive experience in the field and I hope that she will develop her point during the debate. Of course that is a matter that we need to consider, although it is primarily the responsibility of primary care trusts, working closely with local councils, to ensure that they have the correct resources available. In an emergency, they must be able to ensure that an assessment is made so that an authorised social worker—under the Bill, an authorised mental health professional—can decide whether to apply for detention in hospital for the purpose of assessment or treatment. I have no doubt that we shall return to that point.

I stress that we have substantially increased the investment that the national health service makes in mental health services, as a result of which many thousands of mentally ill patients are getting far better care and treatment than was the case 10 or 20 years ago. However, there are still people with serious mental health problems who are not getting the treatment that they need, not only to protect them, but sometimes to protect the public from harm. We need to make changes to the legal framework to help to ensure that they get the necessary treatment, not only in hospital but, in line with modern medical practice, in the community. I believe that the Bill—or rather the Bill as amended in Committee as I hope and intend it will be—will strike the correct balance between modernising the legislation in line with the development of clinical practice, improving patient safeguards and protecting more people from harm. I commend the Bill to the House.

5.46 pm

Mr. Andrew Lansley (South Cambridgeshire) (Con): It is interesting to hear the Secretary of State move the Second Reading of a Bill whose principles now diverge substantially from those that the Government proposed, but such is the nature of today's debate. It probably will not be well understood outside that we will manage to have an argument while all agreeing that the Bill should be given a Second Reading, but we will carry on and do so anyway.

The Government always say that the Bill is not about mental health services but, like the Secretary of State, I want to start by paying tribute to the people who work in mental health services. Hon. Members on both sides of the House will in a personal context, a family context and a constituency context have met people who work in mental health services, who do an often difficult job in difficult circumstances. People with psychological illnesses may present in similar ways to those with physical illnesses, but in some cases they can be very different—and very difficult to handle. The skills required of those who work in mental health services are remarkable, as are their forbearance and their patience in delivering those services. We should therefore start our debate by recognising what they do. The Conservatives think that, as a consequence, such people should be especially listened to. That has happened during consideration of the Bill in another place and, as it passes through this House, I hope—I know—that Members of this House will take a lot of trouble to ask people working on the front line in mental health services what they feel about the provisions. That may well change a few minds that might have started out a bit too set.

I do not want to discuss at length the state of mental health services. You will recall, Mr. Deputy Speaker, that in February last year we had a debate in Opposition time in which we set out the issues in some detail. I hope that that will be taken as read. We acknowledge that additional resources have been provided for mental health services. Ministers often chide me, but I am prone to say that health services generally and mental health services have improved. From experience in my local area, I especially welcome the creation of crisis resolution teams and the introduction of early intervention and assertive outreach. Those are important innovations, as has been the development of the care programme approach. However, I hope that Ministers will be equally even handed and acknowledge that significant problems remain.

Those problems include reductions in the number of in-patient beds and financial pressures on mental health trusts—even if they are not in deficit, they have to make savings as a consequence of deficits elsewhere. Despite the introduction of the care programme approach, only 50 per cent. of patients are subject to care planning. In addition, as the "Count Me In" census demonstrated, there are continuing problems relating to the discriminatory effects of the use of compulsion, especially in relation to black and minority ethnic patients. Those are all problems that we have to deal with, but as I am sure that Ministers would remind us, the legislation is not specifically designed to deliver services; it is designed to establish the legal framework under which people are brought under compulsion.

We are discussing one of the less impressive tales of policy making of the last 10 years—and there is some competition on that score. It has long been acknowledged that the Mental Health Act 1983 needs to be brought up to date. A generation has passed since it was enacted, and as the Secretary of State rightly said, there are a number of issues that need to be dealt with, but let us consider the stages that we have been through. There has been a so-called blue paper, a

[Mr. Andrew Lansley]

Green Paper, and a White Paper—oh, and I left out Professor Genevra Richardson's expert committee report in 1998. I should not have done so, because it would have been a jolly good thing if the Government, who received that report right at the start of the process, had actually listened to what was said in it, rather than trying to cherry-pick from it.

There was a 2002 draft Bill and a 2004 draft Bill, and a subsequent Joint Committee on the Draft Mental Health Bill report. Finally, in March last year, a few weeks after our debate on mental health services, Ministers acknowledged the inevitable—the fact that the legislation would not fly—and moved to an amending piece of legislation, which is what is before us now. I did not find, in any of the recent stages in which I have been involved, that the Government appeared genuinely to listen to the independent expert consensus that is emerging on how the legislation should be framed.

It is true in a literal sense that the Bill is about the legal process for bringing people under compulsion, but there is a clear relationship between service provision and the case for compulsion. Those two things do not live in isolation from each other, and there is an important document, which was published in December, that needs to be read in that context. It is the five-year report of the national confidential inquiry into suicide and homicide by people with mental illness, which for convenience is called "Avoidable Deaths". In that report, clinicians were asked to identify the factors that they believed would have made homicide less likely. Let us remind ourselves what the results were, starting with the factor that they were most likely to cite. They were: better patient compliance, which is not surprising; improved staff communication; closer contact with the patient's family; closer supervision of patients; and better liaison between different services. In more than 20 per cent. of cases, those were cited as factors that might have made the homicide less likely.

Mark Pritchard: Of the 1,300 people who sadly killed themselves last year who had exposure to mental health services, many would previously have been admitted to accident and emergency units. Does my hon. Friend agree that accident and emergency units should have a standard operating procedure, whereby people who present themselves who have self-harmed automatically receive counselling, through voluntary or charity groups, or perhaps even as a result of increased resource in the NHS?

Mr. Lansley: I am interested in my hon. Friend's point. From my recollection, most accident and emergency departments with which I am familiar have staff who are trained in mental health issues available; they would be able to make judgments about what kind of onward referral is appropriate for people who present themselves to accident and emergency. Clearly, where that is not the case, the accident and emergency department would need to consider the position. If one goes abroad, I know that in accident and emergency departments in north America, nursing staff who work in accident and emergency departments are required to have had a period of mental health training. We have to bear it in mind that it is an important aspect of service provision that mental health services are not a separate service from the national health service; they are an integral part of it, and that needs to be true of staff training, too.

To revert to the point that I was making, among the factors offered to clinicians as making a homicide less likely was the availability of new powers under the Mental Health Act. In 6 per cent. of cases, clinicians cited that factor, so let us at least get the matter in proportion. There are circumstances in which clinicians said, "We would like to have new powers," but equally, if one looks at the matter subjectively, from the point of view of what clinicians believe about the cases with which they are familiar, they see a whole range of other factors that would be more important.

Fiona Mactaggart: The hon. Gentleman cited clinicians as saying that better patient compliance was the top factor that would improve services. Does not he agree that community treatment orders are precisely a way to get better patient compliance among the narrow group of patients concerned?

Mr. Lansley: I am grateful to the hon. Lady for making that point, but I was about to come on to that issue, because patient compliance is indeed precisely what it is all about. I will come to that point in a minute, and I promise that I will answer it, but we all need to ask what factors matter most, and how we can best achieve them. The way in which the Ministers represent their case—the Minister of State, Department of Health, the right hon. Member for Doncaster, Central (Ms Winterton) has done it repeatedly—is to say that there are 1,300 suicides and 50 homicides a year, and those, by implication, would be prevented by their proposals.

The Minister of State, Department of Health (Ms Rosie Winterton) *indicated dissent.*

Mr. Lansley: The Minister shakes her head, but let us be clear: the evidence does not support anything like that proposition. The ability of clinicians to identify risk is very limited. The Mental Health Alliance estimates that up to 2,000 people with schizophrenia would have to be detained in order to prevent one homicide. The "Avoidable Deaths" inquiry illustrates that point; in only 1 per cent. of cases was the estimate of immediate risk of violence high at the last contact with the patient before they were responsible for a homicide. In nearly half of cases, there was thought to be no immediate risk of violence. There are similar figures for suicide risk: only 2 per cent. of patients were thought to be at high immediate risk. Let us not get carried away with the thought that there is certainty, and that clinicians know what will happen in the case of any particular patient; they have no such certainty.

Ms Hewitt: Is the hon. Gentleman aware that the same "Avoidable Deaths" report concluded last year that 56 of the suicides among people who had been in touch with mental health services could indeed have been prevented by supervised community treatment?

Mr. Lansley: Occasionally, I read the notes that I have prepared beforehand, and my next page says that the "Avoidable Deaths" inquiry identified what it regarded as the potential for prevention, and it mentioned 56 cases a year of suicide and—a figure that the Secretary of State did not mention—eight cases a year of homicide, because those cases related to the criteria for community treatment orders. Of course, the "Avoidable Deaths" inquiry was also clear about the lack of evidence, so we have to be understanding. In precisely the paragraphs to which the Secretary of State refers, it says:

"We have no reliable way of calculating how many suicides would be prevented by a community treatment order".

and it says precisely the same thing about homicides.

That brings me back to my point about the Bill being about service provision as well as compulsion. If we are concerned to ensure that suicides, homicides and violence to others are minimised, what really matters, first and foremost, is the availability of services and the degree of appropriate supervision available to patients. The care programme approach and the availability of enhanced CPAs seems, on the face of it, and indeed on the basis of the "Avoidable Deaths" inquiry, to be the factor that is most likely to mitigate the risks.

The Government ought to know that, because they went out looking for evidence to support their argument. They looked for evidence on community treatment orders, and that evidence was published just after the Bill's Third Reading in the House of Lords, so it was too late to be of any benefit to those proceedings, but I think that it would probably have reinforced their lordships in their conclusions. The review of evidence, by Churchill et al, which was published in 2007, said:

"It is not possible to state whether community treatments orders...are beneficial or harmful to patients."

It went on to say that there was

"very little evidence of positive effects of CTOs in the areas where they might have been anticipated."

The result is that the Government last week announced a further research project, which is to be undertaken by the university of Oxford and others. The Government have been proposing supervised community treatment orders for several years, and now they think it necessary to undertake research into their potential effectiveness. The Secretary of State was perfectly open about the Government's objective. She wants the Bill to complete its Second Reading, but then she wants to change most of it and overturn the amendments made in the Lords. I suggest to Members wishing to participate in our debates that they read the debates in the Lords carefully. Those debates lasted for 45 hours, so I know that that takes a long time, but I urge them to do so, as they will find that powerful arguments were made and a great deal of expertise was brought to bear on the issue. I pay tribute to my colleague, Freddie Howe, to Lord Carlile, Lord Williamson, Baroness Murphy, Lord Rix, Lord Adebowale, Baroness Barker, Baroness Neuberger and all those who contributed their considerable weight of expertise and authority in the Lords.

The Government tried to represent the argument as one between the rights of patients on the one hand and the protection of the public on the other, but that is a false dichotomy, as we can secure the rights of mental health patients and protect the public better than we have done until now. The Government, however, want to propagate that false dichotomy, because they want to force the argument in the direction that they want to take. Their attitude that they should have unrestricted access to powers is best seen in the assertion by the Minister of State, Department of Health, the right hon. Member for Doncaster, Central that

"Every restriction is a patient untreated".

That is both illogical and misleading. Compulsion is not the only route to treatment. Thousands of patients access services without compulsion. In the case of Michael Stone, the fundamental issue was not whether he was placed in a hospital under detention and regarded as not treatable but whether the services were available to provide the treatment that was regarded as necessary. Ministers go round talking about those cases—they do not do so openly; they do it privately—and if that does nothing else, it propagates the stigma experienced by mental health patients, which must stop.

Thousands of patients access services without compulsion. Supervised discharge arrangements are available, and an enhanced care programme approach does not require compulsion. Discharge into the community should not happen earlier because CTOs are available. The principle should be straightforward: if patients need to be in hospital, they should be there; if they no longer need to be in hospital, they should be discharged. It does not require the legal establishment of a community treatment order for that to be the case. We are not against CTOs in principle, but they should be deployed as a means of securing compliance under strict conditions, and the Lords have put such measures in place where there is a history of relapse after treatment, where there is a history of refusal of treatment, or where there is a clear benefit from treatment if subsequently recalled.

Angela Browning: Is there not another consideration, about which the Joint Committee on Human Rights heard very clearly when it scrutinised the Bill? If people go back into the community and live with close associates or relatives, it is important that those carers, which is what they often are, are comfortable with the arrangement, too. In evidence, many of them expressed grave concerns.

Mr. Lansley: I am grateful to my hon. Friend, because the evidence taken by the Joint Committee has been useful, and it will prove useful, too, in our considerations. There is deep concern not only among groups representing individuals with mental illnesses but among those individuals' wider friends, families and communities about the nature of the proposed legislation.

Ms Hewitt: Will the hon. Gentleman tell the House whether he supports the amendment made in another place to restrict supervised community treatment to people who are a threat to others, and exclude people who might harm themselves and who, as he has said, constitute the far larger number of mental health patients who could benefit from supervised community treatment?

Mr. Lansley: First, we need to consider whether it is more appropriate for someone who is at risk of harming themselves always to be under supervised discharge arrangements rather than under compulsion. As for the question of whether we believe that CTOs should be available only if someone is at risk of harming others, the answer is not necessarily. I know that an amendment to that effect was tabled in the Lords, and it is reflected in clause 32. We need to look at that very carefully, and consider whether in theory there are other circumstances. I wish to emphasise the fact that whether it is circumstances in which someone is at risk of harming others or whether they are at risk of harming themselves, we should assert the three R's—that is an easy way of remembering them—namely, relapse, refusal, and the result of treatment.

It is astonishing that Ministers have resisted that. The Minister of State has talked about revolving-door patients. That is the criterion that we are using, which is why we wish to include those measures in the Bill. It is therefore seriously misleading to imply that compulsory treatment offers access to services. I could hear that implication when the Secretary of State said that people were being denied access to CTOs and, by extension, to treatment. That is not true. They need not be denied treatment if services are available, and there is a range of mechanisms to make that happen. Compulsion should be the last resort—and this brings me back to the point made by the hon. Member for Slough (Fiona Mactaggart)—because it does not come without a cost. I do not mean financial cost, but the cost of compliance.

Lynne Jones: I was going to make the same point as the Secretary of State, and I am pleased that the Opposition do not automatically support the amendment that was made in the House of Lords. While I agree that CTOs ought to be used sparingly, they are necessary. In fact, a majority of clinicians would like to have the option of CTOs and community supervision. I agree, however, that the availability of services is important. It is a scandal that a quarter of people who are compulsorily detained have been refused treatment in the past, and I wonder what the Opposition's view is on the need to introduce measures in the Bill that give people the right to assessment.

Mr. Lansley: I am grateful to the hon. Lady for those points, and I am reminded of an occasion on which I sat with consultant psychiatrists a couple of years ago or more. They said that at the end of the day there are circumstances in which they are under obligations not just clinically to their patients but to the community. There is a point at which to meet those obligations they would either have to put a patient who is in the community into hospital, although they do not consider that they need to be there, or would have to seek additional powers, so they supported community treatment orders. We therefore do not object to the orders in principle, but we must be absolutely sure that we are creating safeguards in the legislation that make the measure a last resort, rather than a first resort.

The hon. Member for Birmingham, Selly Oak (Lynne Jones) spoke about the right to assessment, but we must tread carefully. The Secretary of State made a point about age-appropriate services and assessment, and we must be sparing in the use of a legislative vehicle to mandate services. I do not think that we can go through mental health services trying to specify what they should do in the Bill but, as I shall explain in relation to age-appropriate services, it is sometimes necessary for legislation to express Parliament's firm intentions. I think that that is what the legislation currently does.

Adam Afriyie (Windsor) (Con): We are all after the same objective—people suffering from mental health challenges should gain access to services so that they are treated and get well or return to the community. It strikes me, however, that there is a lack of evidence about the impact of CTOs in the community. There is a risk that the pressure of such orders would stop people presenting themselves for services, so we should look at the studies that have been done around the world to see whether or not the impact of treatment orders is far worse than not introducing them at all.

Mr. Lansley: I am about to come on to that point. Compulsion does not come without cost. Although there is a financial cost, finance is not the principle issue. It is about whether we can deliver mental health services as effectively as we wish, because it matters tremendously whether or not mental health patients and their families and friends, as my hon. Friend the Member for Tiverton and Honiton (Angela Browning) reminded us, support compliance. People should want to access mental health services. An environment of coercion will entail the risk that patients will not access services at all. That is precisely the perspective from which many leading professionals approach the issue, and it is among the most dangerous of situations. One need only look at the "Avoidable Deaths" inquiry to see that it is perfectly obvious that the factor most likely to cause problems is a lack of patient compliance. If we put in place an environment of coercion that deters patients from accessing services, we will be in serious trouble.

Meg Hillier (Hackney, South and Shoreditch) (Lab/Co-op): In the debate about coercion, we have heard little about the actual mental health patients themselves. On a couple of occasions, I have had the privilege of meeting users of mental health services in Hackney, thanks to the support of the Mind service user group. They expressed mixed views on compulsion, but some recognised that a compulsory treatment order in the community is preferable to compulsion and detention in hospital—where that is an option, people often prefer it. As I have said, views were mixed, which is something that I hope to go into when I get the chance to speak, Madam Deputy Speaker, but the issue has not been raised, and I wonder whether the hon. Gentleman wants to comment on it.

Mr. Lansley: The hon. Lady has fallen into the same trap as the Secretary of State that treatment is available only under a CTO. Supervised discharge arrangements are available, and it is perfectly possible for patients to opt for them. Compulsion is not required in such a wide range of circumstances.

Ms Hewitt: The hon. Gentleman has referred several times to supervised aftercare arrangements, but is he aware that they are hardly ever used? Clinicians have made it clear that they do not use supervised aftercare because the arrangements are too bureaucratic, there are too many restrictions on their use and, critically, there is no power to recall a patient to hospital. That is the central difference between supervised aftercare and supervised community treatment, which he should therefore support.

Mr. Lansley: Once again, the Secretary of State is making our argument for us. It is perfectly clear that far from resorting to CTOs, the Government should have been trying to work out how supervised discharge arrangements can be used more effectively. *[Interruption.]* Compulsion is not the same as supervision. What is required in order to promote patient compliance is, wherever possible, to achieve close supervision in circumstances that do not involve compulsion. *[Interruption.]* The Secretary of State has said, "Well, they cannot be recalled." Of course it is possible for a section to apply, which could happen to any patient in the community. That may be for assessment in the first instance, but if the patient has been sectioned before, it may be for treatment. The Secretary of State seems to be making our argument for us, but I do not want to go on for too long, because I know that many hon. Members want to speak.

Even more dangerous than the risk of non-compliance by patients would be if the use of CTOs were extended as an alternative to in-patient treatment, where that is desirable. Over the weekend, I published figures from the Department on the number of formal admissions under the Mental Health Act 1983. The Secretary of State has said that the Government want a shift out of hospitals and into the community. Well, the number of formal admissions has increased since 1997, while the number of in-patient beds has decreased by 20 per cent., including by 5 per cent. in the last year for which figures are available.

With 63 per cent. of finance directors of mental health trusts saying that they are reducing their spending plans, the risk is clear. For financial reasons, rather than for reasons involving patients' interests, early discharge from hospital will involve community treatment orders. Early discharge should never occur because a CTO is cheaper; it should occur only in circumstances in which patients should not be in hospital. Cost saving by limiting in-patient detention is another potentially serious risk.

I do not understand why the Government oppose the Lords amendments to clause 24 on age-appropriate assessment, services and accommodation. They have said that that would not be available in an emergency, but clause 24 is perfectly clear about assessment in an emergency, when it might not be possible to provide such facilities. It is clear that what is required in terms of accommodation is what is sufficient for the needs of children and young people and that what is sufficient for the needs of children and young people might be different in an emergency from what might be available when there is more time. As I said to the hon. Member for Birmingham, Selly Oak, Ministers must accept that Parliament wants to make it clear that it is unacceptable for three children and young people a day to be admitted to adult in-patient facilities. That must stop, and we must find not only the means but the will to make it happen.

I have mentioned the safeguards on revolving-door patients, and I find it astonishing that Ministers will not accept the Lords amendment, which seems to deliver precisely the kind of safeguard that Ministers have called for.

On therapeutic benefit, the Secretary of State and I had an exchange on the issue of personality disorder. That comes down to the question of medical necessity—is it necessary for somebody to be admitted under compulsion? In another place, the Liberal Democrat Lord Carlile, who cannot be accused of treating lightly the protection of the public, quoted Professor Eastman, who is professor of law and ethics in psychiatry at the university of London and head of forensic and personal disorder psychiatry at St. George's medical school. Professor Eastman has said:

> "Therapeutic benefit to the individual is of crucial importance in terms of protecting the boundary of what is the business of mental health professionals. I am not at all against protecting the public, of course not, but it must be in conjunction with some benefit to the individual that goes beyond simply stopping them offending. If you adopt a definition of treatability which is simply the reduction of risk or the avoidance of offending, that means that locking somebody up is treating them."

We do not agree with the proposition that locking somebody up is treating them.

This is a health Bill, and it must be about treating patients successfully. We have to protect patients from harm and we have to protect the public, and improving access to and the effectiveness of mental health services is the best way to achieve that. In specific circumstances, compulsory detention and compulsory treatment in the community will be necessary. We have a responsibility in Parliament to define those circumstances with the greatest possible care. I have no doubt that those circumstances must be determined by the therapeutic benefit to the patient as well as the necessity of compulsion to prevent harm to others. We must not widen the scope of compulsion to such an extent that it threatens patients and drives them away from access to services and compliance with treatment. Conservative Members welcome the Bill as introduced in this House, and unlike the Government, we will vote for it on Second Reading while agreeing with its principles.

Several hon. Members *rose—*

Madam Deputy Speaker (Sylvia Heal): Order. I remind all right hon. and hon. Members that Mr. Speaker has placed a 10-minute limit on speeches by Back Benchers.

6.18 pm

Mr. David Blunkett (Sheffield, Brightside) (Lab): First, I congratulate my right hon. Friend the Secretary of State and her ministerial colleagues on persevering with this legislation in the face of misleading and, sometimes, scurrilous campaigning, which has led to great fears among those suffering from mental health problems. Those fears were expressed on the radio this morning, when someone who is willingly receiving

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support and treatment and gaining therapeutic benefit from it stated their belief that the Bill would take away their liberty. It behoves all those who are debating and campaigning on the Bill, with which I have been involved for a number of years, to be careful about what they say in order not to create unnecessary worry. That includes the idea that 2,000 people will immediately be rounded up as though we live in a police state, which we do not.

Secondly, I congratulate my right hon. Friend on the balance that she is attempting to achieve between the liberty of the individual and the protection and needs of the public. As she has rightly pointed out, she has a substantial personal background in this area, which she has brought to bear on the legislation.

Thirdly, as part of the extensive listening that has taken place over the past few years by the Government, I hope that my right hon. Friend will ensure that issues of advocacy, which were originally in the legislation, which are being campaigned on by YoungMinds and which are complicated—for example, a parent would not want a 10-year-old in the same ward as 17-year-olds with particular health problems—are resolved. I know that there is deep concern about that among hon. Members on both sides of the House.

Fourthly, an issue that concerns the Zito Trust is that victims—or, more appropriately, victims' families—have the same rights in relation to murder and distress caused in the circumstances that we are debating as they would if action were taken under the criminal justice system, which was strengthened in that regard by the measures taken in 2003.

We should be wary of presuming that because people have the right intentions they are automatically right. That is clearly demonstrated by the Lords amendments, which would create fear unnecessarily. Let me refer particularly to issues relating to exclusion. Some people assume that if the Bill does not specifically exclude the possibility that there is an evil regime just around the corner—even in my worst moments, I do not presume that that will happen after the next general election, or the one after, or in 50 years' time—that possibility means that issues of sexual identity or orientation, or of people's involvement in disorder or in acts of cultural, religious or political belief, are somehow associated with its measures, leading them to believe that there is another agenda.

When people believe that, they start making up in their own minds about what might happen. Take the shadow Health Secretary's views on therapeutic outcomes. Of course, we can debate an holistic approach and whether we can judge therapeutic outcomes in terms of managing someone's condition. However, in dealing with the question of community treatment orders, it ill behoves us to presume that those who are prepared to continue to receive support in the community, to accept their treatment and to continue to collaborate with the services are at risk of being dealt with under this legislation, because all Members know that they are not. We are not talking about people who would continue to take medication or receive therapeutic outcomes, but about people who would breach the decisions that were taken while they were in compulsory hospitalisation. All of us, perhaps with the exception of the Member who asked an inappropriate question earlier on, would accept that we have had compulsion for the past 125 years. We are debating precisely how we deal with the delicate area of people whom we know are at risk—or at least some psychiatrists would accept that they are at risk—because they have been into compulsory hospitalisation at least once. It is strange that those who rightly argue against revolving doors, and who would be deeply concerned about patients who were continually in and out of hospital without appropriate community action being taken to avoid their returning to hospital, have reversed the coin completely and are saying that they want to continue with a revolving door—presumably to the point where someone demonstrates by their actions that they are a risk to themselves and others. We cannot have it both ways.

Nor do we want there to be a lawyers' field day, as there usually is. I have more than one regret about things that I did as Home Secretary, partly to do with the balance in sentencing and the misunderstanding with the judiciary. Another regret that I had as Home Secretary concerned the nature of people's understanding of what was taking place when we legislated. The more we legislate, the more lawyers make money—there is no question about that. In my view, they would have a field day if we left in place the House of Lords amendments. I should know, because they have had a field day in making money out of me—fortunately with success on my side. However, that does not stop me from being deeply suspicious of anything that means that people have to resort to law to be able to understand what we were trying to legislate about and its interpretation.

For instance, I have experienced situations where people argued after a murder had taken place that the individual had a mental health problem and should therefore not be sentenced normally through the criminal justice system but be dealt with through the mental health tribunal. I have a terrible fear that the arguments are now moving the other way, whereby people would argue that the fact that someone was prepared to commit homicide demonstrated that they had a mental health problem, but were not prepared to accept, even though the person had been in hospital under detention before, that that could have arisen. These definitions and clinical decisions are very difficult. We must be careful that we do not impair people's liberty, but we must also be clear that if we fail to act, we let people down.

I go back to the time when I was shadow Health Secretary, when I first met Jayne Zito. I pay tribute to what she has done over those years since the death of her husband, Jonathan. It seemed to me absolutely crucial that we listened and learned from such events, just as I listened and learned when I went to see the man with a mental health problem who tried to commit suicide, failed and ended up as a paraplegic. Of course, he was having to be supported and treated. He desperately wished that someone, as we would if we saw a person jumping off the parapet of a building, had been prepared to intervene—to grasp his hand and stop him doing it.

We are trying, with difficulty and with all sorts of things being said about us outside the House, to get

that balance right. I hope that with the support of this House we will eventually pass an Act that protects people from themselves and from others.

6.27 pm

Norman Lamb (North Norfolk) (LD): It was good to hear the belated recognition by the right hon. Member for Sheffield, Brightside (Mr. Blunkett) that passing endless new legislation does not necessarily make the world a better place. The Bill is all about the safeguards that are in place to ensure that people with mental health problems are treated properly and that legislation cannot be improperly abused because it is too loose and does not sufficiently safeguard the interests of the individual.

The proposed legislation has had a tortuous journey to get to this point, and the Bill that we have before us, as amended in the other place, is a good one that will have Liberal Democrat support. The sadness is that the Government will seek to unravel the good work that has been undertaken in the other place. Like the Conservative spokesman, I pay tribute to the extraordinarily well-informed debate in the other place and the scrutiny of the Bill that took place there.

The only point where consensus has been achieved is on the need to reform mental health law. There is widespread acceptance of the fact that the Mental Health Act 1983 needs updating, but nine years on from the Government's appointment of an expert committee back in 1998, it is remarkable that far from building consensus and support for new legislation, we will have a greater divide between the Government's position and that of most people working in mental health services. The Government make a lot of the amount of consultation and debate that has taken place—the Secretary of State mentioned it in her speech—but the problem is that they give every indication of rejecting all the evidence and advice that has come as a result. That evidence and advice have come from a remarkable alliance of organisations working in mental health services—an alliance of, I think, 79 organisations, covering service users, psychiatrists, social workers, nurses, psychologists, lawyers, voluntary organisations, charities, religious groups, research bodies and carers groups. Together, they have expressed their concerns and maintained their opposition to the Bill as originally presented to the other place. The Government ought to take careful note of such a powerful alliance of concern.

Judy Mallaber (Amber Valley) (Lab): Will the hon. Gentleman accept that the alliance of all those professionals—this includes Amicus, the British Association/College of Occupational Therapists, the British Psychological Society, the Royal College of Nursing and Unison—does not agree about the changes made in the House of Lords to move away from the multidisciplinary role and put all power back in the hands of doctors? Will he accept that on that issue that alliance does not represent the views of a large number of people working in mental health services in the health service?

Norman Lamb: I accept that and certainly we will listen to the concerns as the Bill goes through Committee. I appreciate that there is a divergence of views on that issue.

In 2004, the Joint Scrutiny Committee reached a conclusion that one would have thought would be largely uncontroversial. It said:

> "The primary purpose of mental health legislation must be to improve mental health services and safeguards for patients and to reduce the stigma of mental disorder."

That does not appear to be the Government's view. The Government define the purpose of the Bill very narrowly. They say that it is

> "about the legal processes for bringing people under compulsion."

Clearly, that is an incredibly important issue, but the divide in perceptions of purposes of legislation is remarkable.

I want to say something about protection of the public. The Government make much of that, and in many respects rightly so. It is of course entirely legitimate and right to consider public safety and to ensure that people are not unnecessarily put at risk, but we need to ensure that legislation is guided by evidence, and it is incumbent on us all not to stir up fear where evidence might provide reassurance.

The Government's approach appears to be based on an assumption that mental ill health, particularly in severe forms such as schizophrenia, is necessarily linked to violence and that the problem is getting worse, caused by care in the community and the inadequacies of the Mental Health Act 1983.

What is the evidence? According to the evidence that I have seen, 5 per cent. of homicides are committed by people who have at some stage had contact with mental health services. That position has remained largely unchanged for the past 50 years. In other words, the emergence of care in the community appears to have had very little impact on those statistics—on those trends. Far more murders are committed by people under the influence of drink or drugs, and there is certainly no suggestion that we should be locking them up on a preventive basis.

If we look at the number of murders committed by people who are currently suffering from a mental health problem, we again find little change. There have been 30 to 40 a year since 1997, yet the overall murder rate has increased by some 30 per cent. in that time, so murders committed by people with mental health problems form a reducing percentage of the total number of murders. Only one person in 20,000 with schizophrenia commits murder.

As I understand it from talking to experts, there is also the problem that it is very difficult, if not impossible, to predict which person could be violent. I understand that attempts to predict are wrong in 97 cases out of 100. We would have to lock up 2,000 to 2,500 people to prevent a single homicide. On the point made by the right hon. Member for Sheffield, Brightside, of course we are not suggesting that we are going to lock up that number of people, but if we do not, we do not achieve the objective of preventing people from being killed.

Chris Bryant: That is a completely false understanding of how logic works. It is entirely wrong to suggest that we would have to lock up 2,000 people. We might have to lock up only one person to prevent one homicide.

Hon. Members: Which one?

Norman Lamb: It would be like looking for a needle in a haystack. The point that I am trying to make is that the experts make the case that it is impossible, or certainly very difficult, to determine who might be the person who commits violence at some future point.

Hywel Williams: Therefore, if the provision goes through, are not we in danger of locking up some people who are not likely to turn out to be murderers, and of not locking up people who are?

Norman Lamb: Of course, that will always be the risk.

If we look at the findings of the various inquiries that have taken place into the tragic deaths that have occurred, we see that the focus tends to be on the human failures of those providing care and on inadequate resources, rather than on a lack of sufficient powers. The problem is always poor communication, poor care planning, overstretched professionals failing to heed warnings and inadequate service provision.

I was listening to a consultant psychiatrist this morning, who was saying that it is the people who are not in the care of professionals, not the people already in the system, who are often the problem. The findings of the Michael Stone inquiry were typical of that. There was no recommendation for changing the law.

Many observers have highlighted the concern that if the Government get their way, the public could end up less well protected. Two reasons are cited. First, the use of powers of compulsion is resource intensive. It ties up professionals in bureaucracy and skews resources towards acute care and away from early intervention. The second reason is the risk that increased use of compulsion could drive service users away from mental health services.

Dr. Tony Zigmond, the honorary vice-president of the Royal College of Psychiatrists, made that point today. He said that his experience is that the threat of compulsion can drive people away from the very services that can help them and make the public safer.

Angela Browning: I was present when Dr. Zigmond made that statement today, but it is not only him as an individual, eminent though he is, who takes that view. It is the official view of the Royal College of Psychiatrists as a whole profession. Those professionals do not want to have to take on the responsibility of picking out the people who just might some day commit an offence. That is an impossible task to ask professionals to do.

Norman Lamb: I am grateful to the hon. Lady for that intervention. She makes a very good point. It reinforces the point that the Government are playing a very dangerous game in going against the views of so many eminent and experienced people in seeking to force the measure through.

Dr. Doug Naysmith (Bristol, North-West) (Lab/Co-op): It is true that that is the view of the Royal College of Psychiatrists—Dr. Zigmond is sitting up in the Gallery, listening to us—but the point is that it is quite possible to meet psychiatrists who disagree with that view. I have met many of them. That viewpoint is obviously arrived at through a democratic process, but it is not true to say that it is the belief of every psychiatrist practising today.

Norman Lamb: I have never at any stage suggested that it is the unanimous view, but it certainly appears to me to be the overwhelming view of psychiatrists.

The conclusion that we should reach is that although it is accepted by everyone—the Government sometimes seem to distort this point—that compulsion is sometimes necessary, it should be used as the last resort and should be subject to effective safeguards to ensure that it is used only where appropriate.

Meg Hillier: Talking of the views of consultant psychiatrists, one said to me:

"A section is an act of kindness and it's bizarre to restrict it to hospital".

Will the hon. Gentleman comment on that? His remarks seem to be totally about murder, which relates to only a tiny percentage of the people we are talking about. Many patients and families want there to be compulsory treatment. If every other patient who needs it is given treatment, surely mental health patients should have that option, too.

Norman Lamb: I have made the point that we accept the case that sometimes compulsion is necessary. The point is that it needs to be subject to stringent safeguards. It is the Government who talk the whole time about public safety. It seems to me to be distorting the debate to talk only about those cases. In my contributions, I was seeking to address the point made by the Government that the public will be less safe if the Government do not get their way. That palpably is not the case.

Hywel Williams: The hon. Member for Hackney, South and Shoreditch (Meg Hillier) has put her finger on the problem: the trouble with the mental health system is the lack of accessibility. Everyone should have a right to an assessment, if that could be managed and if the resources could be made available.

Norman Lamb: I absolutely agree with the hon. Gentleman.

I want to state the clear principle that depriving a person of their liberty when no crime has been committed is a very serious act, and we must always be aware of that. Those people have rights too.

Lynne Jones: Will the hon. Gentleman give way?

Norman Lamb: I should like to make some progress, but I would be happy to give way later.

The focus must be on ensuring high standards of service provision. The Government put this rather well in their response to the Joint Scrutiny Committee, in which they said:

"In terms of the small minority of people with a mental disorder for whom compulsion might be necessary, we want to achieve a level and type of service provision that minimises the risk of people with a mental disorder deteriorating to the point where compulsion is necessary. When compulsion has become

necessary, we want that service provision to be of a level and type to ensure that everything possible is done to prevent the need for any further episodes of compulsion. In other words, by improving the services to promote better mental health, we want to reduce the need for compulsion."

I completely sign up to that statement of intent by the Government. It is a good basis on which to develop the law and our approach to mental health services.

In the past 12 months, however, the deficits in the health service have had a damaging impact on those very mental health services in many parts of the country. I acknowledge the improvements that have been made in those services over the years, but in the past year, damage has been done. Before Christmas, the Health Committee produced a report on deficits which specifically highlighted mental health services as one of the "soft targets" that was suffering as a result of the cutbacks in funding. It is particularly depressing that those cutbacks should be happening just as the Government's emphasis appears to be on creating more draconian powers. This undermines the fine aspiration that they expressed in their response to the Joint Scrutiny Committee.

I want to highlight the concerns expressed by many people about the potential impact of the original Bill on black and minority ethnic communities. The Minister will be aware of the genuine fear that, without proper safeguards, the Bill could disproportionately affect people from BME communities. Last December, it was revealed that a report by a Government advisory group chaired by Rabinder Singh QC warned that the Bill could lead to more black and ethnic minority patients being subject to compulsory treatment. Already, as a result of the Mental Health Act 1983, in-patients from black Caribbean, black African and other black groups are between 19 and 38 per cent. more likely to be detained compared with the average for all in-patients.

In November last year, the Department of Health published a race equality impact assessment on the Bill. However, on 7 February this year, the Commission for Racial Equality announced a formal investigation into the Department of Health to

"uncover the extent to which it is failing to meet its duty to promote race equality under the Race Relations Act 1976".

Anthony Robinson, the CRE's director of legal services said:

"We are concerned about the Department of Health as we have reason to believe that they have not been meeting their obligations under the law".

What is going on? That is an extraordinary statement for the commission to make. I hope that the Minister will be able to offer some reassurance on this matter. Improving the way in which people from BME communities are dealt with by mental health services clearly presents a significant challenge. The Commission for Racial Equality has called for amendments to guarantee the effectiveness of the race equality duty. Will the Government consider those proposals in a constructive way?

Meg Hillier: I represent a constituency in Hackney, and in the City and Hackney primary care trust as a whole, 40 to 45 per cent. of the people detained are from African and Caribbean groups, and are mainly men. We all recognise that many more black people are detained and treated differently, but the Bill is not the place to fight that battle. I am fighting that battle, and I would happily join the hon. Gentleman in fighting it too, but he is wrong to conflate the two issues. The Bill might have an effect on people, but whatever we do to it, it is not going to solve this problem.

Norman Lamb: I am grateful to the hon. Lady for that intervention, but my point was that, under the existing regime, black and minority ethnic communities are treated disproportionately severely, and that if there is any increase in compulsion as a result of the Bill, there is every likelihood that those groups will be disproportionately affected by it. It is a question of logic. We must take the opportunity of this mental health legislation coming before Parliament to address the concerns about the way in which black and minority ethnic communities are treated, so as to ensure that mental health services do not discriminate against people from those communities.

I want to deal with the amendments passed in the other place which, in the view of the Liberal Democrats, must be preserved. First, there are the exclusions from the definition of mental disorder. The right hon. Member for Sheffield, Brightside talked about exaggerated language being used by those who oppose the Bill, but some of the exaggerated and misleading claims made by the Government have been enormously damaging to what should be a good, high-quality debate.

At the Local Government Association conference last month, the Minister of State, Department of Health, the right hon. Member for Doncaster, Central (Ms Winterton) said that

"by adding a range of unnecessary exclusions, the changes forced through by the Lords will inevitably open up new avenues for patients and their lawyers to use to try to secure the premature discharge for some of the most dangerous patients."

That is scaremongering. The exclusions are about making sure that the powers are not used inappropriately. Similar exclusions exist in most comparable jurisdictions, including Scotland, and there is no evidence of dangerous people roaming the streets as a result of those exclusions being put in place in the Scottish legislation.

I want to deal next with the amendments on impaired decision making. The Bill, as amended, prevents the compulsory treatment, including detention, of people who are fully able to make their own decisions about the provision of treatment. The Government claim that this will result in people who need treatment not being detained, putting them and others at risk. First, the Scottish legislation contains a similar provision and, again, there is no evidence of it causing a danger to individuals or to the public. Secondly, if someone with a physical health problem has the right to refuse treatment, should not the same rule apply to someone with a mental health problem? I think that the hon. Member for South Cambridgeshire (Mr. Lansley) made that point earlier. Thirdly, the Government's own expert Committee, the Richardson Committee, supported an impaired decision making test, as did the Joint Scrutiny Committee. Fourthly, mental health clinicians advise that a person with a mental disorder who is suicidal or who poses a risk to others because of their condition would inevitably be

[Norman Lamb]

found to have impaired decision making, and so come within the scope of the legislation. So the amendment is a safeguard of real importance to the citizen's human rights, and does not leave individuals or the public at risk.

Next, I want to deal with the treatability test. The Minister made an extraordinary claim on this in her speech to the Local Government Association. She said:

"This safeguard has, on occasions, been misrepresented as meaning that patients can only be detained if they can be cured, rather than treated. This confusion has led to too many patients with personality disorders, which can be treated but not cured, being turned away from services."

If that is the case, the answer is surely to ensure that professionals interpret the law correctly, not to change the law in a fundamental and dangerous way. The amendment addresses the Government's concern to ensure that someone with a personality disorder is covered by the Bill. It is a balanced amendment, and it should stay.

The Richardson Committee said that a health statute should authorise overriding patient autonomy only if there are

"positive clinical measures included within the proposed care and treatment which are likely to prevent deterioration or secure improvement in the patient's mental condition".

Again, the Scottish legislation uses the same therapeutic benefit test, and there is no evidence of disaster in Scotland.

The amendment on the renewal of detention is intended to provide a safeguard that is hard to dismiss other than on cost grounds. A medical practitioner would be required to examine the patient and to agree to their continued detention. Other health professionals have argued that the amendment goes too far, and we will take account of their arguments in Committee.

I join in the criticism of the Government for publishing research on the international experience of community treatment orders the day after the Bill completed its passage in another place, which I thought was extraordinary. We know that the report had been available for a considerable time. Why did the Government wait until the deliberations in another place had finished? Surely it is better to allow informed debate than to deny us valuable information.

The research revealed that there is little evidence of the positive value of CTOs. The Institute of Psychiatry concluded

"there is no robust evidence about the effects of CTOs on key outcomes, such as hospital readmission, length of stay, medication compliance, or the patients' quality of life."

The report advised that enhancing community services was a better way of improving compliance and reducing the incidence of relapse. Surely it makes sense to accept the argument for CTOs in a limited number of cases, along with the safeguards introduced by the House of Lords.

The Minister claims that CTOs are intended to apply specifically to those dubbed "revolving door patients": people who leave hospital, relapse because of failure to take medication, and go back into hospital. The amendment was designed to ensure that CTOs would apply to precisely those patients. CTOs can impose wide-ranging restrictions on patients—many have described them as "psychiatric ASBOs"—and further amendments are needed to make them proportionate. It is important, for instance, to give patients the right to appeal to mental health review tribunals against conditions that have been imposed on them.

Amendments that give health bodies a positive duty to admit children and young people to age-appropriate settings, and to provide specialist assessment and supervision for detained children, are fundamental to a civilised society. The Secretary of State said that it was not possible to ensure that something happened by passing legislation. I wish that the Government had taken more note of that principle during the past 10 years, but in this instance we should surely set a standard. We must all accept that children should not be admitted to adult psychiatric intensive care units. It is nothing short of scandalous that one child or young person has been admitted to an adult mental health setting every day for the past three and a half years. It is also worth noting that the amendments are entirely in sympathy with the thrust of the approach recommended by the national service framework.

The issues that we are debating are of fundamental importance. It is essential that we get the Bill right. It needs to stand the test of time, and it needs to have the confidence of those who work in mental health services. It is remarkable how cavalier the Government seem to be in the face of overwhelming opposition from those with real expertise.

The Bill is not perfect. We want core principles to be set out in it, and I see no reason why that should not happen. I agree with the hon. Member for Stafford (Mr. Kidney) that those facing compulsion should have the right to an independent mental health advocate, and should be made aware of that right. But if the Government insist on driving through the removal of clauses added in the other place that provide safeguards for vulnerable individuals, they will make a very serious and dangerous mistake.

Several hon. Members *rose—*

Madam Deputy Speaker: Order. I remind hon. Members that it is not permissible for them to refer in their speeches to people sitting in the Public Gallery. I also remind them of the 10-minute limit on Back-Bench speeches.

6.54 pm

Mr. David Kidney (Stafford) (Lab): I agree with the hon. Member for North Norfolk (Norman Lamb) that it is not before time that we are updating our mental health law, as has already been done in countries such as New Zealand, Australia and Scotland.

I support the Government in respect of nearly all the proposals that we have debated. They also deserve the congratulations that they received from even the hon. Member for South Cambridgeshire (Mr. Lansley) on their extra investment in the health service generally, and particularly in mental health. Before 1997 we experienced decades of underinvestment in our national health service, and no service was treated more

harshly than mental health services, which is why practitioners described it as the Cinderella of services at the time.

I can give an eye-witness account of the changes that have taken place. For nearly 20 years before I was elected to Parliament I was a solicitor in Stafford, where we have a very successful hospital for mental health treatment, St George's hospital. I regularly advised patients, had discussions and meetings with members of staff such as psychiatrists and hospital managers, and had dealings with the mental health review tribunal. I observed the problems that were created by underinvestment in services, particularly the lack of support for people in the community, which made hospital admissions more likely than they should have been. For the last 10 years I have been a regular visitor to that same hospital as the local Member of Parliament, meeting patients and other service users, doctors and nurses, and hospital managers. Today the story is completely different.

During my time as the local MP, we have also seen the establishment of a private hospital dealing with mental health issues. The hospital, which is in Wheaton Aston in my constituency and is a member of the Huntercombe Group, specialises in acute illnesses and eating disorders in young adults and children. It is experienced in those conditions, and has made valuable comments about the parts of the Bill that deal with services for younger patients. Also in my constituency, Staffordshire university has a centre for national research on older people and mental health. As the local MP, I have seen a good deal that is relevant to today's debate.

St George's hospital is part of South Staffordshire Healthcare NHS Foundation Trust. Let me say something about the way in which it has developed since 1997. It is now an exemplar for national services such as inclusion and regional services such as forensic sciences, and features local excellence in services such as developmental neurosciences and dealing with learning disabilities.

When I visit the hospital, I see a brilliant commitment among its staff. There is evidence of that for visitors in the form of the magnificent modern learning centre—which is proof positive of the commitment of management to staff—and also in what the hospital calls the values exchange, which enables staff to swap experiences and suggestions of ways in which to improve services. That approach extends to service users, who show a fantastic commitment to the hospital where they have received treatment. Much of the credit belongs to the chief executive, Mike Cooke, who is so brilliant that he is leaving us next month to take up a post with a larger trust in Nottingham.

I have also visited Huntercombe Stafford Hospital several times. It has great expertise in dealing with younger patients, and has much to offer this debate.

We have seen two attempts at wholesale reform of mental health legislation in the past, both of which failed. I think it a shame that all our mental health law cannot be kept in one place as a kind of code: it is sad that we could not achieve such a modernisation. This Bill represents a more modest attempt to modernise the Mental Health Act 1983. Psychiatrists at both the hospitals I have mentioned tell me that there are advantages in that. The 1983 Act is familiar to practitioners. The definitions are well known to them, the practices are appreciated, and they like the idea of evolutionary rather than revolutionary change. There is also the opportunity to "mesh" the legislation with other reforms such as the Mental Capacity Act 2005.

Like those practitioners, I ask "What is this law for?" I accept the Government's point that it is intended to provide a legal framework, but I still maintain that the quality of services is at the heart of the issue. With a good framework, services can flourish and meet need effectively; without it, they will be harmed. Like the Joint Scrutiny Committee I believe that

"the primary purpose of mental health legislation must be to improve mental health services and safeguards for patients and to reduce the stigma of mental disorder."

The top priority is to improve services through the Bill and many other means, including investment. The second is the reduction of stigma, which is vital in getting people to engage with services, with voluntary services being just as important as the compulsory ones that we are discussing. Compulsion must be balanced with the proper safeguards. Another important reform, mentioned briefly earlier, is work force reform.

I should like to discuss the services available to young adults and children and I aim to speak later about the Lords amendment on age-appropriate treatment. I regret the fall-out between the Government and the Mental Health Alliance. The alliance is formed from a large number of organisations that all attract great respect for their work individually, so together they should be listened to. However, I do not share the alliance's enthusiasm for the Lords amendments on impaired decision making and the question of treatability. I like the alliance's arguments in respect of the overriding principles that it says should be in the Bill. Much of the disagreement between the Government and the alliance could be resolved if we put the principles in the Bill and got the wording right. We could certainly ease worries about the provisions on impaired decision making and treatability by getting those principles right.

I am not sure whether we can get the principles so well stated in the Bill so as to do away with the need for some exclusions. The Government have concluded that the Bill must still mention exclusions for drug and alcohol dependency. I should like the Committee to discuss whether we can get a statement of principles that is so well honed that we do not need a list of exclusions as well. If we could get to that position, we would bring our legislation nearer to that of New Zealand, Australia and Scotland, which we are now falling behind.

Some safeguards are missing from the Bill, and if I am a member of the Committee I will argue for them. The first is the one I mentioned to my right hon. Friend the Secretary of State: the right to independent advocacy for those subject to compulsory powers. The second is the legal recognition of a patient's advance decisions and statements. The third is enabling patients to have greater choice and covers which persons exercise the powers granted to the nearest relative.

On the vexed question of community treatment orders, it is important to bear it in mind that we have experience of some controls over some patients in the community. We have the extended leave and

[Mr. David Kidney]

guardianship route and supervised discharge, or aftercare supervision. In itself, the idea of having conditions that enable people to be in the community rather than in hospital is accepted, and has been for many years in this country. However, community treatment orders would be a new provision. They are used around the world, but the research on the beneficial effects of those provisions—let us face it, they are fairly new in most of the countries concerned—is not yet conclusive one way or the other. It makes sense for us to have a cautious approach to the use of those powers and their application. But the Lords amendment goes much too far; the conditions that it puts on the application of the provision might kill it.

On work force reforms, it is desirable to build up the multidisciplinary team that will be responsible for providing services both in hospitals and, crucially, in the community, and to build up people's confidence in it.

Madam Deputy Speaker: Order. The hon. Gentleman's time is up.

7.4 pm

Angela Browning (Tiverton and Honiton) (Con): I declare an interest, as a vice-president of the National Autistic Society. I wish to refer to the impact of the Bill on people with autistic spectrum disorder.

I shall begin by picking up on the point made by the right hon. Member for Sheffield, Brightside (Mr. Blunkett) about a lawyer's charter. I agree with him and others that if Ministers put the principles in the Bill rather than in the code of conduct, it would help others to determine Parliament's intention. The Minister of State was reluctant to do that with the Mental Capacity Bill but changed her mind, I am pleased to say. I urge her to put those principles clearly in the Bill.

I am concerned about certain aspects of the Bill, particularly as they affect people with ASD. When the Minister of State gave evidence to the Scrutiny Committee, I expressed such a concern to her. I am pleased that the Government have looked again at the impact on people with a learning disability, but when the last Mental Health Bill was drawn up in 1983 very little was known about the autistic spectrum compared with today. Kanner's autism was well documented but, since then, we have gained a lot more knowledge about the more able end of the spectrum, particularly Asperger's syndrome. The combination of the powers of detention and the change in the definitions in the 1983 Act is a matter of concern in respect of people with Asperger's syndrome.

People familiar with the condition will know that sufferers can from time to time demonstrate quite challenging behaviour, not because there is a psychotic base to it, but because of the nature of their disability. An episode is usually event-triggered, whereby the combination of great anxiety or great fear—something the person concerned would have difficulty articulating—leads the sufferer to behave in a particular way. Interestingly, the Bournewood case involved an adult with autism who was unable to self-advocate and articulate his own condition when he was taken into hospital.

The Government made a concession in the other place to ensure that people with a learning disability are not considered to be mentally disordered unless they demonstrate very aggressive or seriously irresponsible behaviour, and I ask that that same concession apply to those with an ASD.

Ms Rosie Winterton *indicated dissent.*

Angela Browning: The Minister is nodding her head the wrong way, from left to right. I want it to go more north to south. I shall make this case again if I serve on the Committee. The Minister has heard me make the point before.

The difference of knowledge of this subject now compared with 1983 is clear. I have been very critical of psychiatrists and I am pleased to say that they are responding in the way in which they treat people with autistic spectrum disorders, particularly Asperger's syndrome. But if we have a combination of diagnoses—an ASD diagnosis and a mental health diagnosis that are quite distinct and separate, or even a triple diagnosis of an ASD, a learning difficulty and a mental illness—we require people with a lot of experience and specialisms to sort out the behavioural messages coming from those different diagnoses.

My worry about the broadening of the definition of mental disorder is that for many people with an ASD, what many of us would regard as "normal" autistic behaviour will be misdiagnosed as psychotic behaviour because there are simply not enough mental health professionals around the country to be able to disaggregate those different behaviours. As I have often said, the result of that is misdiagnosis and mistreatment, which can have a serious and adverse effect on the health of an autistic person and on the environment into which the person is taken. One would put someone diagnosed with ASD into a hospital only if one were 100 per cent. sure that that was truly the last resort, because that environment itself would be extremely disturbing to them.

Advocacy is related to the issue I have been addressing, but it has broader implications in terms of mental disorders generally. I am pleased that under the Bill the Minister has closed the so-called Bournewood gap, about which she and I have had many discussions, by amending the Mental Capacity Act 2005. However, huge advocacy implications arise from closing the Bournewood gap, and other advocacy implications arise from the rest of the Bill. Therefore, it is with some distress that I learn that the Minister has reduced the amount of support—legislative and otherwise—that would give appropriate levels of advocacy to mental disorders both generally within the context of the Bill and particularly in terms of closing the Bournewood gap. In Committee I hope that she will propose impact assessments in respect of advocacy for the Bill as a whole and particularly the advocacy requirements that she anticipates will be needed to do true justice to the way in which she has decided to close the Bournewood gap. I am unsure whether information on that is available now, or if it is being worked on.

[Interruption.] The Minister is replying from a sedentary position, but perhaps she could respond to that later.

I have participated in many mental health debates in the House, and I wish to share my experiences not only on the autism front but of other cases that I have dealt with, particularly as a constituency Member of Parliament. I have had many cases where people have committed suicide, sometimes while they were in-patients, unfortunately. Some committed suicide after they had been an in-patient and had received community services. I dealt with one tragic case of somebody who was treated in the community and who ultimately murdered his mother. In all those cases, when I read the medical records—they have been made available to me—it is clear that there are common themes. There is a lack of early intervention: there is a long journey from the moment when the symptoms or concerns first begin to getting the person concerned in front of the professional who might be able to help. Having got to that point, there is also an issue to do with the long, ongoing treatment. Members understand that many people have cyclical conditions where there is a period when they are fairly stable but then go down, as that is the nature of many mental health disorders. However, there is often a lack of continuity in intervention so that such people simply fall through the net. That is a common theme in all the cases I have dealt with, including those ending in suicide and the one case where somebody else was found dead.

Ms Rosie Winterton: The hon. Lady is right that many of us have had experience of such constituency cases. The issue of compliance that she has picked up on highlights why it is important that we introduce supervised community treatment.

Angela Browning: I hope that the Minister and I will have an opportunity to talk about that further if I am fortunate enough to serve on the Committee, as it is an important matter.

I pay tribute to the Government for introducing some measures that are beginning to make a difference. For example, a GP practice might have access to a community psychiatric nurse who is associated with the practice. That enables GPs—who often do not have mental health specialisms—instead of merely writing a prescription, which frequently is all that they can do, to make a referral, in the knowledge that the patient will be seen quickly.

I cannot emphasise enough to the Minister how strongly I believe that early intervention in mental health issues can prevent serious cases from arising that grab headlines and are often the result of a failure of services—or of processes—to support the person concerned. If I serve on the Committee, I hope that the Minister will allow me to explore those issues a little more thoroughly with her.

7.15 pm

Mr. Andrew Dismore (Hendon) (Lab): I speak in this debate as the Chairman of the Joint Committee on Human Rights and in support of our report on the Bill. The Bill is of major importance for the human rights of those with mental disorders, which is a highly vulnerable group, including the right not to be subjected to inhuman or degrading treatment, the right of persons of unsound mind not to be deprived of liberty save in accordance with a procedure prescribed by law, and the right to respect for private and family life.

I know that the Government accept that this legislation must comply with our human rights obligations. The Secretary of State has certified her view that the Bill is compatible. My right hon. Friend the Minister helpfully wrote to me on the introduction of the Bill. She also wrote that the Government had conducted "an ECHR audit" of the Mental Health Act 1983, the principal piece of legislation amended by the current Bill, and that in respect of the 1983 Act they were

"not seeking to leave in place any provisions which we know or suspect to be incompatible".

While I commend the Government's approach to human rights in drafting the Bill, there remain issues on which my Committee has a different view.

We reported on the Bill in another place and amendments were made there, responding to some of our points. I am grateful for the Minister's recent comprehensive response to our report, which we will publish soon. My Committee might report further, so it would be helpful to have a clear indication today of whether any of the amendments made in the other place will be accepted.

Mental health law is highly complex, so it is important to set out the arguments behind the JCHR's concerns, to ensure that the House is aware of those human rights considerations. We considered that, broadly, the Bill satisfies the criterion of

"objective medical evidence of a true mental disorder"

for psychiatric detention to be lawful. However, we had concerns over the broader definition of "mental disorder" in clause 1. Given its breadth, we believed that it was desirable to include the principles of non-discrimination and proportionality in the Bill. On Third Reading in the other place, clause 10 was added, requiring fundamental principles to be taken into account when revising the 1983 Act's code. Those include "minimising restrictions on liberty" and "avoidance of unlawful discrimination". That was a welcome development, although it would be preferable to see those principles made directly applicable under the Act, rather than indirectly through the code.

As it currently stands, clause 3, which was not supported by the Government, narrows the definition of mental disorder, so that people could not be considered to have a disorder for the purposes of the Act solely on a number of grounds: substance misuse; sexual identity or orientation, which we considered in our report; commission, or likely commission, of illegal or disorderly acts; and cultural, religious or political beliefs. That clause provides an extremely important safeguard.

The Bill replaces the original test for detention of a person for treatment, which was that that treatment was

"likely to alleviate or prevent a deterioration of his condition"

with the new rule, that

"appropriate medical treatment is available for him."

[Mr. Andrew Dismore]

In strict convention terms, the JCHR saw no obstacle to that, although we noted the ethical concerns expressed by psychiatrists that they should not be custodians for preventive detention, but should be providing treatment of therapeutic benefit. Clause 5(3) reinstated a likelihood of benefit of treatment, and it would be a pity if the Government were to seek to overturn that.

The JCHR had stronger concerns as to whether the "appropriateness" test was sufficient to ensure convention compliance for treatments without consent requiring a second opinion under section 58 of the 1983 Act, such as pharmaceuticals for mental disorder or electroconvulsive therapy. We also considered that forcible feeding and other treatments invasive of physical integrity such as ECT should be subject to the same second opinion safeguards. In her recent letter, my right hon. Friend the Minister said that she would consider that, which I welcome, and we urge her to implement our recommendations.

On renewal of detention, rather than just the initial decision to detain, we shared the concerns of JUSTICE and the Council on Tribunals that the Bill provides for renewal on the report of a "responsible clinician" who need not be a doctor. That could mean that the decision is not in accordance with the need for objective medical expertise.

Clause 6 prevents a responsible clinician from renewing detention without the agreement of a registered medical practitioner who has examined the patient. We regard that as an important protection, which conforms with Strasbourg case law, and we would be very concerned if the Government opposed this clause.

In the ECHR case of JT, a patient claimed that she had no right to change her nearest relative, who was required to be informed when, for example, she made an application to a mental health review tribunal for a discharge from detention. Her nearest relative was her mother, who was living with a man whom the patient alleged had abused her. The ECHR concluded that the patient's article 8 rights to privacy and family life were being breached, so the Government undertook to introduce legislation, first to enable a patient to apply for replacement of a nearest relative on reasonable grounds and, secondly, to prevent certain persons from acting as the nearest relative.

The Joint Committee agrees that clauses 26 to 29 of the Bill appear to meet the terms of the settlement in JT. However, given that applications to displace the nearest relative may be made by others, including hospital authorities, we had concerns that the new ground for replacement, of "unsuitability", might be used to displace people who were merely seen as "difficult" by those authorities. We also believe that "unsuitability" is too broad a test to meet the Government's apparent intention that patients would be able to displace nearest relatives only in situations of abuse or suspected abuse.

We commented in our report on the procedure for community treatment orders, which place conditions on patients living in the community, and especially the breadth of conditions that may be imposed. In the JCHR's view, any restrictions on conduct should be proportionate, and a patient should be entitled to a review of those conditions by a mental health review tribunal.

Mention has been made of Bournewood patients and some of the most complex provisions are in part 2, which amends the Mental Capacity Act 2005 to meet the Strasbourg judgment in the case of HL. HL was a compliant, incapacitated patient. The ECHR found that his admission to, and detention in, hospital, under the common law of necessity, breached convention articles 5(1) and 5(4). We reported that the procedures for legal authorisation to detain a compliant, incapacitated patient are unduly cumbersome and we doubted whether, even with professional advice, residential care home managers would understand them.

We are also concerned that the effect of Government proposals will be to apply means testing, charging persons deprived of their liberty and living in residential care homes for their care. That raises important human rights issues under articles 5 and 6; as well as discrimination issues under article 14, in that people deprived of their liberty in hospitals will not be similarly charged.

In our report we suggested two enhancements to the Bill. The first relates to the treatment of Bournewood patients, because the inadequacy of safeguards for them is very serious, given that they lack the capacity to consent. We do not believe that the common law and the Mental Capacity Act currently provide sufficient protection for the physical integrity of such patients. In particular, more needs to be done to address the issues raised in the case of Storck *v.* Germany, which concerned state control over private psychiatric institutions. The Bill would be an appropriate vehicle to introduce such provisions.

Secondly, we were concerned about the use of seclusion: safeguards should be placed in the Bill to ensure that seclusion is only used when strictly necessary and is subject to review.

There are other issues on which we did not comment directly, and the points that have been made about advocacy are very important. We also did not refer to the effect of the Bill on the rights of child mental health patients. I note and support the clause 24 amendment in the other place to require primary care trusts to provide age-appropriate services and accommodation for children and young people. I hope that we will be able to report further on the Bill to take account of some of the additional points that have arisen in the debate.

The Bill, of course, is about much more than human rights, as we have heard in the debate so far. Indeed, I think that this is the first contribution to refer to the issue of patients' human rights in this context. I hope that the House will take into account the human rights of those vulnerable mental health patients who are detained or compulsorily treated by the mental health system in further consideration of the Bill today and in Committee.

7.24 pm

John Bercow (Buckingham) (Con): It is a great pleasure to follow the hon. Member for Hendon (Mr. Dismore), many of whose concerns I share.

Notwithstanding those concerns, my view is that the Bill should receive a Second Reading tonight precisely because of the welcome and protective amendments that were made on a cross-party basis and with great expertise in the House of Lords.

I listened carefully and attentively to the Secretary of State as she introduced the Bill this afternoon. She invoked, in support of the Government's determination to reform the treatability provision, the need to catch within the net people who currently are not being caught. Specific reference was made, and justification was provided, in the cases of people with severe personality disorders. I have to say that I have listened over a period of weeks and studied some of the evidence, and my distinct understanding was that there was a misapprehension about that category of person. In so far as such people have not been treated in the past, it is principally because of a combination of reasons, including an absence of resources; a mistaken and outdated belief that such people could not be treated; and, as the corollary of those two states of affairs, the lack of effective treatments to secure the desired result. If in fact one secures a proper interpretation of the existing legislation and one has the resources to deliver what is necessary, it seems that that fox is easily shot.

I respect the Minister's intentions and her humanitarian philosophy, but I suggest that she is wrong on this issue. The use of the term "appropriate treatment" is far too broad and potentially invasive. I do not think that it can be justified. Ministers were put to the test in the other place by Lord Howe, Baroness Barker, Baroness Meacher, Baroness Murphy and Lord Carlile—to name but a few—who tabled an amendment that said "we don't want that. What we want is to ensure that there is provision that will guarantee that the alleviation of, or the prevention of deterioration in, the condition should be the criterion that has to be satisfied if compulsion is to be deployed." That is entirely reasonable. If the Government think that people will benefit—that a therapeutic gain will be derived, or an improvement or prevention of deterioration in the condition will, in most circumstances be the predictable consequence—I do not know of what exactly it is they are afraid.

I do not doubt the intentions of the Minister and I do not seek to impugn her integrity, but if the Government get their way, the inevitable prospect is held out of an expansion of preventive detention, if not on an industrial scale, at any rate in terms of significant increases in numbers. Simply as a matter of logic that must be what is portended by Government intentions. If the Government do not intend in any way to change the numbers, why do they need to go to such lengths to defy the professional wisdom and change the law?

My view is that the Government are wrong. They should accept the Lords amendment and there is a powerful consensus on that point. It is the view of the Joint Committee and of the Richardson review, which was requested by the Government. It is the considered judgment of the House of Lords and the opinion of the Mental Health Alliance, as well as the determination of the Scottish Executive. In terms of humility, the Minister might like to consider the possibility that she is in splendid isolation for the simple reason that she is mistaken.

Lynne Jones: I agree with the hon. Gentleman that "appropriate treatment" is inadequate, but is not the problem in the very words that he uttered? One cannot guarantee that treatment will bring about therapeutic benefit or prevent deterioration. I hope that we can find some compromise that will improve on "appropriate treatment" but not go so far as to say that we can guarantee the outcome.

John Bercow: That is a perfectly reasonable point, but I think—I shall stand corrected tomorrow if I am mistaken—that study of the record will show that I went on to say "guarantee" what the "likely outcome" would be. The hon. Lady is absolutely right. I concede the point: there are no certainties in this field and it does not do to be either arrogant or presumptuous, but we have to work on the balance of probability of the effect of one policy as distinct from that which is likely to flow from another. That is one area of concern and I beseech the Government at least to reconsider their position.

My second concern is that we should preserve the judicious amendment made in the House of Lords to bring the rights of people who suffer from mental illness into line with those of people suffering from physical illness. In other words, if someone possesses full decision-making capacity about his or her mental health, I cannot see why he or she should be subjected to compulsory detention and compulsory treatment—compulsorily undertaken, manifestly, against his or her will—when that person has said, "I don't want it". If somebody suffers from a physical condition and is told, "You're ill, you could be treated and it would benefit you", but the person does not want to be treated because of the pain incurred, the side-effects experienced, the financial loss sustained or the family disruption entailed, that individual is entitled to say no. I simply point out to the Minister that if that principle applies in the context of physical illness, it ought in all propriety and equity to apply in the context of mental illness, too.

Tim Loughton: My hon. Friend is making an excellent case and expanding on the point that I tried to make earlier, but which the Secretary of State clearly failed to understand. On the Government's logic, does not my hon. Friend agree that the 92 per cent. of heart disease patients who fail to take their statins according to prescription, or the cancer patient who declines chemotherapy because of the possible after-effects, should be subject to a degree of compulsion, because they do not agree with the diagnosis and the medication for their physical condition? Why should the two be treated differently?

John Bercow: My hon. Friend is absolutely right. He has reiterated on the Floor of the House a powerful point made by my noble Friend Earl Howe in the other place. I was surprised and disappointed at the paucity of the comeback of Lord Hunt of Kings Heath—an extremely experienced Minister with considerable expertise.

Ms Rosie Winterton *rose*—

John Bercow: I shall give way just once more because it is the Minister and it is courteous to do so.

Ms Winterton: I thank the hon. Gentleman for giving way as there is a point I need to put to him. There are people, particularly young women with personality disorders, who do not lose their judgment—they do not have impaired judgment and do not lose capacity—but if left untreated and uncared for they would commit self-harm and, in some instances, suicide. Is the hon. Gentleman prepared to say that we should turn our backs on those people and not give them treatment?

John Bercow: I did not say that we should turn our backs on them, but that we should have respect for them and be willing to accept the verdict they give. That is where, in a sense, never the twain shall meet between us.

Finally, in terms of the Bill's architecture, I turn to the subject of community treatment orders. Let me say at the outset that there is scope for some consensus on this point, although I do not particularly approve of the way in which the Government handled the matter—the evidence was suppressed and published late, which seems rather a pity—but the suggestion has been made that CTOs could be the way forward for the structure of modern provision in the community. I see some merit in that suggestion although I think that the case is unproven.

My argument is not against the community treatment orders per se, but rather, as articulated by the hon. Member for North Norfolk (Norman Lamb), against what seems to be envisaged in terms of conditions and restrictions on the lifestyle of the people who would be subject to the orders. What is proposed by the Government in a rather all-encompassing power seems to me quite frightening. It is a disproportionate, far-reaching and adverse provision that could have an impact on a great many people. There is reference to the entitlement to impose a condition that a patient shall refrain from "particular conduct"—conduct gloriously unspecified. Might Ministers have it in mind to say that patients should not be allowed to go to a public house, or that they should have to observe a curfew from six in the evening until six in the morning? I do not know quite what Ministers have in mind, but we have to be careful that we are not guilty of an intolerable infringement of human rights and, throughout the Bill, an approach that would have another damaging effect in practical terms—to drive mental illness underground. We do not want to do that. United across the House would be the conviction that we must avoid that eventuality; the disagreement is about the means to do so. I listened to expert voices, including that of the former chief executive of Broadmoor, who is known to me and who says that is his particular fear. Many others have said the same.

Having expressed my concerns about the Government's intentions on treatability, severe impairment and the conditions to be imposed in CTOs, I conclude on this point. In the media—especially the less responsible and more hysterical elements thereof—there is all too often a single view of the mentally ill as a homogeneous and undifferentiated group who should, almost without exception, be regarded with suspicion, anxiety and probably foreboding, too. That is to do a great disservice to hundreds of thousands, indeed millions, of people who at some time in their lives suffer from mental illness. My appeal to the House is to accept that, whatever our views, Parliament has a duty in this matter not to play to the lowest common denominator—I do not suggest that the right hon. Lady is doing so and I hope others will not suggest that either. We should not in any sense fan the flames of popular and misguided prejudice; rather we should seek to raise our game, to recognise that pertinent and compelling points have been made to us by the mentally ill, by people with extensive professional experience and by Members of the other place who spent a great deal of time in detailed scrutiny and deliberation of these matters. I am sure that some of what the Government intend, and which is in the Bill, will be of benefit, but I worry about Ministers' fixity of purpose at this stage, when they say, "We don't like those amendments, they're bad news and we shall use our majority to get rid of them". I appeal to the Government, in the interests of the mentally ill, the community as a whole and the reputation of the House, to think again. It is not too late.

7.37 pm

Chris Bryant (Rhondda) (Lab): It is always a delight to follow the hon. Member for Buckingham (John Bercow). It is a delight, too, when he joins us in the Division Lobby, which he seems to be doing more regularly of late—I do not know whether it portends anything.

I particularly wanted to speak in the debate because I have had a few experiences of mental illness, although not in my own life. My mother committed suicide after many years of alcoholism and several attempts at suicide. She had been in many psychiatric wards and followed many forms of psychiatric treatment and she died in 1993 from a cocktail of paracetamol and alcohol—she probably took her own life.

One of my first and most difficult cases as a Member of Parliament involved a delightful and sensitive young man called Matthew Davies. He, too, had an alcohol problem and committed suicide on Saturday 29 June 2002. In his case, too, there was a pattern of self-harm. At the time of his death, he was on a community rehabilitation order so he was in regular contact with the criminal justice system through the probation service, with many forms of medical treatment, with the local authority and with housing associations that were trying to find suitable housing for him, his girlfriend and their baby. Throughout the process it became clear that a combination of different organisations failed him, although I do not say that to attribute blame to anybody. He took his life having rung for help only the day before. He found it impossible to get additional help from the professional services.

Another case involved a friend of mine—the actress Lynda Bellingham, whom many Members may know as the Oxo mum. She owned a flat two floors above her home and let it to a tenant in 2001. After a month or so, it became apparent that he was not well when he started to accuse her and her sons of shouting obscenities at him and stalking him. She had to have

him removed from the flat and a few months later the police came round to tell her that he had accused her son of firing pellets at him, despite the fact that her son was abroad at the time.

Then there was a solicitor's letter, saying that she had been stalking this man, Mr. George Millar. By the following February, things had gone quiet until one day a home-made bomb was thrown through her window—a brick wrapped in a lit firework and a tee-shirt that had been doused in petrol. Her tyres were slashed and the police mounted an investigation. In fact, they had already mounted several previous investigations. When they arrived at the man's house, the screensaver on his computer said, "Revenge, like Oxo, is a dish that is best served cold".

That story is particularly chilling because although the police and the authorities took action, it took a year for the case to go to court, during which time the man was under detention. He was charged with arson and threat to kill, but the judge said that he was not in a sufficient condition to be judged by a jury and that if the woman was prepared to drop the charges, he would ensure that the man was sectioned. Unfortunately, two days after she had withdrawn the charges, the police came round to her house to say that since the man had been in psychiatric care for the last year, he was well enough to be out on the streets. In fact, his then girlfriend acknowledged a week later that he was not taking his medication as he had promised. He was readmitted to a psychiatric hospital from where he escaped, after hitting one of the psychiatric nurses over the head with a chair. Eventually, he hanged himself in his room.

In that case, it is abundantly clear that the combination of the criminal justice system, forensic psychiatry and the psychiatric health system had failed the man, failed the woman and failed the community. It is thus important to move forward towards a better combination of all those different services so that we serve the individuals better. I believe that this is primarily about the safety and care of the individuals themselves rather than that of the wider community. Several hon. Members have made the point that the number of those who self-harm and commit suicide is far higher than the number of homicides relating to people who have been in psychiatric care, which is why I believe that individuals should be the prime focus of our debate.

My basic principles are pretty simple. The first is that there is still an enormous gap in provision. The Government have done a lot to increase provision, but the talking therapies that are available in wealthier middle-class areas are not available in poorer areas. That is partly because many poorer communities do not produce the number of local counsellors or people trained in these therapies that the other areas do—an issue that we need to address.

Another concern is that in far too many areas of the country, the response to depression and many of the lesser psychiatric illnesses from which many people suffer and which can be cured, is merely pill popping. Many of my constituents are on incapacity benefit because they have got used to years and years and years of taking antidepressants and have become addicted to them.

Mr. David Winnick (Walsall, North) (Lab): My hon. Friend, like other hon. Members, is making a powerful speech, recognising the necessity of the measure before us. Does he nevertheless recognise the concerns expressed, for example, by my hon. Friend the Member for Hendon (Mr. Dismore) and the hon. Member for Buckingham (John Bercow), about the wide powers in the Bill? Those powers are bound to be the cause of concern, so one hopes that there will be a tightening up in Committee.

Chris Bryant: My hon. Friend makes an important point and I will come on to the specific issue of when detention is right and when we should be reluctant to use it as a means of control.

John Bercow: In pursuance of the point made by the hon. Member for Walsall, North (Mr. Winnick), may I press the hon. Gentleman on a specific question of the conditions imposed on people on community treatment orders? Given that there is a potentially draconian power here, does the hon. Gentleman agree that people should at least be allowed to appeal against an imposed condition?

Chris Bryant: That is an important area that needs to be discussed and should be teased out in Committee.

I believe that we do not yet know everything that there is to know about a whole series of mental disorders. The hon. Member for Tiverton and Honiton (Angela Browning) made an important point about progress with autistic spectrum disorder and I am sure that the same will apply to many of the personality disorders that, 20 years ago, were considered absolutely untreatable, incurable and beyond the pale. I believe that in 20 years' time we may have a completely different attitude, which is why it is so important to have legislation that is able to meet changing perceptions in the future.

There are two specific areas in which I am not entirely sure that the Government have got it right. The first is the issue of appropriate treatment—the so-called treatability clause. I believe that the amendment passed in the House of Lords places a very high hurdle, but it is not actually the hurdle that the hon. Member for Buckingham gave us, which was actually a variation of the Lords amendment. In fact, his was a much lower hurdle because he put several qualifications into it.

Innovative treatments will come along in the next 10, 20, 30 or 40 years in respect of which no clinician will be able to guarantee that they will ameliorate the condition or, indeed, prevent deterioration of it—certainly not in the first few months. The very fact of detention may lead to deterioration of the condition for a short period, but the mere fact that one cannot guarantee that that effect will be produced, as the House of Lords determined it, should not necessarily lead to an automatic get-out clause. I think that it is possible—

Martin Horwood *rose—*

Chris Bryant: The hon. Gentleman has not been in his place for all of the last part of the debate and I want to suggest a possible line of amendment. The

[Chris Bryant]

Lords suggested that appropriate medical treatment should be defined as a medical treatment

"which is likely to alleviate or prevent a deterioration"

in the patient's condition. Could not the Government consider wording along the lines of treatment "which is intended to alleviate, manage or prevent a deterioration in his condition"? I do not believe that the enormous difference or gulf between the different sides of this debate is as large as others have suggested.

Martin Horwood: I have been in my place for the whole debate. However, in respect of amendment, the hon. Gentleman seems to be looking for the word "guarantee", but it is not there. The word used is in the amendment is "likely". Surely he can accept that the amendment is asking only for the probability that help can be available or that the condition will not deteriorate.

Chris Bryant: I doubt whether many lawyers would agree with the hon. Gentleman about the meaning of "likely". That is precisely the problem, as many clinicians have expressed to me.

Another important issue is the exclusions in the 1983 Act, which are not in the Bill. I question—it is no more than that—why it is seen as right and proper to detain someone under the Bill for bulimia or anorexia nervosa, while exempting people in respect of alcohol or substance abuse. In practice, many of the treatments might well prove to be similar. Many of the processes that would have to be gone through would be the same and there is an element of compulsion. Yet many people treating anorexia nervosa and bulimia would say that volition is a very important part of the process of treatability.

I also question the removal of the exemption for sexual identity, sexual deviancy and promiscuity. I understand what the Government are saying, but no one today believes that being homosexual is a reason for putting someone in a psychiatric ward. I entirely accept that. However, if sexual identity or orientation is not such a big issue, why not allow the Lords amendment to retain the provision?

I also question how the treatment of paedophilia is handled. The law may well want to allow a clinician to detain someone whom he believed was about to engage in paedophile activity. However, according to the clinical definition, only 5 per cent. of child sexual abuse cases are actually perpetrated by clinically defined paedophiles. Any clinician I know who felt that a patient had a tendency towards paedophilia would be most likely to refer him to social services or to the criminal justice system. That is the proper place for that to be dealt with. Of course, it is also possible to draw an important distinction between somebody who believes themselves to be God and somebody who believes in God, so it should be possible for us to have an exemption for religious belief. But it is important for the Government to remember that the House of Lords wording retains the word "solely", which is an important hinge in terms of how the provision works.

Finally, I pay an enormous tribute to those who work in mental health. The people who work voluntarily at Hafal in my constituency and those who deal with many people with very chaotic lifestyles do a job that many of us would find impossible.

Several hon. Members *rose—*

Madam Deputy Speaker: Order. Quite a few hon. Members are still hoping to catch my eye, and even though Mr. Speaker has imposed a 10-minute time limit, it would perhaps be helpful if Members could curtail their comments even further, so that all who want to may contribute.

7.50 pm

Dr. Richard Taylor (Wyre Forest) (Ind): I very much welcome the contributions that have been made, particularly by Labour Members, because they show that there is some support for some of the House of Lords additions to the Bill, most of which I support very strongly.

On a light note, I am delighted that the exclusions under the definition of mental disorder include political beliefs. When I stood for election to this place, I was not actually accused of being mad, but I was certainly accused of being a militant activist, a medical dinosaur, Swampy and even King Canute. I am absolutely delighted, therefore, that there is no chance that abnormal political beliefs could be included.

I want to say a little about treatability, because so many Members have concentrated on it. What do we, as doctors, mean by treatment? First, the ideal is a cure. Obviously, infections can be cured, and depression can be cured in many cases. Secondly, if we cannot cure, we want to control. Diabetes and hypertension can be controlled. Schizophrenia can be controlled with the right treatment and the right follow-up, and nobody would argue against detaining people with treatable schizophrenia. The third bit of treatment is palliation. If it is incurable, cancer can be palliated. The neuroses can also be palliated, as can some of the psychoses if they cannot be helped otherwise. With the addition of psychological treatment, some people with personality disorders can perhaps be helped, but it is a very big "perhaps".

I personally like the phrase

"likely to alleviate or prevent a deterioration"

in the House of Lords amendment; it takes me back to my time working as a physician taking in emergencies. We took in well-known psychopaths from the accident and emergency department, but it was impossible to get one's psychiatric colleagues to help at all once a psychopathic personality had been diagnosed. I always remember one chap who came in having swallowed a parcel of nails. He was assessed by psychologists and did not have a psychological illness, so we had to let him go. The only way we could have settled our consciences when we let him go would have been by taking his supply of nails from him, but he would not let us take them, because that was robbery. I ended up having to buy them from him, and he no doubt moved on and tried the same trick somewhere else. The point of mentioning him is that no amount of psychological advice or anything else would have dealt with him. Unless we include the House of Lords amendment, such people might be at risk of being locked up for ever and a day, because there is no way anybody would change them.

On clause 4, which deals with impaired decision making, because of the restrictions of time, I will only point out the Law Society's absolutely excellent paragraph on that subject. It is very short, but it is an excellent, explicit explanation of the Lords amendment, and it should be read by everyone.

Moving on to the renewal of detention, the fact that the Lords want a doctor to be involved has already been mentioned. I was pleased to learn this morning that the Medical Health Alliance has slightly changed its stance and agrees that there is a very strong place for professionals other than doctors to be involved, but at least one of those involved must be medically qualified. I have a fear that, in the national health service as a whole, the moving of certain tasks to professionals other than doctors possibly happens because it is a cheaper option and, perhaps in some cases, as a response to the deficits.

On clause 32, which deals with a doctor being involved in the decision to place the treatment on a community treatment order, I have learned of the tremendous usefulness of assertive outreach teams at home. They are excellent when they are adequately supported, and I am very keen for the Government to consider the support that assertive outreach teams get. As other hon. Members have said, mental health services are always soft targets when one is trying to balance the books, and it should be a target for the Government to help those teams. It has always puzzled me why there is no target for the time taken to see a consultant psychologist. That seems to be a complete gap.

Turning very briefly to young people, a lot has been said. When I was still working, which was a few years ago, to walk into an adult psychiatric ward would put almost anyone off, and to put children into those circumstances would be awful.

I wish to conclude with two very important things. First, as has been mentioned several times, the Mental Health Alliance—the broadest coalition in the mental health world, with 79 members, and a unique alliance of all the groups—supports the Lords amendments with slight provisos, one of which is about doctors' opinions, but it cannot be swept aside. The Mental Health Alliance says that reform

"must be fair and workable".

The Royal College of Psychiatrists says that reforms must

"command the support of the professional groups and patients".

To conclude, I can say as an independent what party members possibly cannot say, and this is an appeal to the Government that this is not a political issue; it is an issue that we must get right for the good of all the patients who suffer from such illnesses. I shall leave the House with some words from a far more eminent independent MP than myself: A. P. Herbert, who was the independent MP for Oxford University before world war two. He wrote in his book:

"I have even thought that, on great occasions where the parties were furiously raging together, the votes of Independents, cast with, of course, more conscience, might be as straws in the wind and show the party leaders which way the pure air of free opinion blows."

I think that the pure air of free opinion blows in favour of a lot of the House of Lords amendments, and I should very much like the Government to support some of them.

7.59 pm

Meg Hillier (Hackney, South and Shoreditch) (Lab/Co-op): Time is short so I will not go into some of the details of mental health issues in Hackney. I managed to mention some of them in an intervention. People in Hackney are three times more likely to be admitted to hospital with schizophrenia than people across England as a whole. I highlighted in my intervention particular issues about people from black and minority ethnic communities. Although that was the reason why I began to look in detail at the Bill, this is not the Bill that tackles those many concerns. However, the Bill does deal with the important area of compulsory treatment and how and when it is applied.

I have had the opportunity to canvass opinion from a wide range of sources and I pay tribute to the people I spoke to for their time and expertise. In particular, I pay tribute to Hackney Mind and the service user group there, and members of the staff of the East London and The City University Mental Health NHS Trust, including nurses, approved social workers, consultants and other mental health professionals. I also pay tribute to some people who have not been mentioned so far in the debate: tenants, residents and housing managers, who have to deal a lot with the reality of mental health issues on a daily basis.

Because time is short, I am going to focus on only two issues in the Bill. I hope that, if I am lucky enough to serve on the Committee, I will get the chance to probe these and other issues in more detail. The first issue is the compulsory community treatment order, which is one part of the Bill that I welcome. Treatment on the basis of need is a principle that pervades the national health service. Even when consent is not possible, because somebody has not got the capacity to identify their need, that treatment should still be forthcoming. That basic principle protects patients with mental health problems. The patients and service users that I spoke to had mixed views about the matter, as one might expect. The main concern of mental health users that I spoke to was to ensure that the care package, whether it be voluntary or compulsory, was properly delivered. There is further debate to be had—but again the area is not properly part of the Bill—about the way in which care packages are delivered. I hope to go on to that in more detail in the second half of my comments.

I will give some comments from users themselves, because their voices have not been heard enough in the debate. One of them said to me: "At least in hospital there is monitoring, but in the community you can feel lost." Possibly with compulsory community treatment orders that feeling of being lost may be addressed. Someone else said: "It would be better if people were not going to hospital so often." That individual's view was that, if compulsory treatment in the community was forced upon them, that would be better than being forced to go into hospital. That comment came from somebody who had a mental health problem and who, when she was not in her worst condition, was aware of the problems and had the capacity to judge her situation. Others had concerns about being forced to take medication—because of the bad side-effects. That is obviously a huge issue for people who have to suffer the many uncomfortable side-effects of medication. One person said that, in her case, medication may quiet the voices, but it caused a range of problems for her.

[Meg Hillier]

There is a place for compulsory community treatment orders, but it depends on the individual. That was the message that came loud and clear from service users in Hackney. Interestingly, the overriding view of the service users that I spoke to was that, when someone needed police involvement in their case, there was therefore a strong case for compulsory treatment. When I spoke to people—not just in Hackney—in the course of my research it was interesting to note that, in effect, compulsory treatment currently exists and is allowed under case law. Under section 2 of the 1983 Act, people can be detained for 28 days, and under section 3 for six months, in hospital. But then they can be released on long leave. Long leave presents people with the possibility that they may be once again admitted to hospital. In effect, clinicians are addressing the difficulty of not having compulsory community treatment orders by finding ways through that, through case law. If we get things right in the Bill, it will make it easier for clinicians to provide that option and that choice.

Talking to professionals, they said that, depending on the relationship the team had with different individuals, the option was sometimes sold as a method of support and sometimes it represented the strong arm of compulsion that was necessary to ensure that people got the treatment that they needed. I have already quoted the consultant who talked about a section being an act of kindness. He and others I spoke to who deal with the issue of sectioning and compulsory treatment on a daily basis believe that, in place of hospital, compulsory treatment orders are a useful and important option, as long as there are safeguards. I am sure that, in Committee, we will look in greater detail at those safeguards. The consultant that I quoted went on to say that the paperwork involved in sectioning was a great discipline for clinicians to justify their decision. I hope that, in any future compulsory treatment that is introduced, that will equally apply.

Among approved social workers and community psychiatric nurses, there was concern—it is a concern that has not really been addressed so far in the debate—about the risk to staff of applying compulsory treatment in the home. I hope that the Minister will look into that. It may not be something that comes up in the precise, narrow aspect of the law that is contained in the Bill, but it is nevertheless an important issue. If we are to introduce a Bill that is workable, we need to consider how compulsory treatment will apply. It may be that, in a lucid moment, the patient is aware and wants to have the compulsory treatment, and that the family and other carers may support that. However, if there is an issue about how the treatment is applied in a patient's home, for example, we need to look carefully both at the rights of the patient and the safety of the staff involved. It is clear from talking to both patients and professionals that it is chaotic people who prefer self-medication, but then do not take it. They are often at great risk themselves, but they also put staff at risk.

I want to highlight one example from the point of view of residents in my constituency. A tenant leader rang me in some distress because a neighbour of hers in a small estate was behaving rather erratically. It was clear that the individual had mental health problems. The neighbour was not judgmental. She herself had suffered from mental health problems in the past. At one point, though, the individual was running round the estate with no trousers on. In a worst case scenario, without proper treatment in the community or in hospital, that could have led to the individual being put on the sex offenders register. As far as any of us were aware, that was not the issue for that individual. It seems that sometimes compulsory treatment can protect a patient from worse scenarios and perhaps inappropriate criminal treatment. That is important. It is in the best interests of the individual, his neighbourhood and the other people he has contact with that he gets the treatment he needs. That is not to say that the crisis teams and the current approach to sectioning are not important as well. I pay tribute to those who work in the crisis teams in Hackney, who deal with the sharp end of the issue.

The other key issue that I want to touch on is advocacy. I feel strongly about this matter, partly because of my experience in a different area as an advocate for someone with a learning disability and my awareness of the difficulties of getting through the system. I have not really got time to go into the issues of advocacy in general, but, particularly in relation to the compulsory treatment element of the Bill, it is vital that advocacy is included. I give the Minister notice that, if I am lucky enough to serve on the Committee, I intend to table amendments to try to make sure that advocacy is better enforced and part of the Bill.

Professionals agreed with me that there was a need for more advocacy, although interestingly they had different views about what advocacy should be. Under the Mental Capacity Act 2005, Hackney was granted only £40,000 for the whole borough for advocacy. Clearly, there is a resource issue involved as well. If we make sure that advocacy is written into the Bill—to protect patients who are having compulsory treatment—we should also make sure that the resources follow. That is important. In Hackney, as well as the need for mental health advocacy, many mental health patients have complex needs in relation to language and literacy. Mental health advocacy in a constituency such as mine is particularly important.

The East London and The City University Mental Health NHS Trust is currently working to give service users a greater say in their own treatment. That is clearly the best form of advocacy. But the Revolving Doors Agency—I should declare an interest, because my husband is a patron of the agency—says that half of the people that it is involved with are dealing with six to 10 agencies. Its view is that a lot of people in the criminal justice system are there not primarily because of their mental health, but because of the level of chaos in their lives created by their health needs. For example, they have no GP so therefore no incapacity benefit. Without incapacity benefit, they have no housing benefit. With no housing benefit, they have no hostel or they lose their homes. A lot of things are missing in the system if we do not get that advocacy in place. I hope to expand on some of these issues in Committee.

8.9 pm

Hywel Williams (Caernarfon) (PC): I have a long-standing interest in mental health having recently been a member of the Joint Committee that found the

Government's 2004 draft Bill to be "fundamentally flawed." I was involved in the education and training of social workers for 15 years and, before that, I was a mental health social worker—one of the first to be approved under the Mental Health Act 1983. Methuselah-like, I also worked under the Mental Health Act 1959 for seven years and sectioned under the very old system. I have applied for compulsory admission many times, including while working in extremely difficult circumstances as a member of an out-of-hours night duty team. In my opinion, compulsory admission is essential in some circumstances, but it is a frightening and demeaning experience for the individual concerned and often has profound effects on professionals, sometimes with regard to their physical safety.

Almost any attention to mental health is welcome. I really do not want to hear the resigned admission from professionals that mental health is yet again the Cinderella of the NHS. After all, Cinderella got to go to the ball and the prince to boot, but that is not what has usually happened in mental health. New spending, some of which the Secretary of State outlined, is welcome, but in Wales, as I pointed out in an intervention, we are still far behind the situation in England, with some people reckoning that we are four years behind. We still have some Victorian facilities. For decades, mental health has been denied proper resources that would turn the promise of new drug and behavioural treatments into a reality of a sustainable life in the community for people with severe mental problems. The reform of mental health legislation is thus long overdue. After all, Professor Richardson, who convened and ran the specialist group, began her work in the last century—more than eight years ago.

I share the general disappointment of the Mental Health Alliance and others about the Government's successive efforts to formulate a worthwhile and workable Bill. After all, the draft Bills—miraculously, almost—managed to unite nearly all interested parties in opposition, including the royal colleges, Hafal, which is the mental health alliance in Wales, the British Psychological Society and the local Mind groups that I consulted in the Rhymni valley and in my constituency in Gwynedd. They were all against the 2004 draft Bill, which one gentleman described as a "mad axe man Bill". Others complained less colourfully that the Bill, at least as it was then framed, might just about calm some of the headline writers.

As we know, stranger murder, which is so beloved of the tabloids, is thankfully very rare. The number of homicides has gone up over the past 20 years, but, as was pointed out earlier, the proportion of homicides committed by people with mental illnesses has remained constant. However, when there is any assault involving a mental illness component, a great deal more needs to be done to attend to the victim's needs, or, sometimes tragically, the needs of those who are bereaved. I say that as someone who represents a family that has suffered in one of the most high-profile cases, which is often cited, but cited thoughtlessly. I would, however, apply the same principle of care for the victim to cases that do not have such allure for journalists of a certain type.

The focus of the 2004 draft Bill was compulsory detention and treatment, as is the case with this Bill, along with community supervised treatment. The vast majority of people with mental problems are in no need of detention or compulsory treatment. They pose no danger to anyone except sometimes, tragically, themselves. Rather, they face the problem of accessing assessment and treatment in the first place. Hafal correctly points out that there is a right to assessment in Scotland—I leave that thought with hon. Members. However, this long-expected Bill, which it is assumed will last for 25 years, does nothing for the vast majority of people with mental or emotional problems. In that respect, the Bill is a colossal lost opportunity and, worse, it risks stigmatising such people.

The Government seem to presume that it is possible more perfectly than is the case to identify those who constitute a danger to others so that they can be detained. As the Royal College of Psychiatrists points out,

"the prediction of risk whether done by actuarial or clinical methods is at best an inexact science".

The Department of Health states that in the past eight years, there have been about 400 homicides in which mental illness has been a component. However, about a third were carried out by people who had been judged not to be a risk just days earlier—this is not an exact science. I need say only that the vast majority of professional people in the field do not share the Government's presumption. Indeed, if the Government's intentions are enacted, we will run a real risk of detaining a number of people who do not constitute a risk to others, while having no guarantee that some of those who constitute a danger will not be out in the community. That would be the worse of two worlds.

Much has been said about treatability, and the treatability test is there for a good reason. Treatment has developed, and cognitive behavioural therapies and assertive outreach are employed by talented individuals. However, it is clearly the view of professionals involved that the treatment of personality disorders is usually not possible. Incidentally, I fear that more coercive measures will have the effect of putting off some people from accessing mental health services in any way at all. Such measures might thus have a perverse effect.

I have seen at first hand the dehumanising and institutionalising effect of detention in a mental hospital with no therapeutic effect. We have already been there and done that. The advances in drug therapy in the 1950s allowed large hospitals to be closed. However, their closure was also driven by a humanitarian appreciation of the pointlessness of the experience suffered by many long-term patients. Many lives dribbled away to no point, such as those of seven ladies whom I met one day in the back ward of a hospital. They had clocked up between them more than 350 years of hospital life for being moral defectives—for having babies out of wedlock in the 1930s.

If we are to admit people to hospital against their will when they are not capable of being treated, or at least deriving a therapeutic effect; the condition of some who are untreatable on their admission might not change throughout their detention. On what possible basis could they be discharged if there was no change or the treatment did not work? Would we not be in danger of locking people up indefinitely? As Professor Richardson said, we are in danger of compulsion being

[Hywel Williams]

a lobster pot—easy to get into, but very difficult to get out of. I fear that the Government's proposals will lead to people being detained who are then unable to be treated and discharged. In this case, the Government need protection from their own folly.

Compulsory supervised treatment in the community should be possible only when appropriate treatment is available. That is an especially important point for rural Wales—and, no doubt, elsewhere—because of the remoteness of treatment centres. Complying with a community treatment order for a person in a city, where the treatment centre might be a journey by bus of only a few miles, would be quite a different proposition than doing so for a person in Pwllheli, in my constituency, where the local hospital is 30 miles away, or even in Aberdaron, which is 17 miles further on. The same could be said for much of rural north-east and south-west Wales, as well as rural Monmouthshire.

Other aspects of the Bill have a particularly Welsh dimension. For example, there is a disparity between the thrust of the Bill and standard 2 of the Wales national service framework, which is titled "Service user and carer empowerment".

I hope that the Welsh Assembly will ensure that communication through the medium of Welsh will be available. It is a long-established principle that someone before the courts in Wales should be able to use Welsh "without hindrance", to use the formulation of His Honour Edmund Davies. People covered by the Bill should be able to use Welsh freely because freedom itself might be at risk. Equally, in the case of compulsory detention, a full apprehension of the meaning of words and the way in which they are used will be essential because someone's freedom might be at risk.

8.19 pm

Andrew Gwynne (Denton and Reddish) (Lab): I appreciate the opportunity to speak in this debate, Mr. Deputy Speaker. I very much welcome the Government's proposals to reform the treatment of people with severe mental illness. I recognise that this is a difficult area in which to legislate, given the necessity to meet the needs of many different groups, but I believe that the Bill will make treatments more successful.

Some Members of this House and the other place have criticised aspects of the Bill, especially the reforms to enforced detention and to community treatment on the grounds that they blur the divisions between patients' rights, patient care and public safety. However, I would argue that we will never adequately resolve those complex issues unless they are discussed and understood together.

One of the overriding reasons why the area is so difficult is that any legislation that we pass will affect so many distinct groups in our constituencies: patients, patient groups, medical practitioners working in GP surgeries and hospitals, our local authority social services working in our communities, and the general public. Taken separately, my instinct is to take account of the individual rights of all involved as far as possible, but with so many groups to accommodate and because of the nature of this area of law and the need for compulsion, it is our job to take an holistic approach to scrutinising the Bill, rather than to concentrate on the concerns and rights of any single group in isolation.

The rights of patients to refuse treatment must be balanced with patients' long-term interests and the interests of the public. Given the degree of complexity, all mental health legislation is inevitably a compromise. The 1983 Act was a compromise; the medical norms that have developed from that Act are certainly compromises; and the Bill, if it becomes law, will also be a compromise. What we must ensure is the freedom of local practitioners to work in multidisciplinary care teams, the freedom of GPs and psychiatrists to form a judgment based on their relationship with their patient and, crucially, the freedom of the patient to have easier access to mental health tribunals—something that my right hon. Friend the Secretary of State said the Government would work towards as a priority.

Freedom on the ground will always induce fear that the powers will be misused. We cannot escape the fact that in this area of law such fears are inevitable, but what we are discussing is a system that allows the wishes of mentally ill patients to be overridden for a period by their perceived needs. By broadening the criteria for compulsion, the Bill would allow clinicians the freedom to work across the individual health problems of a patient. Psychiatrists could impose treatments regarded as appropriate, rather than only treatments that are likely to alleviate the specific severe condition of the patient. That is an important change, because it would allow psychiatrists to provide treatment for one mental health condition with the hope of alleviating another. It would, for example, be left to clinical staff to decide whether it is appropriate to treat patients who cannot be cured of their personality disorder, but who might benefit from the treatment of their depression or anxiety. With the correct safeguards, which the Bill provides, such powers give clinicians the freedom to provide better treatment for the sake of the patient and of others.

The Bill is not about turning our doctors into jailers, as has been suggested in the other place; it is about giving front-line medical staff the flexibility to provide the treatments that they think are best. Opponents of the reform ignore the fact that mental health legislation is permissive: it allows doctors to do what they think is correct and appropriate in the circumstances. After all, no reform that we make can override human rights legislation that gives clinicians the final say.

Supervised community treatment orders are the second major innovation in the methods by which clinicians could care for their patients. If we want to find a balance between patients receiving their care in the place that they feel most comfortable and medical practitioners being able to ensure the continuation of treatment so that patients are not condemned to repeated periods of ill health and hospital stays, we require a model for community supervision. Some have argued that treatment should be entirely for the benefit of the patient and that threats to the wider public should be dealt with by the criminal justice system, not by doctors. I would argue that there is a role for doctors to impose treatment on those who pose a danger to

their own health and that of others, and that doctors are best placed to make such decisions. My fear is that if patients are not able to receive their compulsory treatment in the community—treatment imposed for the protection of their own health—clinicians will continue to be forced either to retain patients in hospital, or to risk the decline of their patients' health in the community.

Increased care in the community will, of course, be a challenge requiring adequate investment in local authority social services and multidisciplinary care teams, but the Bill gives us the opportunity to take great strides in improving mental health care in the community and providing those receiving compulsory treatment with a great say in how and where they receive it. If we are concerned about discrimination against the severely mentally ill, it is the Government's duty to find a way to enable those receiving compulsory treatment adequately to exercise such choices. It is also the Government's duty to allow patients to receive their treatment with the least disruption to their lives. Supervised community treatment would allow greater confidence that when patients leave hospital, treatment regimes will be adhered to and the patients will not be made the subjects of repeated readmission to hospital and periods of in-patient care. It is vital that the choice is offered honestly and that past failure to adhere to treatment in the community is not made a precondition of a supervision order.

The Bill also redefines the key professional roles involved in care, allowing a greater degree of valuable multidisciplinary care to take place in the community. The introduction of the roles of responsible clinician and approved mental health professional will allow a range of clinicians from the fields of nursing, psychology, occupational therapy and social work to perform roles that are currently restricted to consultant psychiatrists. That will greatly strengthen the multidisciplinary model of care that has emerged in mental health services in recent years and will allow clinicians to work across disciplines in the way that is most appropriate to the patient. That view is strongly supported by Amicus, Unison, the British Psychological Society, the Royal College of Nursing and the British Association/College of Occupational Therapists, which represent many of the multidisciplinary clinicians and carers who, under the proposals in the Bill, would lead such care.

I fully understand the fears of some local authorities, including Tameside and Stockport councils, which serve my constituents, that the changes might prove to be expensive. It is vital that resources be made available for reforms to local social care policies, but I am confident that the proposed changes to the legislation will be in the best interests of our constituents who are in need of community care for severe mental illness.

What my right hon. Friend is proposing is that clinicians should be able to offer supervised community treatment in England and Wales as a matter of course, thus not having to wait until their patients have suffered damaging and repeated health decline in the community. As I have argued, we should not forget the aim of mental health law, which is to allow mandatory treatment to be given where necessary for the sake of the health of the patient and the safety of others. There is little point in such legislation if it does not enable clinicians to provide beneficial care to their patients without disruptive breaks in treatment. It is also important not to be transfixed by an orthodox interpretation of individual human rights. The short-term right to refuse treatment and the long-term right to receive appropriate care will often conflict in cases of severe mental illness.

A balancing act will always be necessary in mental health law, but the Bill promoted by my right hon. Friend the Secretary of State offers us the best balance. There can be no doubt that that the law needs to be modernised. Widening the scope for treatment and allowing compulsory treatment in the community, as well as in hospitals, will benefit patients and communities alike. That is why I shall support the Bill tonight.

8.28 pm

Adam Afriyie (Windsor) (Con): I am conscious of the amount of time left this evening, so I shall keep my remarks as short as possible.

Many of us entered the House with the motivation of caring for a particular group in society, and from a desire to put things right and to ensure that the state steps in only when it is necessary to protect that group. Sometimes, politicians and Members get a raw deal from the media. We are often painted as self-centred and self-serving people with massive salaries and wonderful expenses who do not particularly care about or want to focus on British citizens, the least well-off and the most vulnerable groups in society.

My experience from my two years in the House is that virtually every Member of Parliament to whom I have spoken, whether Conservative or Labour, is motivated by a profound sense of duty, responsibility and care for particular groups in society. That is why I was delighted that when I questioned each of my colleagues who made it to the House in May 2005, I found that they, like me, were concerned with a specific group in society. We produced a small booklet called "The Forgotten", in which we outlined the key groups that we felt needed support and more thought and concern. Those groups were people with AIDS and HIV, people who suffer from diabetes, the terminally ill, children with state carers and a group that I have always been concerned about—the millions of people who suffer with a mental health challenge.

It is not as though people with mental health challenges are a small group; I am pretty certain, just from the statistics, that there are hon. Members in the Chamber right now who struggle with a mental health challenge. I am also absolutely convinced that every single Member in the Chamber has had experience of a mental health challenge, perhaps through a family member, a work or other colleague, a carer, or a friend. I am delighted that this debate is taking place, and that in many ways the Bill, in its current form, is not party political. We are pretty much all behind the objectives of the Bill in its current form. I hope that we can see our way to agreeing on some minor amendments in Committee, but that we will find a way to push forward with the Bill in pretty much its current state.

From the debates in the other place and from the representations that I have heard from Mental Health Alliance and many other well-respected and well-

[Adam Afriyie]

supported bodies, it seems that the evidence and common opinion point in one direction. They largely support at least five of the six amendments from the other place, so I hope that the Bill will reach Committee in its current state, and that Ministers will keep an open mind and will allow for some movement when we debate the amendments from the Lords.

The biggest challenge that people with a mental health problem face in Britain today is the stigma attached to such problems. There is a danger that when we talk about such matters in the Chamber, and when the media pick up on the issues outside the Chamber, we do damage in that respect, but I have to say that in the majority of contributions made today, hon. Members have done incredibly well in showing our concern to point out that of those patients who suffer with mental health issues, a very small minority are violent or dangerous. I am glad that we have not concentrated solely on the dangerous minority.

The Bill is an opportunity to move forward with the concerns, the plight of those who suffer, the treatments available to them, and issues to do with the people who care for those sufferers. However, I have a couple of concerns. Is it right to detain somebody who has not committed a crime? That is a pretty fundamental question. Statistically, it is possible that at some point in the next few years a Member of the House will do something that is against the law. Do we detain everyone in the House on the basis of that probability, just in case we go on to do something wrong? We would not accept that approach in society, and we should not accept that approach to people who suffer with a mental health challenge. We need to look very carefully at the amendment made in the other place on compulsory community treatment orders, and ensure that we are not introducing such a principle in terms of compulsory treatment, either in an institution or in the wider community.

I do not wish to create division where it does not exist because, as I said, the motivation behind the Bill, which has been a long time coming, is welcome, as it seeks better treatment for people struggling with a concerning problem for themselves and for the rest of society. In its current form, the Bill will certainly rise to meet most of the challenges, but there is an omission concerning the issue of advocacy. If someone cannot represent themselves clearly and fluently, and if they believe that the family member who is automatically their advocate is not the right person so to act, we need to consider tabling an amendment in Committee to introduce the concept of choosing an alternative advocate.

The Bill exists mostly outside of party politics. I am not sure if there will be a Division this evening, but if there is I hope that we all consider the precise issues at stake and vote for the sort of society that we want rather than vote along party political lines. The evidence from the House of Lords and from third-party bodies is practically unanimous on five of the six Lords amendments, and I hope that those amendments will be carried through into Committee. The Bill gives us a great opportunity to take a positive step forward on treatment for patients' happiness and well-being and for society as a whole. I therefore hope that it proceeds, preferably uncontested, to Committee, where we can examine the specific issues more closely.

8.36 pm

Ann Coffey (Stockport) (Lab): It is not surprising that the Bill has proved controversial. After all, we are dealing with contentious issues of liberty and personal responsibility, and we have been asked to determine in what circumstances anyone with a mental disorder should be detained against their will. Those and other issues have been the subject of debate since the Government announced their intention to introduce new legislation in 1998.

During the Bill's controversial passage through the other place, their lordships sought to address those problems where they still believed that an individual's human rights were at issue. As elected Members of Parliament, we need to take into account, too, legitimate public concerns about safety. However, given the importance of this area of legislation, it is essential that we find a way forward that addresses the concerns of all parties. We need legislation on the statute book that is, and will be, suitable for our communities in the 21st century. A stand-off between the two Houses on the issue would not be helpful, and we can achieve our aims by considering the way in which the Lords amendments would work in practice, rather than in principle.

I am not a lawyer, but I trained as a psychiatric social worker, and worked as such for many years before moving on to different things. I should like to consider the Bill from the perspective of the approved social worker—or the approved mental health professional under the Bill—who sets up and undertakes with doctors the assessments that determine whether or not someone needs to be admitted compulsorily under the Mental Health Act 1983. Approved social workers are highly trained and skilled professionals who act independently and are personally and legally accountable both for their decisions and for the safety and well-being of the service user who has been sectioned until they are accepted on a ward by nursing or other staff. How will the amendments to the definitions of mental disorder and treatment for it help or hinder that process of assessment?

I have looked at the original Bill and the Lords amendments in relation to the criteria for compulsory admission from the community, particularly the issues of "medical treatment" and "impaired" decision making. The original Bill talked about the availability of "appropriate medical treatment", whereas the Lords amendment used the words,

"medical treatment...likely to alleviate or prevent deterioration"

in the patient's condition. In both cases, the term "medical treatment" has the same broad meaning. It includes medication, nursing care, habitation and rehabilitation, as well as psychological treatment or support. One focuses on the notion of availability of "appropriate" treatment, and the other on its likely benefits, but are those two notions very far apart? If the treatment available would not help the patient by alleviating or preventing deterioration in their condition, can it be said to be appropriate? It appears to me that the issue involves interpretation rather than the words themselves.

The Lords have also inserted a new condition into the provision on criteria for formal admission for consideration in the assessment:

"because of his mental disorder, his ability to make decisions about the provision of medical treatment is significantly impaired",

which, of course, refers to the patient. In my experience, the amendment reflects exactly what already goes on with Mental Health Act 1983 assessments, where doctors and approved social workers use their skills and knowledge to ascertain through the assessment process whether the person before them is, in effect, unwell and in need of treatment or care, or whether the person should be given choice and take responsibility for their actions and decisions.

I want to provide the House with an example. I spent last Wednesday in the company of approved social workers and observed a mental health assessment in a police station. The gentleman concerned had been picked up by the police at 8.30 after a complaint from a neighbour, and the forensic medical examiner expressed concerns about him and asked for an assessment under the 1983 Act to determine whether he needed assessment or treatment and whether he was fit for interview. During the mental health assessment, he was asked questions to establish the nature of his relationship with the complainant and his understanding of why he was in a police cell. The professionals probed his belief system and his emotional state and sought to determine whether there was an underlying psychosis, depression or anxiety state and the level of risk that he posed to himself, to the person who had made the complaint against him and to the wider public. Although the professionals were clear that the man had a level of mental disorder, when they discussed the issue between them, they concluded that it was not so bad that they needed compulsorily to detain him and that he should receive treatment on a community basis. The outcome of such an assessment is likely to be the same, whether or not the Lords amendment is accepted.

As I have said, we can set the boundaries within which professionals make their decisions about assessment, treatment and responsibility of people who experience mental disorders. We can also—the Government, to their credit, have done this—regulate to ensure that the professionals who are involved in those essential decisions have the knowledge and skills to make informed, professional decisions. Having ensured that, we must then trust the professionals to make such decisions to the best of their abilities. However, we must also ensure that the professionals whom we ask to undertake assessments on our behalf and on behalf of society as a whole have the resources to do so safely and in a timely manner.

Department of Health figures show that 27,353 patients were compulsorily admitted from the community to NHS facilities and independent hospitals under part III of the Mental Health Act 1983 and other legislation in England in 2005-06. As I have said, the approved social worker is responsible for organising the assessment, but the responsibility is greater than that—they have to apply to courts for a warrant if the person will not let them into their home to undertake an assessment, make judgments about whether to involve the police in the assessment process, consider how quickly the assessment should take place, consult other professionals and family members about their views and, ultimately, make an independent and balanced decision whether admission to hospital is, given all the circumstances of the case, the most appropriate way forward. They decide whether or not to apply for a formal admission, and if they decide not to apply, there will be no admission. The process of admission can be fraught, but representations from approved social workers via the British Association of Social Workers and the ASW national leads network suggest that the situation is being made worse by problems with the way in which resources are managed.

I have mentioned my day with the approved social workers in central London, but I did not mention that when we left the office last Wednesday there were two other mental health assessments that had been waiting since the previous Thursday, which was before the bank holiday weekend, for police support to be available to enable them to take place. That was because the person requiring assessment was known to have been aggressive or had used threatening behaviour, and the ASW and the doctors could have been at risk without police support. There is also the issue of perhaps having to convey an unwilling patient to hospital. That delay of almost a week for police support could have had very serious consequences for the people who needed assessing and those around them. Other issues are involved in the assessment process, such as the identification of the bed and the availability of ambulances.

The British Association of Social Workers points out that although the individual approved social worker has responsibility for managing the assessment process, for making informed and professional decisions about whether to admit someone, and for the safety and well-being of the patient from the time that they sign the section papers to the moment the person is admitted to hospital, the resources they need to complete their tasks are not within their control locally. The Government have said that those issues, including police time, are best dealt with through local arrangements. I hope that in recognising some of the present difficulties there will be consideration in Committee on how to give guidance about what local arrangements Ministers believe should be in place to protect the individual and the public by ensuring that where admissions to hospitals are necessary they happen in a safe and timely fashion.

The Government have made great progress in the provision of mental health services—not an easy area in which to legislate or to work. I hope that the Bill has a constructive passage through the remainder of its legislative process.

8.46 pm

Martin Horwood (Cheltenham) (LD): The other place has a reputation for well-informed debates, but I have been struck by the level of expertise that hon. Members have shown today, sometimes speaking from painful personal experience.

I pay tribute to all those who work in community, day-care and hospital mental health services in my constituency and elsewhere. They work very hard in a

[Martin Horwood]

challenging area of health care where their occasional failure is often leaped on by an unforgiving media while their frequent success is much more rarely mentioned.

I share many of the concerns of other hon. Members, including my hon. Friend the Member for North Norfolk (Norman Lamb), about the initial version of the Bill. I have been strongly lobbied on some of its provisions by constituents, one of whom said:

"Please do whatever you can to stop the Government's proposals in their tracks and get a law for England and Wales that's as fair as the law in Scotland."

However, as the Minister knows, I also share some of the concerns that led to the Government presenting the Bill in its original form, particularly in relation to people with personality disorder, who have suffered from the fatal combination in the Mental Health Act 1983 of very specific definitions of mental disorder and illness and the treatability test. That has led to people with personality disorder being denied treatment, whether in line with the law or, as the hon. Member for Buckingham (John Bercow) noted, based on a misguided view that the condition cannot be treated.

The current law is, by common consent, flawed, but the need to guard the civil liberties of some of the most vulnerable citizens in our communities means that any amendments to it must be carefully worded. That will be a difficult task, particularly in the case of personality disorder, even the definition of which is difficult to grasp. In the words of Mind,

"Slotting people into neat categories is almost impossible, because each individual is unique and personality is very complex. It's a mistake to assume that giving people a diagnostic label means knowing more about them, and it's too easy to use these terms in a judgemental way."

That was certainly so in the circumstances that applied in the case—now, I am afraid, the very public case—of one of my constituents, a young man called James Green. It seemed to me that he was unable to access the treatment that he needed because, in a sense, he did not have a proper mental illness, having been diagnosed with personality disorder. I should like to take a moment to pay tribute to the care, dedication and perseverance of the Green family—Les and Jackie, James's parents, and particularly Daniel, his brother, who has championed his case tirelessly.

James had a long history of difficult, sometimes very aggressive behaviour involving self harm and of threats to harm his family. As he grew older, he increasingly said that voices were telling him to harm himself and his parents, and he wanted to be admitted to somewhere where he would feel safe. Again and again, though, the situation was that his medication was reviewed and even if he was admitted for a short time he was returned to his family, sometimes with community support but making life increasingly difficult for them.

In July 2005, James set fire to his house, endangering the lives of his parents and his neighbours. He was prosecuted for arson and recklessly endangering life and sentenced to seven months in prison. That was the beginning of a prolonged relationship with the criminal justice system.

Court-appointed psychiatrists examined James repeatedly and diagnosed personality disorder. An assessment in December 2005 clearly concluded that he did not have an acute, chronic or serious mental illness but that he nevertheless ran a "high risk" of harming himself and others. Another stated,

"no mental illness, borderline learning difficulties, personality disorder. Immature, impulsive, substantial risk of re-offending/ self-harm."

Yet the judge in the case found it almost impossible, despite repeated adjournments to seek professional advice, to locate an appropriate setting where James could receive treatment.

During that time, I met the partnership trust with James's brother, Daniel, and it said that there was a legal framework for treating mental illness but that James appeared to fall outside it. On one occasion, it stated that it believed it

"most appropriate for any consideration of his health and social care needs to be seen within the context of his current offence and resolution by the courts."

It became clear to me that Gloucestershire probation service and Her Majesty's prison at Gloucester were familiar with dealing with people with personality disorder.

I discovered a psychiatric morbidity survey among prisoners, which revealed that 78 per cent. of male remand prisoners had some form of personality disorder. We have effectively handed over the care of many people with personality disorder to our prisons and our probation services.

It is typical that James's case reaches something of a climax tomorrow when he appears before a judge for sentencing, not before a doctor for treatment. However, the family hopes for the outcome that his assessment and treatment at a unit called Kneesworth house in Cambridgeshire will become a more permanent arrangement. James has—eventually—benefited from treatment, which has been more psychological than pharmaceutical. I compliment the staff at Kneesworth on their work with him. They have demonstrated two fundamental truths.

First, no one should be excluded from treatment because of the form of words used in their diagnosis. The Bill, even as amended, appears to prevent such exclusion. It is clear that it covers personality disorders. The draft illustrative code of practice, which would not be affected by the amendments, clearly specifies that personality disorders will be covered.

Secondly, Kneesworth has demonstrated that, even with difficulty and after years of trying, the current system can provide treatment, with a treatability test in place. The Bill, as amended, would provide a much better and clearer legislative environment, in which we all agree that people with personality disorder should get the treatment that they need.

I said earlier that amendments to law needed to be carefully worded. Such amendments have come from the House of Lords. On the definition of mental disorder, amendment No. 3 stated:

"For the purposes of subsection (2)... a person shall not be considered to have a mental disorder... on the grounds of... substance misuse... sexual identity or orientation... his commission, or likely commission, of illegal or disorderly acts... his cultural, religious or political beliefs."

It is difficult to see who could take exception to that. It would not have prevented James Green from obtaining treatment and it does not reintroduce the narrow definitions of mental illness that the 1983 Act contained.

The amendment on the treatability test would reintroduce the words of the original Act but would not enforce a narrow test. It simply states that, for a treatment to be provided, it must be at the very least,

"likely to prevent a deterioration in"

someone's "condition". The condition does not therefore have to be perceived as curable or definitely treatable. The treatment does not have to be guaranteed, simply "likely", to be beneficial. It is difficult to understand how that could possibly have denied someone such as James Green treatment. If that modest test is not passed, how is compulsory treatment distinguishable from detention without treatment?

In Rethink's rather blunt words:

"Hospitals are not prisons. If people are detained for non-health purposes, it must be through the criminal justice system."

The Royal College of Psychiatrists agrees. It described the Lords amendments as "very sensible amendments". It even stated that they would have public support. It conducted a poll in the south-west of England, which found that 75 per cent. of people

"do not think that people with mental health problems should be forced to have treatment from which they cannot benefit."

I have talked to not only doctors and psychiatrists but the Green family about the amendments that were tabled in the other place. Daniel Green studied them before I even spoke to him. Neither he nor I can understand why they pose any risk to people with personality disorder getting the treatment that they need. I hope that the Government will realise the potential for building cross-party consensus on such an important Bill.

8.55 pm

Mrs. Madeleine Moon (Bridgend) (Lab): As many people have remarked during the debate, this is a complex Bill with a history of controversy, compromise and confusion. That is mainly because the plan to introduce a mental health Bill was replaced by the decision to amend the Mental Health Act 1983, and this has clouded the discussion of what the Bill is saying, as opposed to what many people want it to do, to say and to promote.

I recognise the anxiety felt by families, carers and those with a mental health problem. With at least one in six of the population suffering from depression, anxiety or obsessive compulsive disorder at some time in their lives, one in 22 having a personality disorder, and one in 200 suffering from psychosis, with the resulting loss of contact with reality, mental health issues touch most families at some point and bring them into contact with our mental health services.

It has been good to hear recognition across the House today of the Government's improvements to mental health services. The range, availability and effectiveness of the services has certainly changed. Years of neglect are slowly being counteracted. I also recognise that an increase in budgets is not the only thing that will improve services. Training, new facilities and new partnerships need time to be put in place and to become effective.

The Bill has achieved a high profile specifically because of the voluntary sector, which now receives a huge amount of funding to improve mental health advocacy, raise awareness of mental health issues and provide a new range of services. Organisations such as Hafal, the Mental Health Alliance, Mind, and my own Bridgend organisation, Mental Health Matters, are rightly eager to ensure that the Bill will provide the highest level of protection and rights to those who face compulsion at some time in their lives. Like others, I pay tribute to their unending commitment and creativity in providing a range of services to people who are mentally ill.

Statistics cannot give a realistic picture of the pain, suffering and torment experienced by those with a mental health problem, and by their families and carers. I want to stress that. When considering the Bill, I have borne in mind the fact that, of the 300 people in every 1,000 who experience mental health problems every year in Britain, only six will become in-patients in psychiatric hospitals. In 2005-06, 27,779 patients were sectioned and would therefore have been considered for a community treatment order.

The Bill relates to how we deal with the limited number of people who face formal admission every year. It is about strengthening patients' safeguards and tackling human rights incompatibilities. It is not about improving access to services, expanding the range of community-based mental health provision, or handling housing problems caused by tenants with mental health problems. It is not about tackling mental health awareness. It must, however, signal the Government's commitment to dealing with all those issues if it is to be effective and to reassure those who use mental health services. While only six of the 300 in every 1,000 people who experience a mental health problem are likely to face compulsion, failure to address these issues will lead to the vast majority of sufferers, and their families and carers, fearing that the services will not be there to meet their needs, to help their recovery, to keep them safe, to enable them to live in the community and to avoid compulsion.

It has been alleged that the Bill is driven by media stories of murder and other violent crimes committed by people with mental health problems. There are fears that it is heavily biased towards extending the powers of compulsion and control. I believe that many of those fears have been addressed by changes in the Bill, including a list of exclusions, clarification of impaired decision making and the use of places of safety and time limits in the context of renewal of detention.

Others have already highlighted the fear and anxieties of families such as one in my constituency. A family member was murdered by her husband, who had a mental health problem. The family were frustrated by a system which they felt left their sister vulnerable. Within a very few years of her murder, her husband was seen in the local community in the company of a nurse. The family felt betrayed and insecure, not knowing whether this man would be in their street, shop or pub. They were angry that they had not been consulted about community rehabilitation plans, or made aware of an appeal to the mental health

[Mrs. Madeleine Moon]

review tribunal. They, and I, feel strongly that victims' families should have such rights.

Like others who have spoken, I welcome the duty placed on health authorities to admit children to age-appropriate settings, and to provide specialist assessment and supervision for detained children. My constituency has the highest suicide rate among young males in Wales. I have spoken to parents of young people who are afraid of being returned to adult wards that are frightening and threatening and increase their vulnerability at the time of greatest need.

Many years ago I lodged an advance directive with my GP. I set out the limits to treatment that I wanted to establish in the event of my losing capacity. I believe that those who are mentally well should be able to write an advance directive nominating the person whom they wish to act as their nearest relative, primary carer or advocate, specifying people with whom information can be shared by medical practitioners, and giving directions about future treatments. Such documents should be taken into account by those making decisions on the provision of treatment and on compulsion. An advance directive gives individuals a voice at a time when they may well be unable to speak for themselves in their own best interests, and can reduce anxiety for patients' families and friends.

For a time I managed a specialist health and social services project for people with dementia. Joint assessments were made by the community psychiatric nurse and me when people were referred to our service. Our assessments and conclusions were different, reflecting our different training and perspectives, but they were better assessments for being joint. I fear that there will be a risk of "medicalisation" of assessments if the social workers and two doctors are replaced by a range of health professionals and a responsible clinician, especially if they work in the same mental health team. I hope that care will be taken in the training provided for that new role, and that advocacy of the service user's perspective will not be lost.

It is in the best interests of the Bill for the fundamental principles to be written into it, and the status accorded to the code of practice clearly identified. I believe that that will reassure users, carers and mental health professionals about the ethos on which mental health services are predicated. It will provide evidence of the Government's commitment to improving services consistently in line with those principles, and demonstrate their commitment to the mentally ill while also protecting the public.

As I have said, the Bill deals only with the very small percentage of people who require compulsion. We should not forget that it is aimed at that small percentage of people with severe mental health problems. It is sad that much of the debate, and the anxiety that has been created, relates to issues outside the areas covered by the Bill. We have sometimes been sidelined into discussing things that are missing from our mental health services, rather than the good aspects of the Bill and the safety and security that it provides for people at their most vulnerable. I trust that the anxieties expressed by Members today will be discussed again in the Committee on which I hope to serve.

9.4 pm

Mr. Charles Walker (Broxbourne) (Con): I am afraid that I will not be able to do the subject justice, because we have heard excellent speeches from the hon. Members for Rhondda (Chris Bryant) and for Caernarfon (Hywel Williams) and from my hon. Friend the Member for Buckingham (John Bercow). However, I shall try my best.

Ever since I came to this place, I have taken an interest in mental illness. We all have our own reasons for pursuing such an interest, but I am always touched and humbled by those people who come up to me and thank me in a quiet way for being their voice and for raising their concerns. Very often, people with mental illness feel marginalised and feel that there is no one out there listening to them.

That was brought home to me when I visited an outreach centre in Cheshunt where, after a roundtable discussion, the director of the centre said that one of the patients would like to have a word with me in private. I went into a room and met a gentleman who suffered from schizophrenia. He wanted to educate me about the illness. I was moved by the conversation—he did not need to validate himself to me—because he said that if someone had cancer or heart disease it would not define them. They would still be Charles with cancer or with heart disease, but he was all too often referred to as schizophrenic. I thought that that was very upsetting.

Mental illness makes many MPs feel a little uncomfortable. I have heard Members talk in the Chamber about personal experiences, but I think that I am right in saying that never in the history of Parliament has a sitting MP admitted to having a mental health problem. That was touched on by my hon. Friend the Member for Windsor (Adam Afriyie). I often wonder why there is a reluctance to come forward.

Many MPs who want to discuss a personal issue must pause for thought and perhaps the following things might occur to them. They might think that mental illness is perceived in our society as a huge weakness. They might wonder how their association would react. "Would it throw a supporting arm around me or would it move to deselect me? How would my children fare in the playground if I, as an MP, admitted to having a mental illness? Would they be teased or possibly even worse? How would the local and national press react? How would my constituents react? What would be the response from my colleagues in this place?" All these factors might weigh on an MP before they discuss a personal issue.

We understand that mental illness does not sell well on the doorstep. If we were talking about heart disease or cancer, the Chamber would be much fuller. I am sure that there are MPs who, in their hearts, would like to be here speaking up for the mentally ill against what might become a fairly oppressive piece of legislation. However, they are risk-averse. What would happen if they had the courage to speak up and one of those isolated tragedies occurred in their constituency? Would they be pilloried by the local press for supporting "loonies and nutters"? Those are not my words, but they are words that are used far too often by the media to describe sick people who deserve our compassion.

Mrs. Moon: Does the hon. Gentleman agree that the fact that we have a ten-minute rule on speeches in this debate and that so many MPs have spoken with passion indicates the huge amount of support and interest in this House for people with mental illness? I am concerned that the hon. Gentleman is suggesting that that interest is not there. I believe that it is, as has been demonstrated by tonight's debate.

Mr. Walker: I have paid fulsome tribute to the speeches of Members this evening but my views are little different from those of the hon. Lady and I hope she will accept that.

I am concerned that we may be deliberately, or mistakenly, pandering to the tabloid press and validating some its more screaming headlines. I did some research; the *Daily Mail* had the headline

"Knife maniac freed to kill...Mental patient ran amok in the park",

while *The Sun* had

"Violent, mad. So docs set him free. New community care scandal."

They are appalling misrepresentations of people with mental illness, and it does our media a great disservice that they persist in bringing them forward. However, I believe that we live in a civilised society and that our Government will in their heart not want to regulate in this area to satisfy the tabloid press.

The media reporting of mental illness is shameful. The Royal College of Psychiatrists has stated:

"The media's obsession with reporting cases of mental health patients who become violent has seriously distorted the truth. Mental health is not a predictor of violence against others for almost all diagnosis".

It continues:

"There is a slightly higher risk of violence with a diagnosis of schizophrenia but this is insignificant compared with the relationship between other conditions and violence—alcohol consumption being the main one."

Before I leave the subject of the press, I wish to say that it is unacceptable at a time when we have consigned phrases such as "cripple" and "retard" to the scrapheap that many of our leader writers still think that it is legitimate to use words such as "nutter" and "loony". Much of the media's reporting can be put down to laziness and avarice to keep their circulation up.

Recent research by the Glasgow University Media Group into the attitudes of senior production staff to the reporting of mental illness resulted in the following conclusions—unsurprisingly:

"News and features emphasise the newsworthy rather than the worthy. Stereotypes are therefore enormously useful and they short circuit the need to spend time understanding a topic. They simply follow a rapid tried and tested formula which is known to work commercially."

Commenting on the research, Graham Thornicroft, head of the health service research department at the Institute of Psychology said:

"This is consistent with the tendency for people with mental illness, when not shown as violent predators, to be allocated to the category of helpless victim."

One of the tragedies of the Bill proposed by the Government is that there was not much compassion in it. There is a lack of willingness to challenge some of the distortions of mental illness peddled and promoted by the media. I have a great deal of time for the Minister—I have met her privately on a couple of occasions to discuss my concerns about mental health problems in my constituency— but in her ministerial press release of 1 March, after the Lords amendments were passed, she mentioned public protection no fewer than six times. What she mentioned was public protection—not the interests of the patient, but the interests of the public. Public protection is a consideration, but it should not overshadow the main purpose of any mental health legislation, which is the care, safety and well-being of patients.

Let me give a further quote from the Royal College of Psychiatrists:

"The law should seek to reduce stigma and discrimination against people with mental illness. Wherever possible the principles governing mental health care should be the same as those which govern physical care enabling people to feel able to seek help early, to ask about their fears and difficulties, without fearing scorn, humiliation or loss of status, freedom, job and friends is the best way to bring about improvement in their health."

I will not dwell on statistics, but it is worth pointing out that people in this country are almost four times more likely to be killed in a motor traffic accident than to be murdered and 80 times more likely to be killed in a motor traffic accident than to be killed by someone suffering from schizophrenia. In our tolerant society, we cannot live without risk and still call our society free. With the best intentions in the world, the Government cannot legislate to create a risk-free society.

It appears that a different set of rules apply to the mentally ill—that the normal rules relating to limiting civil liberties and rights are suspended. Let us imagine what would be the outcome if we were to follow the advice offered in an article in *The Daily Telegraph* today. The article is entitled:

"MPs should vote to save innocent lives".

It is written by Philip Johnston, who writes:

"If this Bill will save lives, then Parliament has a duty to support it."

I can think of a couple of Bills—unattractive Bills—that might save lives, and which might have been brought forward in a less enlightened time, such as 30 or 40 years ago. We could introduce a Bill to ensure that people with AIDS are locked up so that they do not pose a public risk. That would be unattractive, but I am sure that it would save a few lives. We could go out and round up young black males in Peckham, which might save a few lives in that area, but that is an unattractive and unpalatable solution. So why is it that when we discuss mental health we too often separate sufferers from everyone else to whom we accord rights?

Things have improved for those suffering from mental illness and I would not be churlish enough to deny that, but the Bill is the acid test, because it deals with some difficult issues. Of course people who pose a danger to others should be given treatment and looked after. But 79 members of the Mental Health Alliance would not be supporting the Lords amendments or opposing the Government's original drafting if the Bill would not massively extend the scope of the existing provisions to people who for good reasons should not be covered by the new legislation. I cannot believe that the 79 members of the MHA have got it wrong, or that the BMA and the Institute of Psychiatry have got it

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wrong, but the Government have got it right. Surely the Government must recognise that when they are in a minority of one it is time to look at the issue again. The MHA is purely dedicated to looking after the interests of those who suffer from mental illness and I take their advice very seriously.

9.16 pm

Ms Diana R. Johnson (Kingston upon Hull, North) (Lab): I listened with interest to the hon. Member for Broxbourne (Mr. Walker), especially when he questioned whether a Member of Parliament had ever admitted to having a mental illness. I thought of Winston Churchill, who admitted to having the "black dog" of deep, dark depression—

Mr. Walker: Not while he was a sitting Member of Parliament.

Ms Johnson: In any case, Winston Churchill achieved a great deal in his career as a Member of Parliament, and in recent weeks and months various people in public life have said that they have had mental health problems, but they too have achieved a great deal.

I was a member of the Mental Health Act Commission for several years and visited people who were detained in in-patient facilities in London and the south-east. The experience of meeting people who had been sectioned, received compulsory treatment and lived in wards—some of them in appalling conditions—was a salutary lesson for me about how we treat people with mental illness. It is important to remember, as my hon. Friend the Member for Bridgend (Mrs. Moon) said, that only a very few people end up sectioned and as in-patients in hospital, but they are an important group and we must get their treatment right. For a long time, they have been pushed to one side and not focused on properly. That is why I am really pleased by several aspects of the Bill, including the community treatment orders.

I am not saying that the care and attention given by NHS staff was lacking in any way, but I saw distressing conditions in some wards in some in-patient facilities where some people found it very difficult to hold themselves together. I remember seeing one person who refused to wear clothes and had to be kept in a room with no furniture and restrained for much of the time, because he was so unwell. We must get the treatment of such people right.

I raise that point because it is important to remember that in-patient facilities have improved enormously, but the whole thrust of the NHS reforms is about providing care in the most appropriate place for the person. For some people that will be an in-patient facility, but many people want care close to their home, if not in the home, so CTOs will be a real step forward in giving people with mental health problems that option. We want people to receive other forms of NHS treatment close to their homes, as some already do—so why not people who have mental health problems?

The multidisciplinary approach is prevalent in the mental health field, so it is right that we consider who should make decisions about sectioning people; for instance, amending "responsible medical officer" to "responsible clinician" is the right way forward, as are the provisions amending the role of the approved social worker to include "approved mental health professionals". Such steps will allow psychologists, therapists, nurses and social workers to play a full role, along with clinicians and consultant psychiatrists, and would show that we are taking a much more modern approach to dealing with mental health care, rather than using only a medical model, which is rather old-fashioned.

In Committee, I hope that we can look again at the provisions on nearest relatives to allow patients the option to nominate the person they want as their nearest relative. The list is too prescriptive at present and the patient is allocated a person. Family relationships are often difficult and the patient may not want their actual nearest relative to speak for them and take important decisions.

I was pleased that my hon. Friend talked about the advance directive, as it is an important issue, although it may not be appropriate for the Bill. An advance directive allows the patient some dignity; when they are well they can say, "This is what I would like to happen if I am ill again." That is a positive step forward for mental health services.

It is distressing that sometimes police cells have to be used as place of safety accommodation, although I understand why it is necessary. I hope that the Government will reconsider that practice and think more creatively, especially in light of the massive NHS building programme; for example, some of the local improvement finance trust buildings or provision in the acute sector might be used as places of safety. The police need training. I was shocked to find that most police officers do not receive substantive training in dealing with people with mental illness.

Finally, we need to try to remove stigma. An important development in schools in recent years is the national healthy school standard, a key aspect of which is promoting emotional health and well-being in our youngsters. We should try to raise the issue of mental well-being with our children early on, so that they do not think of mental illness as a frightening, distressing condition to be backed away from. I remember a nurse telling me that if a person has a broken leg the general public will always help; when they see that a person has a physical injury they do everything they can to help because they can see the problem, but if someone has a mental illness, people run away—they do not want to help. We have to try to address that issue with our youngsters in school, by saying that we should not be frightened of mental illness; it is treatable and we can do things to help people. Let us treat it like any other illness and not see it as a distressing, frightening condition.

9.23 pm

James Duddridge (Rochford and Southend, East) (Con): It is a pleasure to follow the hon. Member for Kingston upon Hull, North (Ms Johnson) who made a number of salient points, especially about nearest relatives. However, I disagree with her when she said, referring to the hon. Member for Bridgend

(Mrs. Moon), that the Bill was not the place for considering advance directives. The hon. Member for Bridgend made an impassioned and logical case and I hope that the matter will be discussed in Committee, because it would be wholly appropriate to do so.

I did not enter the House of Commons with a deep knowledge or understanding of mental health issues, but over the last two years—because of the people coming to my constituency surgery and as a result of my travelling around the constituency—I felt compelled to understand more about those issues and how they were dealt with in the House. Indeed, my first meeting with a constituent in this place was with someone from SUNRISE—Services Users Network Representation in South Essex—a mental health advocacy group. He raised with me problems stemming from the Mental Health Act 1983 and asked when there would be a mental health Bill. I tabled a number of written questions to Ministers on that question and I am glad that we are now having a Second Reading debate on the Mental Health Bill.

On the basis of evidence presented to me, I was prepared to oppose—and oppose quite strongly—a mental health Bill, but I am now in the somewhat bizarre position of supporting the Mental Health Bill today, largely because of the amendments tabled in the other place. However, I will be deeply disturbed if, as I think and fear will happen, a number of those very sensible amendments are turned down in Committee.

Looking again to my local area, mental health is covered by the South Essex mental health partnership, whose chief executive, Patrick Geoghegan, does an absolutely fabulous job—

Ms Rosie Winterton *indicated assent.*

James Duddridge: I am glad to see that the Minister shares my view. In fact, the mental health partnership was one of the first foundation status organisations within the sector. The annual report shows that one of the biggest risks over the next five years is this Bill or Act if it passes through Parliament. If Patrick Geoghegan and the South Essex mental health partnership are concerned, I am certainly concerned. Meetings with organisations such as SUNRISE and more national organisations such as Mind and Rethink have confirmed my worst fears. Visiting a local prison did likewise. The hon. Member for Cheltenham (Martin Horwood) referred to a figure in the high 70s in respect of people in prison with mental health problems. On visiting a local prison, I was told that more than 80 per cent. of the male population were suffering from some form of mental illness. That is truly horrific.

Many hon. Members have mentioned the mental health partnership and been extremely complimentary about the organisation—or collection of organisations. The partnership believes that the amendments tabled in the other place "significantly improve" the legislation, in contrast to the Minister's assertion that they "seriously weaken" it. With no offence intended to the Minister, I tend to support the view of experienced health professionals over that of politicians. We could say that professionals always have a narrow or biased view, but they are backed up not only by the Mental Health Alliance, but by the Law Society, which has welcomed the amendments, calling them "measured and judicious changes" and urging the Government not to overturn them. Those are two very eminent societies, as hon. Members on both sides of the House have acknowledged, and what they say is surely right.

Beyond the additional six amendments tabled in the other place, a number of their lordships spoke about independent advocacy, which has also been mentioned in this House. Independent advocacy was included in the 2002 and 2004 draft Bills, but is missing from the current Bill. I would like to see Ministers bring forward more detailed provisions on advocacy in Committee, building on the work already mentioned by my hon. Friend the Member for Tiverton and Honiton (Angela Browning).

The hon. Member for Kingston upon Hull, North mentioned the nearest relative and it is important to expand on who can be nominated by an individual, particularly when they are of sound mind. I ask the Government to reflect on tabling amendments to provide that such choices do not have to be brought before the courts. It is important not to have too much bureaucracy surrounding the process.

In my final minute, I would like to make a point about stigma. Katey J, a local artist, recently invited me to open an exhibition, provocatively named "Sad, Mad and Glad". Katey suffers from mental health problems, but felt a responsibility as a pillar of the community to say that it is possible for people to come out the other side and to talk about mental health problems.

One concern raised by Members, particularly on this side of the House, is that parts of the Bill may drive people with mental health problems underground. That is the very thing that neither side of the House wants. It is, however, a problem that I fear will be significant.

9.29 pm

Tim Loughton (East Worthing and Shoreham) (Con): We have had a very good debate, with some very knowledgeable contributions from no fewer than 17 Back Benchers—I have counted—all of whom paid tribute to local projects, local services and local mental health workers, who do an excellent job, often in challenging circumstances. It has been a well-attended debate, as the hon. Member for Bridgend (Mrs. Moon) said earlier. That might have something to do with the fact that, from memory, it is the first time in my 10 years as a Member that we have had a debate on mental health in the Chamber in Government time. We have had such a debate in Opposition time, courtesy of us.

We have heard some excellent contributions. We started with the right hon. Member for Sheffield, Brightside (Mr. Blunkett), who is not in his place at the moment. Rather unfortunately, he chided some of the mental health organisations that are part of the Mental Health Alliance, by saying that they were raising false fears among various sufferers of mental illness. As has emerged time and again, the 79 organisations in the Mental Health Alliance cannot have it all wrong. He made a very good point that we should make provision for the families of victims as well.

The hon. Member for Stafford (Mr. Kidney) made an excellent, well-informed speech, as usual, given his experience from his legal background. He said that

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there have been improvements in mental health services around his constituency—of course, there have—but the amount of extra money going into mental health services does not match the amount of extra money that has gone into the national health service as a whole. He also said that community treatment orders were relatively new and that therefore it is difficult to derive research from them. They are not relatively new in other parts of the world, particularly the United States, where they have been going for some time and where there is no definitive evidence that they are as effective as the Government are trying to make out.

My hon. Friend the Member for Tiverton and Honiton (Angela Browning) has enormous experience of this subject, not least with those with learning disabilities, particularly autism. I hope that she will be able to bring that experience to the Committee that considers the Bill; her comments about advocacy were certainly very well made.

The hon. Member for Hendon (Mr. Dismore), the Chairman of the Joint Committee on Human Rights, referred to some of the concerns that his Committee has rightly raised, and we want to debate them in Committee.

The House will agree that my hon. Friend the Member for Buckingham (John Bercow) made an excellent contribution. He praised the cross-party expertise in the Lords during the earlier scrutiny of the Bill. He said that the Government appear to be in splendid isolation and made the relevant point that I have been trying to make to the Secretary of State, who failed to grasp it, that we should treat people with a mental illness on no different a level from people who have a physical illness. The natural extension of what the Government have been saying is that someone who has cancer treatment and decides that they do not wish to take that treatment will not be subject to some form of compulsion, so why should we treat people with a mental illness differently? That only engenders the stigma that so many other hon. Members have spoken about as well.

Many hon. Members also spoke with real passion about very personal experiences, none less so than the hon. Member for Rhondda (Chris Bryant), who rather bravely spoke about his own family's experiences and those of his neighbour. I am sure that many of us will have had similar experiences with constituents facing such problems. What he did not add, however, is why the Bill in its previous form would solve those problems or why the Bill, as amended by the Lords, would fail to do so. There was therefore something lacking from his contribution.

Again, we heard excellent contributions from the hon. Member for Hackney, South and Shoreditch (Meg Hillier). I have visited the Hackney Mind project, and I know about some of the excellent work that it does with the black and minority ethnic community there and about the very real problems that she has in that part of east London.

The hon. Member for Caernarfon (Hywel Williams) spoke, as usual, with great knowledge of the subject. The hon. Member for Denton and Reddish (Andrew Gwynne) seemed to say that treatment regimes will be adhered to only because of the compulsion parts of the Bill. I failed to understand that. It seems that the Government follow the rather bizarre logic that people can be guaranteed to get treatment only if we raise the number of people subject to compulsion. That should not be the way. Those services should be there for everyone, without having to subject them to compulsion.

My hon. Friend the Member for Windsor (Adam Afriyie) summed the situation up well when he said that everybody in the House is concerned for vulnerable people. The hon. Member for Stockport (Ann Coffey) brought her own expertise as a former psychiatric social worker to the issue. The hon. Member for Cheltenham (Martin Horwood) spoke about personal constituency cases. He has had to deal with some pretty dire cases, as has the hon. Member for Bridgend. My hon. Friend the Member for Broxbourne (Mr. Walker) said that people with a mental illness look to him as a Member of Parliament to provide a voice for vulnerable people, and I am sure that that is true of many other Members of Parliament. The hon. Member for Kingston upon Hull, North (Ms Johnson), who is a member of the Mental Health Act Commission, was another person speaking with great expertise. My hon. Friend the Member for Rochford and Southend, East (James Duddridge) talked about stigmas.

We have had a well-informed debate, following on from the expertise in the other place. We think that we now have a relatively good Mental Health Bill, which we can support, but only thanks to the excellent scrutiny and expertise across all the parties in the other place and the six key amendments that have made a fundamental difference to what started off as, I am afraid, a fundamentally objectionable Bill. Members of the other place sought to compromise with the Government, but all too often that compromise was not forthcoming. It is unprecedented in my time here for the Government to suffer six defeats in a row on a Bill, as they did in the Lords. It is incredible that, after seven or eight years in the making, two abortive draft Bills, numerous consultations, the pre-legislative scrutiny Committee, and all this time under the responsibility of the same Minister, the Government still do not get it. After thousands of representations from mental health professionals, voluntary organisations, service users and the Mental Health Alliance, the Government still do not get it and are intent on trampling over all the good work and scrutiny done in the Lords by reversing all the amendments—despite all the public and press outcry over recent days.

The Observer last week carried an article with the heading:

"Mentally ill deserve more than cynicism".

The article continued:

"A small minority of people who suffer from acute mental illness pose a threat to society. The overwhelming majority pose a threat only to themselves. All are equally deserving of compassionate treatment, but most are being failed by the National Health Service."

Another article in *The Observer* was headed:

"Inside the violent, chaotic world of our mental wards".

The Times carried an article about under-18s being placed with the most dangerous patients. Lord Patel said:

"If I was a parent of one of these children, I would be expecting not only this House, but the Government to take immediate and urgent action".

The Independent on Sunday yesterday carried the headline:

"Insane! Stop the Mental Health Bill".

I think it got the second line slightly wrong. Inside, a father reveals the suffering of his child on a secure adult ward.

Yesterday Sheila Hollins, president of the Royal College of Psychiatrists and a deeply respected figure in mental health, said:

"Overturning the Lords' amendments would be a grave mistake and deeply damaging to the future care and treatment of mental health patients. The Government now has the opportunity to achieve mental health legislation which is ethical, principled and supported by patients, professionals, carers and families, and the public."

Another article is entitled: "The vote for sanity." It goes on and on. These are not reactionary, right-wing publications. They are publications with a serious interest in mental health and, in particular, in patients and the families of patients who are suffering. I hope that the Government will not close their mind and their ears, but will listen to the many voices of reason that have echoed around this Chamber and the wider world in the last few weeks.

Despite all that and the enormous amount of interest shown in the debate today—the first day back after the recess—the Government still do not get it, as was clear from the opening contribution from the Secretary of State, and want to return to their original Bill, which has been condemned as deeply stigmatising, as the latest attack on civil liberties, and as undermining the therapeutic relationship between clinician and patient. It is counter-productive in that it threatens to deter people with a mental illness from presenting in the first place, thereby driving mental illness underground, as many colleagues have said.

Fiona Mactaggart: Will the hon. Gentleman give way?

Tim Loughton: I will not, I am afraid, because I have very little time.

Potentially, the most dangerous patient with a mental illness is the one whose condition deteriorates under the clinical radar. We are talking about people who have committed no offence, but just happen to be ill. So, despite all the Government's claims to the contrary, the measures that the Minister of State, the right hon. Member for Doncaster, Central (Ms Winterton), would have us revert to would not just prejudice the health of the patients, but could put at risk the safety of the public. So, the Government's position is not only arrogant and misinformed, but counter-productive and, perhaps, dangerous.

The fact is that people in this country with a mental illness are being let down by a lack of not coercive powers, but prioritisation in the NHS and the Department of Health. There is an absence of a real champion for mental health in the Department. Whatever the Secretary of State says, mental health is the Cinderella service of the NHS. As many hon. Members, especially Labour Members, have said, services for children and young people are the Cinderella service of the Cinderella service. It is absolutely scandalous that one child a day is still being placed in an adult ward. As the children's commissioner said, putting such vulnerable children in intimidating acute wards cannot have a therapeutic benefit. The report produced by his department was called "Pushed into the shadows".

It is a scandal that mental health trusts are still bailing out other parts of the NHS with deficits. It is a scandal that the number of mental health beds has fallen by 20 per cent. since Labour came to power—in fact, the second largest fall has taken place in the Doncaster and South Humber Healthcare NHS Trust, which covers the constituency of the Minister of State. We are told by Louis Appleby that non-legislative options are being explored for dealing with children, which is why the amendments will be overturned. The Government have had seven years to address the matter, so when will we see results?

It has already been stated that the Government's worst offence has been to pander to tabloid prejudices and ramp up the aura of dangerousness attached to mental illness.

Fiona Mactaggart: Will the hon. Gentleman give way?

Tim Loughton: I will not.

Under the original terms of the Bill, clinicians would be turned into jailers. Indeed, the measure has become a Home Office Bill, so it is rather interesting that a former Home Secretary has made a speech and a former Home Office Minister wishes to intervene. We have a focus on locking people up on the false premise of a threat to public safety, rather than a health Bill that is dedicated to giving support and treatment to people who happen to have a mental illness.

The Government have also behaved with contempt towards parliamentary scrutiny with regard to the research that they commissioned in January 2006 involving the Institute of Psychiatry, which was part of a research package costing £236,000. Despite freedom of information requests, they did not publish the research until the day after the House of Lords had finished its deliberations on the subject.

The Government still seem to be in denial. Despite the fact that the report said that there was no empirical evidence from 72 studies in six different countries throughout the world to support the efficacy of community treatment orders, the Minister wrote in a letter to me last week that she would like to take the opportunity briefly to draw my attention to the positive evidence for CTOs that exists. She wrote that we only have to look at what clinicians, patients and families around the world say about their own experiences. The Government are in denial. Where is the evidence? They have failed to produce it, so I hope that we will see more of it.

Let me give the Minister a challenge. The House has had no opportunity to scrutinise her community treatment order research. Next Monday, in the Thatcher Room in Portcullis House, all members of the Public Bill Committee and previous members of the pre-legislative scrutiny Committee will be inviting witnesses to give evidence. We would be delighted if she were the first witness and if she would give us her case for community treatment orders. We will invite expert witnesses to comment on the six groups of amendments that the Lords made to

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the Bill. I hope that she will listen to the evidence that will be given by experts to a cross-party group of Members with an interest in the Bill next Monday, the day before the Committee stage starts.

We need a Bill that commands the support of professionals and their patients and that achieves a proper balance among clinical discretion, patient safeguards and public protection, not a measure that contributes to stigma and undermines the therapeutic relationship between clinician and patient, thus driving mental illness underground. We need a Bill that uses compulsory powers as a last resort and that does not skew resources towards one group of patients at the expense of others. We are happy to support the Bill as it stands, although there are further amendments and improvements that we would like to make. It would be a great shame for Parliament and the mental health community if the Government were to use their majority in the House to bulldoze the Bill back to the status quo. After so much groundwork over seven years and so many learned contributions in the House of Lords, I hope that the Minister will go into Committee with an open mind.

9.45 pm

The Minister of State, Department of Health (Ms Rosie Winterton): I am sorry that the hon. Member for East Worthing and Shoreham (Tim Loughton) ended a thoughtful and sometimes lively debate with a rather mean-minded speech. The debate has emphasised the importance of the Bill and its great sensitivity in dealing with the difficult matter of the law governing people who have a mental illness that has become so serious that they have to be detained, either for their own safety or for that of others.

The figures are stark. Each year, 1,300 suicides and 50 homicides are committed by individuals who have had contact with mental health services. Today's debate has illustrated how controversial the subject is, and I am the first to admit that it is one on which it is difficult to find consensus, but after almost eight years of debate on reforming the current legislation, the Government have listened and compromised. I pay particular tribute to the work of the pre-legislative scrutiny Committee, which expressed concern about the length and complexity of the previous draft Bill, which is why we produced the much shorter amending Bill which is before the House today.

It is important to see the Bill in the context of the much wider investment and inclusion policies that my right hon. Friend the Secretary of State mentioned in her opening speech. They include £1.5 billion more spent on mental health each year than was spent in 2001, 14,000 extra staff, 700 new community teams and a range of measures to improve inclusion in society of those with a mental illness. However, as well as improving services, it is important to make sure that our mental health legislation is updated and modernised. That is one of the points on which consensus has been reached.

Those who have contributed to the debate have made several important points. The hon. Member for South Cambridgeshire (Mr. Lansley) acknowledged the increased investment and paid tribute to the staff, as did the hon. Member for East Worthing and Shoreham. I hope that they will support the amendments that we want to make to the Bill as it has emerged from the other place to restore the multidisciplinary approach. As the Bill stands, every decision will have to be referred back to doctors. The changes that we want to make have the support of Unison, the Royal College of Nursing and the British Psychological Society, so I hope that the hon. Gentlemen will join us in reversing the changes that were made in the other place.

My right hon. Friend the Member for Sheffield, Brightside (Mr. Blunkett) spoke of the importance of advocacy and getting services right for young people. He paid particular tribute to the work of Jayne Zito and the need to ensure that victims have proper protection. I am sure that we will return to that in Committee to make sure that we do everything necessary to help victims.

The hon. Member for North Norfolk (Norman Lamb) talked about issues relating to the black and minority ethnic communities. Through the "Delivering Race Equality" project, which we are undertaking now, it is important to ensure that there is no stigma or discrimination against people from BME communities.

The hon. Member for Tiverton and Honiton (Angela Browning) spoke about autistic spectrum disorders and the Bournewood clauses. I know that she has a special interest in those subjects, and I am sure that we will return to them in Committee. I hope that she will be a member of the Committee.

My hon. Friend the Member for Hendon (Mr. Dismore) referred to the points made by the Joint Committee on Human Rights, which he chairs. I have responded to him in a letter and we shall give those points further consideration.

The hon. Member for Buckingham (John Bercow) normally makes extremely well considered speeches. He made several important points today and I shall refer to his comments about treatability, but I am concerned about his use of the phrase "catching people." The Bill is about getting treatment to people—not catching them, but ensuring that the people who need it get treatment.

My hon. Friend the Member for Stafford (Mr. Kidney) talked about putting principles in the Bill. We returned to that issue, but it has been difficult to put principles in it, because it is an amending Bill. However, what we have done—we have reached agreement with the Opposition in the House of Lords on this—is make sure that the Bill refers to the factors that would be taken into account, in terms of the code of practice principles. I hope that when he looks at clause 10 he will realise that it addresses some of the issues that he raised. My hon. Friend the Member for Hackney, South and Shoreditch (Meg Hillier) gave a moving account of experiences in her constituency and made important points about advocacy. I know that she feels extremely strongly about the subject, and I am sure that we will return to it in Committee.

The hon. Member for Caernarfon (Hywel Williams) talked about his professional experience and the situation in Wales, and my hon. Friend the Member for Rhondda (Chris Bryant) made a moving speech about

his personal experiences. I understand that he is running the marathon for Mind, and I congratulate him on that. He talked particularly about exclusions, as did the hon. Member for Wyre Forest (Dr. Taylor). Many of the exclusions inserted in the other place have to do with culture and religion, but culture and religion are not mental disorders. That is why it is inappropriate for them to be exclusions. However, the issue of sexual deviancy was included in previous legislation. There were times when unmarried mothers who had babies were detained because that was felt to be a mental disorder, and homosexuality was considered a mental disorder, too. However, there have been issues around paedophilia, and that is why we need to remove the exclusion for sexual deviancy.

The hon. Member for Windsor (Adam Afriyie) made a considered speech about stigma. My hon. Friend the Member for Stockport (Ann Coffey) made a number of points about local arrangements, and there are matters that we need to discuss in Committee about guidance that we can issue. The hon. Member for Cheltenham (Martin Horwood) spoke of his constituency case, and I have met the brother that he spoke about. The case illustrates some of the difficult issues that families face in such circumstances. My hon. Friend the Member for Bridgend (Mrs. Moon) acknowledged that the Bill is not about services, but about how important it is to take a multi-agency approach, and the importance of taking the views of carers into account.

The hon. Member for Broxbourne (Mr. Walker) started off by making a thoughtful speech about stigma and Members of Parliament, but I was taken aback by the fact that he was derisory about an article in *The Daily Telegraph* that said that if the Bill saved lives, people should vote for it. My hon. Friend the Member for Kingston upon Hull, North (Ms Johnson) talked about the nearest relatives, and that is an important subject that I am sure we will return to in Committee. The hon. Member for Rochford and Southend, East (James Duddridge) talked about his local trust, and the importance of people accessing services.

My hon. Friend the Member for Denton and Reddish (Andrew Gwynne) talked about the importance of letting clinicians make decisions, and that is a significant point that I wish to address with regard to the general issues that have been raised, especially by Opposition Members. First, on the treatability test, it is without doubt true that the fact that the treatability test is in the Mental Health Act 1983 has prevented the development of certain services, particularly those for people with personality disorders, and has led to people being turned away from services. A woman came to see me as part of the Mental Health Alliance lobby, and the first thing that she said to me was "Rosie, I have a multiple personality disorder, and I keep being told that I can't be treated." We have to get rid of the treatability test to prevent people from being turned away.

Baroness Corston, in her report on the Mental Health Bill, said that she welcomed getting rid of the treatability test because of the number of women who ended up in prison as a result of not being treated for personality disorders. The appropriate medical treatment test that we have inserted is stronger, because for the first time it gives legal status to the provision of appropriate and available medical treatment.

Turning to supervised community treatment, many hon. Members asked for evidence of independent inquiries that had discussed the need for such treatment. The inquiry into John Barrett's treatment said:

> "In our view, the only means of securing John Barrett's compliance with treatment as an out-patient would have been a community treatment order, which is not available under the Mental Health Act."

That is why we need to make sure that community treatment orders are available, not only to people who are a danger to others but to people who are a danger to themselves. We know from the evidence that we published last week that 56 people who committed suicide last year could well have been saved if they had received supervised community treatment. It is not right that the Lords amendments should say that someone should have two relapses before such treatment, as someone could have a history of voluntary in-patient non-compliance with treatment, so they should not be required to fulfil the same conditions as an out-patient.

Finally, on impaired judgment, the examples that I am given most often are of young women with personality disorders who have suffered terrible emotional, physical and sexual abuse, but who do not have impaired judgment. If we deny those people treatment because we want to institute an impaired judgment test we would leave them to self-harm and sometimes suicide. It is important to remember, too, that some people have fluctuating capacity—they do not always have impaired judgment, but sometimes they do. If we want to tell people that they can refuse treatment for mental illness in the same way that people can refuse treatment for physical illness, we are making the decision as society, and saying, "It is fine for you to go away and commit suicide. We will take no action." We do not do so at the moment, but the impaired judgment test would allow that to happen. I do not believe that we as legislators should say that that is what we want to do.

As I have said, this important debate has addressed a number of issues raised by right hon. and hon. Members. It has looked at the wider issues of inclusion and the way in which we make sure that a sensitive piece of legislation receives proper scrutiny in the House. I am not saying that it has not been difficult to achieve consensus on the Bill. It has not been easy all the time, but as a political commentator said in *The Daily Telegraph* this morning, the issue before the House "could hardly be graver". As my right hon. Friend the Member for Sheffield, Brightside said, if we fail to act, we will let people down. Supervised community treatment is a vital part of the changes that we need to make, as is the removal of the current treatability test, which has meant that too many people, particularly those with personality disorders, have been turned away from treatment.

• To achieve those changes, we will ask the House to overturn some of the amendments made in the other place, but if the Opposition parties try to water down our proposals that will lead to some extremely vulnerable patients being denied treatment, and to an increased risk to public safety. I am sure that there will

[Ms Rosie Winterton]

be a full and lively discussion in Committee, but I hope that the House will eventually agree that our proposals strike the right balance between patient safeguards and patient and public safety.

Question put and agreed to.

Bill accordingly read a Second time.

MENTAL HEALTH BILL [*LORDS*] (PROGRAMME)

Motion made, and Question put forthwith, pursuant to Standing Order No. 83A (Programme motions).

That the following provisions shall apply to the Mental Health Bill [*Lords*]—

Committal

1. The Bill shall be committed to a Public Bill Committee.

Proceedings in Public Bill Committee

2. Proceedings in the Public Bill Committee shall (so far as not previously concluded) be brought to a conclusion on Tuesday 15th May 2007.

3. The Public Bill Committee shall have leave to sit twice on the first day on which it meets.

Consideration and Third Reading

4. Proceedings on consideration shall (so far as not previously concluded) be brought to a conclusion one hour before the moment of interruption on the day on which those proceedings are commenced.

5. Proceedings on Third Reading shall (so far as not previously concluded) be brought to a conclusion at the moment of interruption on that day.

6. Standing Order No. 83B (Programming committees) shall not apply to proceedings on consideration and Third Reading.

Other proceedings

7. Any other proceedings on the Bill (including any proceedings on consideration of any message from the Lords) may be programmed.—*[Claire Ward.]*

Question agreed to.

MENTAL HEALTH BILL [*LORDS*] [MONEY]

Queen's recommendation having been signified—

Motion made, and Question put forthwith, pursuant to Standing Order No. 52(1)(a) (Money resolutions and ways and means resolutions in connection with bills).

That, for the purposes of any Act resulting from the Mental Health Bill [*Lords*], it is expedient to authorise the payment out of money provided by Parliament of—

(a) any expenditure incurred by a Minister of the Crown in connection with the Act, and

(b) any increase attributable to the Act in the sums payable under any other enactment out of money provided by Parliament.—*[Claire Ward.]*

Question agreed to.

DELEGATED LEGISLATION

Motion made, and Question put forthwith, pursuant to Standing Order No. 118(6) (Delegated Legislation Committees).

REPRESENTATION OF THE PEOPLE

That the draft Parliamentary Constituencies (England) Order 2007, which was laid before this House on 26th February, be approved.—*[Claire Ward.]*

Question agreed to.

Motion made, and Question put forthwith, pursuant to Standing Order No. 118(6) (Delegated Legislation Committees).

IMMIGRATION

That the draft Special Immigration Appeals Commission (Procedure) (Amendment) Rules 2007, which were laid before this House on 5th March, be approved.—*[Claire Ward.]*

Question agreed to.

Motion made, and Question put forthwith, pursuant to Standing Order No. 118(6) (Delegated Legislation Committees).

PREVENTION AND SUPPRESSION OF TERRORISM

That the draft Proscribed Organisations Appeal Commission (Procedure) Rules 2007, which were laid before this House on 5th March, be approved.—*[Claire Ward.]*

Question agreed to.

EUROPEAN UNION DOCUMENTS

Motion made, and Question put forthwith, pursuant to Standing Order No. 119(9) (European Standing Committees).

EMISSIONS TRADING SCHEME: INCLUSION OF AVIATION

That this House takes note of European Union Document No. 5154/07, Draft Directive amending Directive 2003/87/EC so as to include aviation activities in the scheme for greenhouse gas emission allowance trading within the Community; welcomes the work of the European Commission in developing proposals to address the climate change impacts of aviation; and supports the Government's approach of pressing for the early inclusion of aviation into the Emissions Trading Scheme.—*[Claire Ward.]*

Question agreed to.

BUSINESS OF THE HOUSE

Ordered,

That, at the sitting on Thursday 19th April, the Speaker shall put the Questions necessary to dispose of proceedings on the Motion in the name of Mr Edward Leigh relating to Public Accounts not later than three hours after their commencement; proceedings may continue, though opposed, after the moment of interruption; and Standing Order No. 41A (Deferred divisions) shall not apply.—*[Claire Ward.]*

SITTINGS IN WESTMINSTER HALL

Ordered,

That, on Thursday 3rd May, there shall be no sitting in Westminster Hall.—*[Claire Ward.]*

INTERNATIONAL DEVELOPMENT

That John Barrett be discharged from the International Development Committee and Sir Robert Smith be added.—*[Rosemary McKenna, on behalf of the Committee of Selection.]*

Tourism (Bedfordshire)

Motion made, and Question proposed, That this House do now adjourn.—*[Claire Ward.]*

10.1 pm

Mrs. Nadine Dorries (Mid-Bedfordshire) (Con): I am delighted that you are in the Chair tonight, Mr. Speaker. *[Interruption.]* I had prepared a one-minute speech for the benefit of Mr. Deputy Speaker, who was a Bedfordshire councillor in his previous life.

Mr. Speaker: Order. The hon. Lady is addressing the House. Will hon. Members be quiet?

Mrs. Dorries: I have called for this debate today for a specific reason, and before I begin to wax lyrical about Bedfordshire in an attempt to attract the Minister to visit, I should explain why. Tourism in Bedfordshire supports 9,000 local jobs and contributes £465 million a year to the local economy. Tourism will be a key driver in moving our economy forward in the years ahead. Although the number of visitors arriving in Bedfordshire is on the increase, the amount that they are spending per visit is in decline, and we need to raise our game.

Bedfordshire is a beautiful rural county. We have an engaging history—a rich tapestry of adventure and steadfast defiance, as reflected in some of the county's most famous sons such as the prison reformer John Howard, the anti-apartheid campaigner Archbishop Trevor Huddleston and, of course, the preacher and author of "The Pilgrim's Progress", the immortal tinker, John Bunyan, who was born in Elstow. All three of those famous Bedfordians have made such an impact during their time and beyond. I am sure that my Whip would concur that the fiercely independent spirit of these historical figures will live on in Bedfordshire for many years to come.

We have a diversity of different cultures. Over hundreds of years, many people, including myself, have moved to Bedfordshire and chosen to make it their home, a process which was begun by the Danes more than 1,200 years ago. Since then, a huge variety of different communities and ethnic groups have settled in the county ranging from Moravians, Irish, Africans, Italians—there are many Italians—Bangladeshis, Poles, Indians and Pakistanis to name but a few. At the time of the last census, more than 74 different ethnic groups were represented in the county's schools alone. That richness in diversity gives the culture of Bedfordshire, and most notably the towns of Luton and Bedford, a vibrancy in terms of music, dance, food, language and fashion of which we can be justifiably proud. Luton international carnival is one of the largest carnivals in the country second only to Notting Hill carnival, and it attracts more than 160,000 visitors.

It is our diverse and attractive landscape, our engaging history and our rich diversity of different cultures that makes Bedfordshire a truly a great place in which to live and work and which to visit. Last month, I took part in a tourism tour of Mid-Bedfordshire during the first British tourism week and visited much of what is on offer to the visitor. If safari parks were star rated, Woburn would be a solid five, and the Duke of Bedford is developing a reputation for only doing something if it is done properly. The new play ark at the safari park is a testament to that. The way in which the animals are kept, unsupervised, and viewed is exceptional. I lived in Africa for some time and visited several game parks. Woburn safari park looks just like the bush landscape in Luangwa valley, such is the attention to detail.

In Woburn we also have the abbey, the deer park, the ridge, the shops, the walks, the lakes, the pubs—most notably my local, the Black Horse, where I am sure that my friends, Budge, Sue, Tom, Lottie, Jenny and Iain are all sat right now—the hotels, the tea shops and the rest that Woburn has to offer. I live in Woburn, and I would prefer it if no one came—I love it so much; it is so beautiful—but people have to work and live. We need to build on sustainable tourism that will provide jobs and encourage people not to travel long distances to work but to work in the area in which they live.

On my tourism day, I visited Ampthill park, the former hunting ground of Henry VIII, where a monument marks the site at which Catherine of Aragon was kept under house arrest during her divorce. Catherine's cross will feature on my Christmas cards this year, with the sun right behind it at exactly 12 midday, casting an aura around the cross. That was followed by a visit to Houghton house, the shell of a 17th century mansion recently restored by English Heritage and reputedly the inspiration for House Beautiful in John Bunyan's "Pilgrim's Progress". I moved on to Stondon motor museum, home to the UK's largest private collection of motor vehicles, with a life-size model of Captain Cook's ship, the Endeavour. The museum hosts many school tours. If classic cars are "your thing", Bedfordshire is the place to visit. We have Elstow abbey and Marston Vale forest, perfect for those who love cycling and now providing the Bedfordshire breakfast before people start at a reasonable cost.

I have spoken only of what is on offer in my constituency. Bedfordshire has seven major tourist attractions, some of them world class, which between them secured 2.5 million visitors last year. I should mention Whipsnade wild animal park in Dunstable, located in the constituency of my hon. Friend the Member for South-West Bedfordshire (Andrew Selous).

Andrew Selous (South-West Bedfordshire) (Con): I am listening to my hon. Friend with great interest and admiration. Does she agree that transport is a major issue for our major tourist attractions in Bedfordshire? The director of Whipsnade zoo told me this evening that on Easter Sunday even he was unable to get there, such was the amount of traffic stuck in the villages of Kensworth and Whipsnade. Can the Minister say anything to the Department for Transport or the regional development agency about helping to get better buses from our nearest local railway stations—particularly Luton and Berkhamsted—through to Whipsnade? That would make such a difference and help my constituents, who suffer from dreadful congestion on popular days at the zoo.

Mrs. Dorries: My hon. Friend makes an excellent point. I will go on to talk about how tourism can help to support the transport network in my constituency and in Bedfordshire as a whole.

[Mrs. Dorries]

Despite these impressive attractions, there are many more opportunities to increase the value and importance of the tourism industry to our local economy. As the tourism strategy for the county states, despite what we offer,

"the tourism economy in Bedfordshire is not healthy."

For example, over the past five years tourism earnings in the county have remained static, and there is an over-reliance on the daily visitor market. Business tourism is also underdeveloped, and Bedfordshire must significantly raise its game if we are to take full advantage of the exciting opportunities that this sector of the economy offers. While there has been some modest growth in the number of visitors to the area—11.2 million per year at the last count—average expenditure by those visitors has been declining in real terms, in stark contrast to the rest of the region and the country as a whole, where it has increased.

As a Member of Parliament for a Bedfordshire constituency, it frequently frustrates me that even more people do not come to visit the county to explore and see what we have to offer. It is my ambition—shared with Bedfordshire county council, the district and borough councils, Bedfordshire and Luton economic development partnership, the East of England Development Agency and East of England Tourism—to achieve the following: we want more people to visit Bedfordshire, stay there for longer and spend more money there.

Indeed, if the Under-Secretary has not already been to Bedfordshire, I strongly encourage him to visit soon. I would be delighted to show him the sights and would welcome the opportunity of treating him to lunch in the form of a Bedfordshire clanger. In essence, we need more people to visit, stay longer and spend more money while they are there.

Why? The answer is simple: the growth of and greater investment in the tourist industry will have a variety of important benefits for local people and help drive the economy forward through additional inward investment. It will help to create more jobs. It will also help to support better facilities, especially in our rural areas. It will offer a wider range of events for local people and their friends and families to attend. It will also help to secure significant improvements in retail opportunities, the development of better transport links and other much needed infrastructure improvements, as my hon. Friend the Member for South-West Bedfordshire said.

As more people visit Bedfordshire, local residents will value and appreciate more of what we have, which will help to establish greater civic pride among the local population. From a sustainable point of view, that will also help to reduce in-out commuting, which is already significant and on the rise.

The 15-year tourism growth strategy, which the county-wide steering group presented, sets out what we need to achieve far more succinctly than I can. It states:

"Bedfordshire will be recognised as places that have changed for the better. They will be known for their professionalism in hosting business visitors and in exploiting their location. Visitors will enjoy the variety of town and country, world-class attractions and events and their increased spending will support good quality local employment."

That presents us with a great opportunity—and, indeed, a challenge—to secure the investment needed to achieve the many benefits that I mentioned a moment ago. That opportunity to make the most out of tourism for Bedfordshire—especially for local people—conveniently leads me to a proposal to locate a new Center Parcs village in Warren Wood, near Millbrook in my constituency.

As the matter is currently subject to an appeal through the planning process, I do not expect the Under-Secretary to respond directly, but I would like to take the opportunity to reiterate the reasons for my support for the proposal and the significant benefits that I believe it will bring both to my constituency and the county as a whole.

Center Parcs is, for some, among the most contentious of all the major issues in my constituency, and has attracted both supporters and protesters. Before I reached my opinion on the proposal, I listened to the views of a variety of people, such as local residents, parish and town councils, local councillors, as well as representatives of the local business community.

I also visited the Centre Parcs Longleat village in Wiltshire, which, I noted from yesterday's edition of *Bedfordshire on Sunday*, was also visited by its editor recently. I do not know whom the editor met during his visit, but when I was there, I insisted on meeting Center Parcs employees and suppliers, so that I could see the product on offer at first hand. I also spoke to local villagers adjacent to the Longleat site, who objected when the original application was first submitted.

If Bedfordshire is to take full advantage and change its status from a "drive-through" county to a "drive-to" county, we need to show that we mean business. Center Parcs must not join the long list of "missed opportunities" for Bedfordshire. Our loss will be somebody else's gain. The location of Center Parcs would send out a strong and positive message about our determination and willingness to change.

The creation of 1,400 new jobs—the equivalent of 900 full-time posts—will have a huge impact on the local economy and provide new opportunities for those seeking flexible employment, such as mothers with young families and others wanting to return to the workplace, in addition to a high number of managerial and skilled positions.

Limits on time prevent me from listing in more detail the many benefits that Center Parcs would bring, but suffice it to say that I am confident that, if successful in its appeal, the location of Center Parcs in Bedfordshire would help to address some of the longer-term issues that have been hampering the ability of our visitor economy to expand, and significantly help raise the county's profile in a positive way, regionally and nationally.

The 2012 London Olympic games also provide us with a once in a lifetime opportunity to help put Bedfordshire on the map. I would like to take the opportunity to encourage the Under-Secretary to do all that he can through his role to encourage the tourism industry in Bedfordshire. In particular, will he lobby his ministerial colleagues to ensure that Bedfordshire receives the necessary improvements to its infrastructure, including investment in better transport links? Will he

also lobby his colleagues to ensure that Bedfordshire maximises its opportunities and potential in regard to the 2012 Olympics and addresses its infrastructure capacity?

What reassurances can the Minister give me that Bedfordshire is high on his list for development as a tourist county? As John Bunyan famously said:

"Words easy to be understood do often hit the mark; when high and learned ones do only pierce the air."

I hope that the Minister will not disappoint.

10.15 pm

The Parliamentary Under-Secretary of State for Culture, Media and Sport (Mr. Shaun Woodward): I congratulate the hon. Member for Mid-Bedfordshire (Mrs. Dorries) on securing this important debate. Mid-Bedfordshire is an important part of the tourist economy, and it was interesting to hear her note the importance of the area raising its game. It undoubtedly has significant potential to grow its visitor economy, and is capable of appealing to diverse tourism and visitor interests. It has a strong heritage and history, through its churches, country houses, villages, hamlets, market towns and many other visitor attractions. Indeed, I pay tribute to the hon. Lady, who made clear her commitment to British tourism week by visiting Woburn safari park, Ampthill park, Houghton house, Stondon motor museum, Marston Vale community forest centre, Elstow abbey, the moot hall and many other places too numerous to mention. This shows her commitment to the place that she has made her home and that she said that she had come to love.

Tourism is an important part of the UK economy. It is our fifth largest industry and generated some £85 billion in turnover in 2005-06. It employs more than 2 million people, directly and indirectly. My Department is fully committed to supporting tourism and, in partnership with the industry and the wider public sector, we aim to maximise the growth and productivity of the sector. The Department invests more than £50 million a year through VisitBritain for overseas and domestic marketing and, across the UK, tourism now receives an estimated £311 million a year in public funding—more than ever before.

Together with industry and the wider public sector, my Department has developed a clear, coherent policy framework for industry support and growth. This includes branding and marketing improvements led by VisitBritain, a new national skills strategy, work across Britain on driving up product quality through accommodation grading schemes, promoting investment including supporting better regulation, and the good practice guide on planning for tourism. Of course, better co-ordination of the £311 million a year is absolutely crucial. As the hon. Lady said, the 2012 Olympic and Paralympic games will present the tourism industry not only in Mid-Bedfordshire but across the whole of the UK with its greatest ever opportunity, with direct benefits that we estimate will be worth more than £2 billion.

Since 2003, the responsibility has been passed to regional development authorities to deliver regional support for tourism. My Department and VisitBritain work closely with the RDAs to develop regional strategies and business support around marketing, skills, quality and, critically, sustainability. In that context, VisitBritain's funding agreement with my Department includes a commitment to promoting regional spreads of visitor expenditure outside London. This year, the DCMS will invest £3.6 million in the RDAs through strategic industry support, and £1.9 million in the Greater London authority to help to promote the capital's role as a gateway to the rest of the country.

The East of England development agency and the East of England tourism board have developed significant plans for tourism investment, focusing on strategic marketing, better intelligence, capacity building, product innovation and better skills. As the hon. Lady acknowledged, tourism is an important sector of the Bedfordshire economy, contributing some £465 million a year and supporting almost 10,000 jobs directly and indirectly. None the less, recent flat growth needs to be addressed.

The hon. Member for South-West Bedfordshire (Andrew Selous) made an important point in principle about transport. Transport links are important, as is the recognition of the importance of tourism to the local economy. County councils have responsibility for some of these matters, however, and it is unfortunate to note that Bedfordshire county council reduced its spending from 2003-04 and again in 2004-05. I understand that its spending for 2005-06 now stands at zero. Mid-Bedfordshire's spending on tourism was reduced from £284,000 in 2003 to £251,000 in 2004, and was cut to £163,000 in 2005. I think that some local authorities do not recognise the importance of tourism to the local economy, and the amount that it contributes to jobs both directly and indirectly.

However, a positive development is that both public and private-sector tourism stakeholders in Luton and Bedfordshire have put together a draft growth strategy for the long-term future of the area. In association with the county council, the Bedfordshire and Luton economic development partnership and industry, the East of England development agency is funding a tourism growth strategy for the county. A draft has been produced, and is currently out for consultation.

The so-called sub-regional strategy is linked to broader regional objectives. They include developing a marketing strategy to increase the value of tourism to the Bedford and Luton economy and broaden the visitor base; agreeing on a programme of skills training and development for the area with People 1st and the Learning and Skills Council; working with the private sector in product innovation, particularly self-catering residential meeting facilities, events and "green" tourism; supporting Bedford and Luton regeneration and advising on how best to maximise development in the interests of attracting visitors; developing a compendium of base data and conducting regular visitor satisfaction and perception surveys to monitor progress; and establishing a tourism partnership with local authorities and business to disseminate information and best practice.

Andrew Selous: Does the Minister's Department liaise closely with the Department for Transport on some of the key transport issues raised by the hon. Member for Mid-Bedfordshire (Mrs. Dorries) and me? I think that that is particularly important.

Mr. Woodward: We liaise closely with all Departments, including the Department for Transport, but the hon. Gentleman has raised an important issue, and if he writes to me about it I shall be happy to pursue it.

[Mr. Woodward]

The overall initiative to develop the Bedfordshire visitor economy is timely in view of the 2012 Olympic and Paralympic games, which will present an unparalleled opportunity to take advantage of the global focus and strengthen the tourism sector. Following a major consultation in 2006, my Department and its partners are preparing a comprehensive strategy for the games. A key priority for Government has been to enable the benefits of that opportunity to be spread across the country as a whole, which obviously includes Mid-Bedfordshire. We are working closely with the regional development agencies and local authorities to deliver that.

Mrs. Dorries: Can the Minister give us an idea of when the strategy group is likely to publish its findings, and when Bedfordshire will know whether it will receive any benefits from the strategy?

Mr. Woodward: I intend to publish the paper towards the end of June or the middle of July. As for the specific benefits for Mid-Bedfordshire, what matters is participation by county councils, other local authorities, and indeed all partners. We are making available the opportunity that results from the United Kingdom's having won the competition to host the 2012 Olympic games. Having seen the benefits gained by Australia and Athens, we estimate that the UK is likely to benefit from at least £2 billion. It is certain that those who wish to benefit may do so, but they will need to develop their own strategies, tailor-made to their own communities. I am sure that, given the considerable list of visitor attractions that the hon. Lady managed to visit in just one week—tourism week—there are many attractions that could be open to visitors.

It must be recognised that this is the greatest marketing opportunity that the UK tourism industry will ever enjoy. Some 4 billion of the world's population will view the Olympics and the run-up to them. Of course they will look at the sport on offer, but they will also look at what the UK offers the rest of the world. This is a country to visit not just for the Olympics, but to explore every part of our wonderful countryside, our wonderful towns and cities, our zoos and our historic houses. It is incumbent on the Government, having created the opportunity, to ensure that all visitor attractions, and all those 110,000-plus businesses in the tourism industry realise that there is huge potential for every visitor attraction, every bed and breakfast, every hotel, every business visitor attraction and every conference centre to benefit from the Olympics.

It will be those who readily embrace the opportunity who will do best. I am sure that under the sterling and strong leadership of the hon. Lady and her hon. Friend the Member for South-West Bedfordshire they will wish to steer their local tourism industry to take advantage of that.

A key priority has been to ensure that the benefits are spread across the country and we will work closely with the regional development agencies and local authorities to deliver this. Indeed regional business plans have been developed through the London Organising Committee of the Olympic Games' nations and regions groups including the East of England Development Agency's rising to the challenge programme.

Bedfordshire is well placed to benefit. Its draft strategy is still at a relatively early stage, but the attractiveness of its tourism offer, relative proximity to London and good transport links, although, as the hon. Member for South-West Bedfordshire said, they could be even better, mean that it has huge potential for better development as a tourist destination. I congratulate the hon. Lady on raising the subject, and, over the next six years, I look forward to other hon. Members also debating tourism, because such tourism opportunities will never be had again. This is an opportunity for the tourism industry not only to embrace those opportunities, but to raise its game, because the significance of our tourism offer is absolutely enormous. The benefits to be enjoyed are not just to be had in the run-up to the games or in 2012, because by offering the visitor an extremely good experience once, there is a possibility that they will come back again and again. Even if those visitors only manage to visit one of the visitor attractions in Mid-Bedfordshire during their first stay, it is perfectly clear from the hon. Lady's speech that there are many other similar attractions still to be enjoyed. Given the hon. Lady's enthusiasm for and commitment to her consituency, every visitor to it will be welcome whether they come from the UK or from abroad.

Question put and agreed to.

Adjourned accordingly at twenty-seven minutes past Ten o'clock.

House of Commons

Tuesday 17 April 2007

The House met at half-past Two o'clock

PRAYERS

[MR. SPEAKER *in the Chair*]

Oral Answers to Questions

TRANSPORT

The Secretary of State was asked—

Roads (East Anglia)

1. **Mr. Henry Bellingham** (North-West Norfolk) (Con): When he next expects to meet representatives of local authorities in East Anglia to discuss improvements to trunk roads. [131449]

The Minister of State, Department for Transport (Dr. Stephen Ladyman): We currently have no plans to meet local authorities in East Anglia to discuss trunk road improvements.

Mr. Bellingham: That is a pity. Is the Minister aware that the A47 is vital to Norfolk's economic future, especially given the rapid expansion of Norwich airport and towns such as King's Lynn in my constituency? Is he aware that most of the A47 is substandard single carriageway and that many villages in my area, such as Middleton and East Winch, are crying out for bypasses? Why has the road been downgraded from a route of national importance to one of only regional importance? Will he reverse that decision?

Dr. Ladyman: No, I cannot promise to reverse that decision, as the distinction between routes of regional or national importance was made according to objective criteria on which we consulted and were discussed before they were put in place. Unfortunately, the local regional funding process gave no priority to dualling the A47. We have looked into the possibility of building small-scale bypasses for the two villages mentioned by the hon. Gentleman, but they make no economic or environmental sense in the absence of any overall dualling of the A47.

Mr. Bellingham: On a point of order, Mr. Speaker. In view of the disgraceful nature of that reply, I plan to raise the matter on the Adjournment.

Mr. Speaker: In that case, I can take no supplementary questions on the matter.

Railways (Overcrowding)

2. **Ann Winterton** (Congleton) (Con): What recent steps he has taken to reduce overcrowding on railways. [131450]

The Secretary of State for Transport (Mr. Douglas Alexander): We will continue to increase capacity through the franchising process and in other ways. In particular, I announced on 14 March that the high level output specification, to be published in the summer, will include a commitment to 1,000 extra carriages. They will be targeted on the most congested routes on the network.

Ann Winterton: The Government's announcement of extra carriages for longer trains is to be welcomed, but does the Secretary of State accept that many commuters and other travellers in my constituency are paying considerably higher fares for the doubtful privilege of travelling in the equivalent of cattle class? That is simply not acceptable, for reasons of comfort and, more particularly, safety. When can travellers expect to see improvements?

Mr. Alexander: With the greatest respect to the hon. Lady, what is not acceptable is for a party to suggest that it is possible to deliver lower fares, higher levels of investment—

Ann Winterton: Safety?

Mr. Speaker: Order. It is not for the Secretary of State to talk about the hon. Lady's party. He is responsible for giving ministerial replies.

Mr. Alexander: As I was saying, Mr. Speaker, that is not the approach that the Government have adopted. Instead, we have committed ourselves to 1,000 extra carriages. Moreover, it will be of particular interest to people in the Congleton constituency that bidders for the new cross-country franchise have been asked to make proposals for an increase in seating capacity of at least 30 per cent. on key sections of the franchise. In addition, I can assure the hon. Lady that we pay serious regard to passenger safety, that it is a matter of continuing concern in my Department, and that we are continuing to work on it.

Jessica Morden (Newport, East) (Lab): Thanks to a very effective local campaign, First Great Western has reinstated much-needed commuter services at Severn Tunnel Junction in my constituency. However, the company has now reduced capacity, which has led to overcrowding. Will my right hon. Friend join me in pressing First Great Western to ensure that passengers can travel in comfort and safety on that route?

Mr. Alexander: I assure my hon. Friend that I have been in regular dialogue with First Great Western in recent months, and that I have impressed on the company that the standards of service that it has provided on those routes under its franchise have fallen below what passengers and the rest of us have the right to expect. Discussions are continuing, and work with the company is under way. It is now up to First Great Western to offer the level of improvement to which it has made a commitment.

Mr. Stewart Jackson (Peterborough) (Con): How much faith can we have in the Government's ability to tackle climate change when it will be another seven years—that is, 17 years since the Government were first elected—before full capacity in the most environmentally sustainable system of transport is achieved? What sort of record is that?

Mr. Alexander: I fear that the hon. Gentleman should read his brief from Conservative central office more carefully. If the guidance suggests that the problems that he describes in fact exist, perhaps he should take that up with its authors. Let me share with him some of the recent capacity enhancements that the Government have delivered. For example, the ongoing Great Western high-speed train refurbishments are increasing seating capacity by about 20 per cent. In addition, the Chiltern route upgrade between London, Marylebone and Birmingham was completed in 2005 and is increasing frequency, while the introduction of Meridian Trains on the midland main line in 2004-05 resulted in increased capacity. The hon. Gentleman is right: we recognise that there is more to do, given that more people are using the railways. That is why between February and March 2007 there was 12-car running on the south-west mainline between Southampton and Portsmouth and London Waterloo, why a new service between Kettering and London will be introduced in December 2008, and why new domestic services will be introduced on the channel tunnel rail link between Kent and London in 2009. That is the Department's ongoing work, and the suggestion that—

Mr. Speaker: Order. I call Russell Brown.

Mr. Russell Brown (Dumfries and Galloway) (Lab): Thank you, Mr. Speaker. May I also thank my right hon. Friend for his announcement of the 1,000 new railway carriages? What might be the effect on that investment of considering breaking up Network Rail?

Mr. Alexander: I have already spoken about our additional capacity and investment in the railways—for example, on the west coast main line. I do not believe it would be wise to break the west coast main line into the 14 component parts represented by the train operating companies that work on the line. The more sensible approach is to recognise that the stability of the industry structure that we have secured in recent years and the sustained investment have not only enhanced capacity on the railway but increased performance and safety.

Danny Alexander (Inverness, Nairn, Badenoch and Strathspey) (LD): One way of tackling overcrowding is to increase frequency. In the context of services to Inverness, two things can be done: frequency can be increased between Inverness and London through the east coast main line franchise, and Network Rail can make the necessary investment to reduce journey times between Inverness and Edinburgh to under three hours. Will the Secretary of State use his good offices to support both those outcomes?

Mr. Alexander: The hon. Gentleman is well aware that responsibility for many aspects of rail policy now rests with the Scottish Executive; I will certainly undertake to ensure that his comments are passed on.

Mark Lazarowicz (Edinburgh, North and Leith) (Lab/Co-op): My right hon. Friend has rightly spoken about the benefits of upgrading the west coast main line. Will he look at ways of ensuring that the benefits of upgrading are felt as widely as possible by improving inter-city rail services between Edinburgh and north-west England, especially Manchester?

Mr. Alexander: My hon. Friend is right in recognising that there have been significant improvements on the west coast main line as a result of the sustained investment in recent years—not only in services operating from the north to Manchester but in services from London to Manchester, where there has been a significant transfer, or a modal shift, from use of air services to use of the train. There are potential benefits to be gained not just on a single route but in many parts of the country as a result of the investment in the west coast main line.

Mr. Alistair Carmichael (Orkney and Shetland) (LD): If the Secretary of State really wants to reduce overcrowding on our railways, why does his Department not try to do less rather than more? His Department has more day-to-day control over the railways than it had before privatisation. Virgin Trains wants to operate 11 carriages per Pendolino train and the rolling stock company wants to provide the carriages. Why does the Department not just butt out and let them get on with it?

Mr. Alexander: The hon. Gentleman makes an uncharacteristically ill-informed observation. I can assure him that in the correspondence and discussions that I have had directly with Virgin Trains about its proposals to increase the number of carriages on the Pendolino trains the relationship with the Department for Transport has been constructive and positive. I am confident that we will find a way through in terms of financing.

As for the substantive allegation that the hon. Gentleman levels that there is greater operational control, it is determined by the effective operation of many train operating companies under the present franchising system, which in part explains the fact that record numbers of people now use the railway compared with previous years.

Ms Celia Barlow (Hove) (Lab): My right hon. Friend will be aware that certain rail operators such as Southern have used overcrowding as an excuse to ban bikes on trains. Will he assure me that in forthcoming strategy documents this will be reviewed? It is obviously of great environmental importance that we tie up bike and rail travel.

Mr. Alexander: A distinction can be drawn between peak-time travel, when pressure on the network is greatest, and other times, but I assure my hon. Friend that the importance of accommodating not only the commuter and business traveller but leisure travellers and those who want to take bikes on trains is recognised.

Chris Grayling (Epsom and Ewell) (Con): Last week it emerged that the Scottish Labour party has been holding talks with Network Rail about giving it the right to run track and trains in Scotland. May I ask the Secretary of State, who as you will recall, Mr. Speaker,

is also Scottish Secretary and plays a leading role in running the Scottish Labour campaign, whether those talks have his support?

Mr. Alexander: You, Mr. Speaker, can imagine that this was a matter in which I took some interest last week. I was interested in the letter that Network Rail sent to the newspaper that published the suggestions, and I was interested in the comments of the First Minister, who said that he had absolutely no intention of renationalising the railway in Scotland. I can confirm that it is certainly not the stated policy of the Government, for the reasons that I have already outlined. It is for others to explain why breaking up the Network Rail infrastructure into its 14 component parts on the west coast main line would improve safety, performance or reliability.

Chris Grayling: As the Government always remind us, Network Rail is a private company, so let us be clear: does the Secretary of State support the principle of Network Rail running trains as well in Scotland?

Mr. Alexander: Let me make two points in response to that question. First, as I have already outlined to the House, there is a significant degree of devolution in the rail industry in Scotland as a result of a transfer undertaken by my predecessor in this office. Secondly, on the substantive point, the right focus for Network Rail is to continue to deliver not just the efficiencies secured in recent years but the engineering excellence that has led to higher levels of rail safety and performance than was experienced as a direct consequence of the Tories' botched privatisation of the railways.

Mr. David Kidney (Stafford) (Lab): Will the Secretary of State disregard the point made by the Liberal Democrat spokesman and take an interest in the Virgin Trains proposal for longer Pendolino trains? Is my right hon. Friend aware that the leasing company's excuse for not taking action at present is a competition investigation? Will he take action to smooth through that problem and get those trains longer as soon as possible?

Mr. Alexander: I assure my hon. Friend that it is not a prospective offer that I am making—I have already been directly involved in discussions with Virgin Trains and have spoken to Sir Richard Branson.

Night Flights

3. **Mr. Greg Hands** (Hammersmith and Fulham) (Con): What plans he has to change the regime governing night flights over London and the south-east. [131451]

The Parliamentary Under-Secretary of State for Transport (Gillian Merron): There are no plans to change the new night flying restrictions that were introduced for the period between October 2006 and 2012 for Heathrow, Gatwick and Stansted airports.

Mr. Hands: The way in which the Government measure the noise impact of night flights is flawed. Why are no measurements taken of noise impact in some of the worst affected boroughs, such as Hammersmith and Fulham and Wandsworth, and why do the measurements that are taken apply only to take-offs and not to landings?

Gillian Merron: Perhaps I can assure the hon. Gentleman by pointing out that the footprint is what matters. Under Heathrow's new night noise regime, which covers the six years from 2006 to 2012, although movements will be the same the noise quota will be down.

Mr. Mark Field (Cities of London and Westminster) (Con): Everyone accepts the increasing economic importance of India and China, but does the Minister accept that early morning flights from those locations are getting ever earlier and are, therefore, disturbing the sleep of hundreds of thousands of Londoners? What will she do to try to ensure that we have a regime that keeps such night flights to an absolute minimum?

Gillian Merron: We have a strict night flight regime, under which, as I indicated, there is control both on movements and the noise quota. I am glad that the hon. Gentleman recognises—or I hope he does—that air travel benefits society as a whole, but I accept that its impacts are distributed unevenly. That is why we are keen to bear down on night noise and ensure that the quotas are stuck to. If the hon. Gentleman has evidence to the contrary, I am sure he will take it up with the airport concerned, and if he fails to get satisfaction I am sure he will draw the matter to my attention.

Justine Greening (Putney) (Con): The Minister will be aware that operators that run excessively noisy planes can be fined. I am sure she is also aware that last year the average fine for an excessively noisy plane was only £570—probably not enough to buy a seat on most flights. Does she agree that a £570 fine is unacceptably low and, if so, what will she do to make sure that we properly clamp down on plane operators who breach noise limits so that it makes a difference to their behaviour?

Gillian Merron: The best way forward in reducing noise is, first, to acknowledge that new aircraft are getting quieter, and we have worked towards achieving that. In addition, there are better operational practices, which the Government have encouraged, as well as a move to improve international standards through discussions in the international community. Those are the strongest and most direct ways to reduce noise and inconvenience to the hon. Lady and other constituents.

Bus Services

4. **Dr. Roberta Blackman-Woods** (City of Durham) (Lab): What funding he has allocated to bus services up to 2015; and if he will make a statement. [131452]

The Parliamentary Under-Secretary of State for Transport (Gillian Merron): Public funding of bus services now totals £2.5 billion annually. Decisions on the allocation of departmental funding in future years will be taken later this year as part of the current comprehensive spending review.

Dr. Blackman-Woods: I thank my hon. Friend for that reply. Will she confirm that some of the money will support local authorities such as County Durham, which is developing plans to improve bus services in the

area? Following the publication of "Putting Passengers First", how quickly is her Department likely to respond to restructuring bids?

Gillian Merron: My hon. Friend's support—and that of her local authority—for "Putting Passengers First" is extremely welcome. I am glad to hear that County Durham is working with operators to improve punctuality and services. It can also start to prepare the ground for community transport being given a greater role. I encourage my hon. Friend to support the authority in responding to the consultation on the draft road transport Bill. I look forward to meeting a delegation and would be happy to discuss my hon. Friend's points.

Mark Pritchard (The Wrekin) (Con): Is the Minister aware that my constituents in Newport, Shropshire have to take up to three buses to visit Princess Royal hospital as out-patients? Does she agree that that is unacceptable, and will she undertake to meet me and a delegation from the hospital to discuss public transport to and from the Princess Royal so that elderly people in particular do not suffer from having to make such long journeys?

Gillian Merron: I am happy to agree to such a meeting, as the hon. Gentleman has requested. Of course, "Putting Passengers First" is all about providing the biggest shake-up of buses for some 20 years since deregulation under the Conservatives. It is rewarding to see that the Opposition now admit that they got it wrong, but I would indeed be delighted to meet the hon. Gentleman.

Graham Stringer (Manchester, Blackley) (Lab): First Group, Stagecoach, Arriva and other bus companies are increasingly ripping off the public purse. They withdraw from ordinary routes in order to get subsidy on routes that are perfectly viable and they put up fares to get extra money out of the concessionary fare system. In that context, I welcome "Putting Passengers First" as a way of tackling that problem. The passenger transport executive group has estimated that the proposals would take—

Mr. Speaker: Order.

Graham Stringer: And that is too long. *[Laughter.]*

Gillian Merron: It appears that the question, if not the process, was too long. If my hon. Friend is referring to "Quality Contracts", the estimate is some 14 to 20 months, but we are working closely on that with stakeholders, including PTEs. We will publish a draft timetable alongside the road transport Bill.

Mr. John Leech (Manchester, Withington) (LD): Why will the Minister not support direct Government payments to bus companies to cover the cost of free bus journeys for the elderly to ensure that no local authority or PTE area is short-changed?

Gillian Merron: The extension of concessionary fares to cover 11 million people who are able to have free national off-peak travel is a very welcome Government policy. I am keen to ensure, as are all parties, that we have the right system of reimbursement. We are working with all the relevant people to find the right way forward. My interest is in ensuring that those 11 million people all benefit from the £1 billion of Government investment and free off-peak travel and that they can get out and about.

Mrs. Gwyneth Dunwoody (Crewe and Nantwich) (Lab): The bus pass scheme has transformed the situation for many elderly people in my constituency, who are delighted with their ability to roam. Would my hon. Friend please make a special effort to ensure that new powers are given to traffic commissioners so that they can insist that the companies getting large subsidies actually deliver value for money? That would be a nice change, and we would all be delighted by it.

Gillian Merron: I am, as always, delighted by my hon. Friend's informed support of Government policy to help older and disabled people up and down the country. I agree about traffic commissioners, who will have a greater opportunity to bring local authorities as well as bus operators to account on issues of punctuality, which are of great importance.

Eddington Report

5. **Tom Brake** (Carshalton and Wallington) (LD): What plans he has to take forward recommendations of the report by Sir Rod Eddington on transport; and if he will make a statement. [131454]

The Secretary of State for Transport (Mr. Douglas Alexander): The Government set out in the December 2006 pre-Budget report how we intend to take forward the recommendations of the Eddington study, taking account of transport's wider economic, social and environmental objectives. In the coming months, the Government will review their strategy, processes and delivery on transport in the light of the Eddington and Stern reports. We will provide a detailed response to the Eddington study alongside the comprehensive spending review later this year.

Tom Brake: Eddington states that two priorities for transport policy should be expanding airports and relieving congested and growing city catchments. The Government are quite keen on the former, but less so on the latter. Can the Secretary of State confirm when a decision is going to be taken on what must be the best example of a project to relieve a congested and growing city catchment area—Crossrail?

Mr. Alexander: I would not entirely accept that characterisation of the Eddington study. Eddington had three principal concerns: first, the challenge of growth cities; secondly, inter-urban connections; and, thirdly, global gateways, which include our ports as well as our airports. On the substantive point that the hon. Gentleman made, we continue our support for Crossrail. There has been real progress with the Bill and we have made it clear that a decision about Crossrail will be made in the context of the spending review.

Mr. Eric Martlew (Carlisle) (Lab): Yesterday, Sir Rod Eddington indicated at the Select Committee hearing that by 2014 the west coast main line would be running to full capacity and that there is a business case for a high-speed line, but the fact is that there is a lead time

of 10 years. When will the Minister announce that there is going to be a new high-speed line on the west coast?

Mr. Alexander: With due respect to my hon. Friend, one of the intriguing features of the discussion about the high-speed train line is the number of hon. Members who presume that it will stop in their constituency. In fact, Sir Rod Eddington gave a searching critique of the case for a high-speed rail line in the course of his report. We have a separate manifesto commitment that we will give consideration to a high-speed rail line and we are reflecting on the recommendations and the insights in relation to the high-speed rail line in the Eddington report at the moment.

Robert Neill (Bromley and Chislehurst) (Con): Is not our distance from getting anywhere near Eddington's recommendations on dealing with commuter congestion demonstrated by the fact that Southeastern trains is reported in last night's *Evening Standard* to be proposing to weigh commuters as they get on to the trains serving my constituency, to see just how overcrowded the trains are? Will the Minister come to my suffering and physically challenged constituents' aid with an announcement of significant capacity enhancements on the London commuter network?

Mr. Alexander: I note with civility that the hon. Gentleman did not note any interest before making the observation. He really should not believe everything he reads in the newspapers. As hon. Members can imagine, I took some interest in that story in the *Evening Standard*. The suggestion was that one of the train operating companies is weighing carriages—rather than individual passengers. Perhaps he will be relieved to hear that. It is, however, fair to say that there is a real challenge in relation to capacity in the south-east and across the network. That is why we have announced the 1,000 extra carriages and why it will be one of the key priorities for the high-level output specification. *[Interruption.]* From a sedentary position, the hon. Member for Epsom and Ewell (Chris Grayling) suggests that there will be no new carriages until 2014. That is simply untrue. The first of the carriages will be available on the network by the end of next year.

Mr. Jim Devine (Livingston) (Lab): One of the central parts of the Eddington report was the importance of supermarkets and their distribution networks. I wonder whether my right hon. Friend shares my concern about the behaviour of Tesco in my constituency. On the day that it announced £2.5 billion of profits, it is cutting the terms and conditions of staff, threatening derecognition of the union and telling staff that unless they sign a new contract they will be sacked. Will he tell Tesco to go back to the negotiating table and resolve the dispute?

Mr. Speaker: Order. That question certainly was not about transport.

Mr. Owen Paterson (North Shropshire) (Con): Sir Rod Eddington said that unless national road pricing was in place by 2015 there would have to be a substantial increase in inter-urban road building. Are the Government going to have national road pricing up and running by 2015? If not, what are they going to do?

Mr. Alexander: As I have stated many times at the Dispatch Box, the position remains that we believe that the right way forward is first to have local pilots, developing local solutions to the congestion challenges in local communities. On the basis of the facts that emerge from those local congestion charging experiences, we will be able as a country to make a judgment on the merits of a national system of road pricing.

Rail Services

6. **Mrs. Madeleine Moon** (Bridgend) (Lab): Whether his target for railway punctuality and reliability has been met. [131455]

The Parliamentary Under-Secretary of State for Transport (Mr. Tom Harris): The March 2006 target of 85 per cent. punctuality and reliability was met with performance reaching 86 per cent. by that date. Since then, the Department for Transport has been working successfully with train operating companies to create the conditions for further improvement. Punctuality and reliability on the railway are now at 88 per cent. on average.

Mrs. Moon: I thank my hon. Friend for his reply, but I have to tell him that punctuality and reliability are not words that my constituents in Bridgend use in relation to First Great Western. I know that that is true among the constituents of my colleagues along the whole of the south Wales corridor. What meetings is the Minister having with First Great Western, and will he please press it to start to improve its reliability and punctuality?

Mr. Harris: My hon. Friend knows that I have raised First Great Western's performance with the company on several occasions. It accepts that its performance following the production of the December 2006 timetable was not acceptable. I know that my hon. Friend will welcome the recovery plan that has been drawn up jointly by First Great Western and Network Rail to improve performance. I assure her that my right hon. Friend the Secretary of State and I will continue to apply any pressure necessary to bring about the improvements in performance that we wish to see.

Mr. Geoffrey Clifton-Brown (Cotswold) (Con): In terms of distance from London, the train service to Gloucestershire is one of the worst in the country. To improve the reliability and punctuality of the service—again, it is operated by First Great Western—would the Minister support an increase in rail capacity when that is put to him by Network Rail? The company has feasibility money to dual the line from Swindon to Kemble and from Oxford to Worcester Shrub Hill. Will the Minister support those proposals when they come before him?

Mr. Harris: Of course, the Government are always willing to consider capacity improvements when there is a robust business case. If the hon. Gentleman wishes to write to me with more details of the proposal, I will be more than happy to look at them.

Mrs. Siân C. James (Swansea, East) (Lab): Given the horrific experience that we have recently been having in Swansea with First Great Western, when the Minister

meets the company will he look for a commitment above and beyond its existing franchise? While the company has the franchise agreement now, I am severely worried about the service in the future.

Mr. Harris: I know that my hon. Friend has campaigned long and hard on this issue. She will understand the Government's position: we must have certain minimum specifications. Unlike the Conservative party, we believe that a minimum level of service that must be provided by franchisees should be written into franchise agreements.

I know that my hon. Friend is especially worried about the removal of the 17.15 service from Cardiff to Swansea and the effect of overcapacity on services run by Arriva Trains Wales. She will know that I went down to Cardiff two months ago and travelled on the Arriva Trains Wales connecting services from Cardiff to Swansea. I know that she will be disappointed that I found that there was plenty of spare capacity on those services. However, I will be more than happy to speak to First Great Western to ensure that it meets its commitments under the franchise agreement.

Bob Spink (Castle Point) (Con): I am sure that the Minister will acknowledge the great improvement in reliability and punctuality on the c2c line since it was privatised. However, is he aware that some of my constituents were trapped on a train last week for more than seven hours because of problems on the line? Will he look into bringing forward work on the line's signalling and overhead power lines?

Mr. Harris: I am delighted that the hon. Gentleman acknowledges the improved efficiency and performance on the rail network. There are inevitably occasions when passengers are inconvenienced, which is always a matter of some regret. However, I hope that he will acknowledge that the record amounts that are about to be invested in the network by Network Rail will lead to a major step change in the improvement of the infrastructure in this country.

Rail Services

7. **Mr. Robert Flello** (Stoke-on-Trent, South) (Lab): What effect the west coast main line upgrade has had on travel times. [131456]

The Parliamentary Under-Secretary of State for Transport (Mr. Tom Harris): Journey times on the west coast main line have already been substantially reduced and will be further improved with completion of the west coast route modernisation in late 2008. Stoke-on-Trent is now an hour and a half from London. Before September 2004, the journey took almost two hours.

Mr. Flello: I am grateful to my hon. Friend for his response. As a result of the fantastic improvements to rail services and times, my constituents can transact business with London. Indeed, Stoke-on-Trent is now an excellent place for business. When my hon. Friend next discusses with Network Rail further improvements to train times along the west coast main line, will he press it on the fact that, after almost 50 years, Longton railway bridge still awaits a repainting job?

Mr. Harris: I know the Longton bridge extremely well, and I am distraught to hear that it has not yet been painted, after all these years. If my hon. Friend wishes me to raise the issue with Network Rail on his behalf, I am more than happy to do so.

Mr. Mark Lancaster (North-East Milton Keynes) (Con): Train times from Milton Keynes have actually increased, because Virgin trains no longer stop there during peak hours. As the Minister may recall, back in January I raised the fact that Milton Keynes commuters are upset that although two Virgin trains do stop there, no one is allowed to get on the trains, despite there being more than 300 seats on each train. At the time, the Secretary of State said that the issue in Milton Keynes was the platforms, but that has now been changed, and he has admitted that there is no issue with platform lengths in Milton Keynes. May I finally have an answer on why those two trains stop in Milton Keynes to let people off, but do not allow anybody on?

Mr. Harris: The Pendolino trains do not pick up passengers at Milton Keynes because they are designed not for short-distance commuter traffic, but long-distance traffic. They are not designed as relatively short-haul commuter business services, which are provided by Silverlink and will be provided by the new west midlands franchise.

Mr. Brian Jenkins (Tamworth) (Lab): I congratulate Virgin Trains on the remarkable progress that we have made on the west coast line. With luck, next year we will be back to the times that we achieved in the mid-1960s, when the west coast electrified line was first introduced. The one thing that we have not achieved is a programme that serves the users of the west coast line. There are still too few trains that stop to pick up people at towns such as Tamworth, although many more trains stop at stations down the line that serve smaller populations. Will the Minister look at the way timetables are organised there, particularly as that is where the cross-country lines cross the lines that run from the top to the bottom of the country, which means that a hub station should be created at Tamworth?

Mr. Harris: Work is still under way on the timetables for late 2008 and early 2009, and I cannot make any comment on the service that Tamworth will receive, but I hope that my hon. Friend will accept that the west coast main line modernisation will provide a major economic boost to the whole country and will provide a much-improved service for the many hundreds of thousands of passengers who use that service every year.

Road Funding

8. **Mr. Neil Turner** (Wigan) (Lab): What funding commitments have been made for roads up to 2015; and if he will make a statement. [131457]

The Minister of State, Department for Transport (Dr. Stephen Ladyman): We will consider future levels of funding in the light of the outcome of the comprehensive spending review.

Mr. Turner: I am grateful for that reply. I am sure that the Minister is aware that good transport links are an important factor in stimulating local economies. Will he ensure that there is sufficient capacity in his departmental budget, and in the regional development agency budgets, to make sure that local economies can be stimulated by new road links to any new developments built in the period that I mentioned?

Dr. Ladyman: Of course my hon. Friend is absolutely right, and the regenerative effects of new road links are one of the things that have to be taken into account when road schemes are prioritised. However, it is important for him to interact with local stakeholders, whose advice we now rely on when prioritising funding. The funding that we get for road improvements will be distributed fairly across the country, and then we will work with local stakeholders to decide how to prioritise the spending.

Mr. Christopher Fraser (South-West Norfolk) (Con): Norfolk's economic success is being stifled by the Government's lack of investment in the roads infrastructure, as my hon. Friend the Member for North-West Norfolk (Mr. Bellingham) pointed out. Will the Minister finally join me in saying yes to the upgrade of the A11, which needs to take place if Norfolk is to realise its true economic potential?

Dr. Ladyman: I admire the hon. Gentleman's advocacy of that road scheme, but I again offer him the advice that I have given him on several occasions: it is necessary for him to win the support of local stakeholders if he is to get the scheme prioritised, so that work on it can start within the time scale that he wants. At the moment, the scheme is prioritised, but it will not happen as quickly as the hon. Gentleman would want. It is for him to go back to regional stakeholders and increase the priority of the scheme. By the by, it might be a good idea if he and his colleagues supported some of the measures that the Government have put forward to raise the money to pay for the road improvements that he and his colleagues want.

Mr. David Clelland (Tyne Bridge) (Lab): The last time there was any major investment in the Gateshead A1 western bypass, which runs—or should I say crawls—through my constituency, was more than 20 years ago. When can we expect further investment to bring that important artery up to national standards?

Dr. Ladyman: Once again, significant investment in road improvements is being made in the north-east, but my hon. Friend must work with local stakeholders to achieve priority for schemes that he wants in his area. We are trying our best to stick as closely as possible to priorities recommended to us by the local regions, and we will continue to do our best to stick to those priorities.

Sir Nicholas Winterton (Macclesfield) (Con): The Minister said in reply to a supplementary that resources for roads would be allocated fairly across the country. There are many Opposition Members who would think that that was an untruth, but I do not accuse him of telling an untruth to the House. Will he give me an assurance that resources will be allocated fairly and that Conservative authorities such as Macclesfield borough council and Cheshire county council, which have been under-resourced, particularly in east Cheshire, will in future receive a fair allocation of resources in accordance with the prosperity that they create in Cheshire and the north-west.

Dr. Ladyman: When we decided to go for a regional funding allocation, we began with an open consultation, which included all the regions, local authorities, and Opposition Members, to decide how the money was to be allocated to the regions. We have stuck to that formula, so it is clear that the money has been fairly distributed. I have received representations since then from every region in the country saying that they would like to change the system, because they have come up with a system that would benefit their region at the expense of every other region. I am afraid that life is simply not like that, and if we want more money for the regions we must raise more money overall, and that comes down to the hon. Gentleman and the Opposition occasionally supporting the Government in raising that money.

CONSTITUTIONAL AFFAIRS

The Minister of State was asked—

Electoral Fraud

20. **Tom Brake** (Carshalton and Wallington) (LD): What recent steps she has taken to prevent electoral fraud in local elections. [131524]

The Parliamentary Under-Secretary of State for Constitutional Affairs (Bridget Prentice): The Government have taken significant steps in recent years to tighten up the security of the electoral process, and to assist police and prosecutors in tackling electoral fraud. Those measures are primarily established by the Electoral Administration Act 2006, and associated secondary legislation.

Tom Brake: I welcome those improvements in security, but I am sure that the Minister agrees that the introduction of postal voting damaged public confidence in the voting system because of the increased risk of fraud. What specific parallel measures has her Department introduced to ensure that the internet, telephone and advance voting pilot projects, too, are not subject to fraud?

Bridget Prentice: First, may I make it clear that incidents of fraud remain isolated, and have arisen in a relatively small handful of wards? As for the pilots, we have put in place clear security measures, which will be monitored by the Electoral Commission and by ourselves. Every local authority that has asked to pilot innovative ways of allowing people to vote has done so in the clear knowledge that it wants to make sure that the system is as secure and accessible as possible.

Dr. Alan Whitehead (Southampton, Test) (Lab): Does my hon. Friend the Minister agree that an important weapon in combating electoral fraud is the requirement to ensure that the electoral register is

accurate and up to date? Will she therefore place a duty on electoral registration officers to use all available databases to make sure that the registration system is as accurate and up to date as possible?

Bridget Prentice: My hon. Friend makes a very important point. As I have often said at the Dispatch Box, the fact that 3 million people are not on the register who should be on it is a blight to our democracy and something that we must challenge. He is quite right, too, that the Electoral Administration Act has given local registration officers further powers to use all means of registration to ensure that people who are eligible to vote are on the register and able to vote. I am constantly hearing about new ways of trying to provide further opportunities for registration officers to make such changes.

Mr. Andrew Robathan (Blaby) (Con): The Minister seems to be living in a slightly different world from the rest of us. Has she read Sir Alistair Graham's speech in January, in which he said:

"How does DCA or the Electoral Commission know about the extent of electoral fraud when neither of them have kept any statistics nor have undertaken any research on the issue? Is it that, in their obsession with increasing participation at all costs, they have turned a blind eye to the risks of electoral fraud and its consequences on the integrity of our democratic system?"

Will the Minister respond to Sir Alistair Graham, who made a telling point?

Bridget Prentice: Frankly, Sir Alistair Graham made no such thing. In that speech, which I have read in detail, Sir Alistair Graham waved about the figure of 390 cases of electoral fraud. In fact, the Electoral Commission has been conducting a detailed analysis of those cases, and so far it has discovered that very few of them include allegations relating specifically to voting offences. Sir Alistair Graham and the hon. Gentleman need to understand the difference between offences involving under-age candidates, imprints on leaflets and so on and offences involving people personating others and other kinds of voting fraud. Those are very different things, and they should not be put in the same basket.

Chris Bryant (Rhondda) (Lab): Has the Minister had the opportunity to read the Electoral Commission report on allegations of electoral malpractice between 2000 and 2006? It shows that in 25,057 elections in seven years there were only 91 cases involving any allegations of electoral malpractice. That represents 0.00363172 per cent. of elections in which there was even an allegation of malpractice. Is it not more important that we make sure that everybody has a chance to vote as easily as possible than following up the rumour-mongering and scandal-mongering by Opposition parties?

Bridget Prentice: I could not have put it better myself.

Mr. Oliver Heald (North-East Hertfordshire) (Con): The Minister will know that the Committee on Standards in Public Life warned that impersonation was the most common form of electoral fraud. The election commissioner in Birmingham warned that well-organised fraudsters were getting away with scores of personated votes. Given that, which Minister is responsible for the latest fiasco that the new laws to tackle impersonation will not be introduced for this year's major set of local elections, because they were so badly drafted? Is that not yet another sign of Government incompetence in the face of growing corruption and fraud?

Bridget Prentice: The hon. Gentleman is just plain wrong. In the local elections in May, there will be personal identifiers for postal votes, which is where there have been allegations in the past of possible fraud. All local authorities involved in local elections in May have already sent out all the information to potential postal voters, and I am confident that they will work as hard as possible under the guidance of the Electoral Commission and with the support of the police to ensure that our elections are, as my hon. Friend the Member for Rhondda (Chris Bryant) has said, as safe, secure and democratically available as we can possibly make them.

Royal Prerogative

21. **Mr. Jim McGovern** (Dundee, West) (Lab): If she will conduct a review of the scope and use of royal prerogative powers. [131528]

The Parliamentary Under-Secretary of State for Constitutional Affairs (Bridget Prentice): As I said on 30 January, the Government keep policy in that area under review but do not see the case for a wide-ranging consultation exercise at this time.

Mr. McGovern: The BBC recently described royal prerogative powers as

"A series of historic powers, officially held by the Queen, that have, in reality, been passed to politicians."

Royal prerogative powers allow decisions to be taken without the backing of or consultation with Parliament. Does the Minister agree that in a democracy, decisions taken without the backing of or consultation with Parliament should be illegal? May we have a review to address that anachronistic anomaly once and for all?

Bridget Prentice: My right hon. and learned Friend the Lord Chancellor provided a statement on the Government's position on this in the House of Lords on 7 February this year, at *Hansard* column 705. Moreover, the Prime Minister is very keen to ensure that Parliament has its views known, and he has made statements to that effect in recent months. In 2003, for example, there was a substantive motion in Parliament on the Iraq war. We are of course prepared to legislate to constrain the prerogative powers when it is appropriate to do so.

Simon Hughes (North Southwark and Bermondsey) (LD): Given that in 2004 the Select Committee on Public Administration said that

"the case for reform is unanswerable",

as we come to the end of 10 years of Blair-led Labour Government where ministerial Executive power remains as great as ever, will the Minister accept that making peace and war, making treaties such as the extradition treaty and taking away passports from British citizens

in Guantanamo Bay are matters that should be governed not by Ministers but by Parliament, and that unless the Government move on this they will remain a Government who seem to be more keen on retaining power than sharing it?

Bridget Prentice: We should be cautious in this field; let me give an example of why. We must be careful about introducing legislation in some of these areas where we would then have the undesirability of their being overseen by the courts, which would not necessarily be a good thing. Indeed, it should be for Parliament, rather than the courts, to comment on some of these issues. The Government have to be accountable to Parliament for their decisions, including decisions on the deployment of armed forces. Parliament's rights are therefore fully protected under the existing arrangements. That does not mean to say that the Government are not prepared to look at prerogative powers again. We have done that in the past and we are still prepared to do so. We will continue to listen to views on the subject, although at the moment we see no reason to do anything different from the present situation.

Kelvin Hopkins (Luton, North) (Lab): I agree most strongly with my hon. Friend the Member for Dundee, West (Mr. McGovern). Would it not be useful for my hon. Friend the Minister to look at other parliamentary democracies, especially those with constitutional monarchies such as our own, to see how they do things and perhaps to make some progressive reforms in the light of that?

Bridget Prentice: It is difficult to translate specific constitutional arrangements from one country to another. Procedures in the United Kingdom must reflect our constitutional arrangements. There are occasions when the Executive's ability to take decisions quickly and to be flexible in using the prerogative powers remains an important cornerstone of our constitution. I am not sure that one can easily transfer what may be good in one country to make it fit here. However, as I say, we constantly keep all these matters under review.

Mr. Geoffrey Clifton-Brown (Cotswold) (Con): Does the Minister agree that the most important royal prerogative is that of taking this country to war? Can she conceive of a situation whereby we would take this country to war without the endorsement of this House? If so, would she consider changing the royal prerogative in this respect?

Bridget Prentice: The hon. Gentleman asks whether I can conceive of a situation arising in relation to going to war. In order to reassure him, let me quote what the Prime Minister said:

"I cannot conceive of a situation in which a Government...is going to go to war—except in circumstances where militarily for the security of the country it needs to act immediately—without a full parliamentary debate".

That sums up the Government's position very well.

Andrew Mackinlay (Thurrock) (Lab): I am pleasantly surprised to be called. The Under-Secretary said that she would listen carefully to representations. May I draw it to her attention that nobody has spoken in favour of her conservative position on the matter? There is a case for root and branch review of the power of the monarchical institution, including the prerogative powers, which are not always exercised only by Government. The right hon. Member for Suffolk, Coastal (Mr. Gummer) drew attention to the fact that no Catholic has been made a member of the Order of the Thistle for hundreds of years—that is royal prerogative. It is unacceptable. We need to re-examine the whole monarchical institution.

Bridget Prentice: Although I may have a great deal of sympathy with my hon. Friend's example, I have said repeatedly—today and on other occasions—that we keep such matters under review. I shall take the specific example back for further consideration.

Postal Voting

22. **James Duddridge** (Rochford and Southend, East) (Con): What mechanisms are in place to verify the legitimacy of postal votes. [131527]

The Parliamentary Under-Secretary of State for Constitutional Affairs (Bridget Prentice): We are introducing a range of new measures at the May 2007 local elections that are designed to strengthen the security of postal voting. They build on the measures that were successfully introduced in May 2006. The introduction of personal identifiers for postal voters is especially important and will help ensure that postal votes are safe and secure.

James Duddridge: During the passage of the Electoral Administration Act 2006, I raised with the Minister of State advice from the banking sector and subsequently wrote to her. The Under-Secretary kindly replied in April last year. Will she update the House on the discussions with the banking sector and their results?

Bridget Prentice: I must apologise to the hon. Gentleman and the House. Thanks to his question, I have discovered that no such discussions took place. It is often said that "Questions were asked in the House"—I shall certainly ensure that questions are asked elsewhere about why the discussions have not yet taken place and that he is informed of them as soon as they do.

Rosie Cooper (West Lancashire) (Lab): Has the Department put in place any mechanism to examine how many people have not renewed their postal votes under the new regime? Will the Department consider the effectiveness of the verification procedures after the elections?

Bridget Prentice: I assure my hon. Friend that we will consider carefully, with the Electoral Commission's support, the effect of the new legislation on postal voting. We are constantly gathering information about the number of people who apply for postal votes. We will ensure that we can make comparisons about the new system's effect on the electorate.

Mr. Jonathan Djanogly (Huntingdon) (Con): In response to a written question of mine on 28 March, in regard to postal vote fraud, the Under-Secretary said:

"The Government do not consider there is sufficient justification to make further changes that would restrict the

availability of postal voting... as is the case in Northern Ireland."—[*Official Report*, 28 March 2007; Vol. 458, c. 1597W.]

Does the Under-Secretary claim that availability to vote surpasses the integrity of the vote? Is not that Government approach one of extreme complacency?

Bridget Prentice: The hon. Gentleman constantly raises the example of Northern Ireland and I constantly have to remind him that the measures that we took in Northern Ireland meant that registration dropped by more than 10 per cent. Approximately 3.5 million people who should be on the register in England and Wales are not. That is a great democratic deficit. It might suit the Conservative party for fewer people to be on the register and able to vote, but it does not suit those of us who believe in democracy.

Mr. Alan Beith (Berwick-upon-Tweed) (LD): Why did not the Under-Secretary ensure that all the secondary legislation was correctly drafted and in place to give returning officers the full power to enforce the postal vote safeguards in the way that Parliament intended?

Bridget Prentice: The right hon. Gentleman is right. It is most unfortunate that we could not do what he suggested. We will ensure that the regulations are drafted correctly in future. It was unfortunate that we could not get that right for 3 May, but I hope that we shall ensure that everything is exactly as it should be in future.

Legal Aid

25. **Mr. Philip Dunne** (Ludlow) (Con): What recent representations she has received from law firms in rural areas on legal aid. [131530]

The Parliamentary Under-Secretary of State for Constitutional Affairs (Vera Baird): I have received oral and written representations from rural law firms and their representatives as part of the ongoing consultation into the implementation of our legal aid changes. I have personally been to more than 25 meetings with 1,000 practitioners, including many rural providers, and we took their concerns heavily into account when we revised our proposals and published them earlier last year.

Mr. Dunne: I am grateful to the Minister for that response. I assume that, having listened to those representations, she will be fully aware of the concerns such as those expressed by the solicitors in my constituency that the few who still provide legal aid services in rural areas are actively contemplating withdrawing from those services as a result of the Government's proposals. What will then happen to vulnerable people in rural areas who cannot get representation under legal aid?

Vera Baird: We have just been through an exercise in renewing a contract for legal aid in almost identical terms to the one that prevailed before. A number of firms said that they would not sign because they did not intend to carry on, but I am pleased to say that, in the end, all of them did. If the hon. Gentleman has any particular difficulties in this regard, I would ask him please to come and see me about them, but we are confident that rural providers will do well out of our proposals.

David Taylor (North-West Leicestershire) (Lab/Co-op): I asked the Minister a similar question to this on 6 March, and I then discussed her answer with representatives of a local firm in which I have great confidence. They said that the new contract proposals for family and criminal work amounted to financial suicide, that they had been signed under duress and that many firms would indeed back out in an orderly fashion later this year. Is there not a real risk that we are creating a national chain of "Advocacy Is Us", which will be based in cities, providing a service that is down to a price rather than up to a standard, and which will denude rural areas?

Vera Baird: No, there is not the slightest likelihood of that happening. I am anxious to encourage smaller firms to stay in business. The family fees do not represent financial suicide; they have been put together with a lot of input from the profession, for which we are very grateful. Nor do the criminal fees, which have also been put together with the greatest possible care. They are based on the average claims in the areas of the police station duty rotas. All of this involves the same budget as before. Everyone should have the confidence to go through the transition, as the signatures on the contracts now suggest is happening. They must get over the transition—it is not a simple one; I accept that—and then look forward to a very good future in legal aid.

Mr. Elfyn Llwyd (Meirionnydd Nant Conwy) (PC): To be fair, the Minister has engaged with people who are complaining about services in rural areas. However, I have a letter here from a specialist in mental health law, Julie Burton, which is addressed to the Lord Chancellor. In it, she says that publicly funded legal advice lawyers are leaving the service "in droves". She is the only mental health lawyer in the whole of north and mid-Wales, but she, too, is going to give up. She has dedicated her life to this work but, after 25 years, she can see no alternative.

Vera Baird: With great respect to the hon. Gentleman, he is not correct to say that firms are leaving in droves. Of the solicitors who had signed up to the last contract, 94 per cent. have signed up to the new one. That does not suggest that they are leaving in droves; it represents a pretty average fall-away. I am sorry to hear about the lady in Wales. We will have to look for someone else who can provide that service to the vulnerable population that she serves, but I hope that she will reconsider.

Planning (Consultation)

3.33 pm

Mr. Ian Liddell-Grainger (Bridgwater) (Con): I beg to move,

That leave be given to bring in a Bill to require local planning authorities to consult or notify persons living outside their area about specified matters; and for connected purposes.

I must say that this is the best attended 10-minute rule Bill debate that I have ever come across. The title of the Bill is unlikely to set the world on fire. It will certainly not result in dancing in the streets or spontaneous outbreaks of public joy. I am sorry, folks, but the Planning (Consultation) Bill sounds profoundly dull—[Hon. Members: "Hear, hear!"] I am getting cheers of support. In reality, however, it is important to everyone.

The law of planning has become a dangerous, bureaucratic minefield. It is said that there are only three people left in England who are capable of understanding it: one died young; one fled the country; and the other expert has now gone completely mad. It is understandable why. Anything to do with planning usually involves piles of paperwork, loads of legislation and acres of anxiety. People who are seeking permission to put up a porch at the front of their house will know, as will hon. Members, exactly what I am talking about. That person needs the householder application form, perhaps listed building consent and, let us not forget, the full and outline applications and the lawful development certificate. He will even need to give a consent form to the council to put up a notice. By now that person will have filled up enough of an official's bumper mailbag to paper the walls of Buckingham palace and Westminster abbey. The application will have been scrutinised by planning officers, subjected to all the rigours of building regulations and put out to the public for their views—or will it?

I am concerned about several aspects of the existing public consultation. The whole process is extremely vague and open to different interpretations by different officials in different town halls. What happens in one place is not necessarily what happens in the district next door, but with the agreement of the House I hope to introduce an improvement—something to make life more sensible for those at the sharp end of the planning maze.

Consultation should mean what it says on the packet. We need a decent definition of the word itself. The "Pocket Oxford English Dictionary" suggests the following meaning:

"seeking information or advice...taking into consideration the views of people"

and importantly

"considering feelings".

I am quite sure every planner and politician in the land would endorse those sentiments and vow that consultation is a splendid thing and part of everything they do for everybody. However, it is rather like motherhood and apple pie: no one could possibly disagree with the general idea. But with such a woolly meaning, consultation can be as good or as bad as politicians or planners prefer.

The trouble is that too many planners and politicians are prepared to settle for the barest minimum when it comes to the standard consultation period. The blame lies, I am sorry to say, right here in Westminster. The House has always fought shy of spelling out what consultation should be—how local people are to be canvassed, how views are to be assessed, what account is taken of opinions, how many meetings will be held, or whether there be any meetings at all. The remit to consult is certainly written into all local government legislation, but dotting the i's and crossing the t's has always been left to the locals. Basically, the House has, I am afraid, copped out.

The aim of my Bill is to give an exact definition of the term "consultation" and to ensure that the relevant people are consulted. Surely it is such a sensible aim that nobody could possibly object to it. I still wonder why it was not introduced years ago. To illustrate my point, I shall give a real-life example of how our planning system can let down the people whom it is meant to protect. A farmer wanted to put up a new poultry unit in my constituency. Farmland frequently straddles authority boundaries. This farmer bunged in the planning application to the council for the area where the unit was proposed, but the council had no legal obligation to tell the people a couple of hundred yards away about it because they lived in another local authority area. The result was a lot of disgruntled folk who thought that they were being cheated.

The problem is not just a rural one, however. If someone wants to build anything in his urban back yard and the local authority boundary is close by, the people who ought to have a say do not get it. That is plainly wrong and should be put right, and this is where the political controversy may begin, because there seems to be a conflict between those who want to free up the planning process and see applications go through more quickly and those who would like the public to get a bigger voice. I believe that the two goals are not incompatible.

I am absolutely certain that the law as it stands leaves an awful lot to be desired. It also leaves a lot of people dissatisfied. Some things have been done to ease the burden of those who wish to submit planning applications, and in almost every area it can be done online by computer, cutting out paperwork and trips to the council offices. The quid pro quo is that councils are beginning to use their online services as an excuse for consultation. Someone can make an online planning application and people can see it—*[Interruption.]*

Mr. Speaker: Order. There is so much noise in the Chamber that it is unfair to the hon. Gentleman.

Mr. Liddell-Grainger: I am not offended by having my Bill talked about, Mr. Speaker! In fact, it is a great accolade.

Information technology has become a get-out—a way of avoiding telling people what is going on.

I appreciate the dilemma faced by local authorities. Some planning areas are very busy. In Wandsworth, here in London, 30,000 consultation letters were sent last year. However, the obligation actually to do anything is non-existent. The only requirement is for a period of 21 days during which action can be taken. The planning authority has a duty to put up notices,

[Mr. Liddell-Grainger]

usually in small print on A4 pieces of paper pinned to telegraph poles. One needs a magnifying glass to decipher what they say, and one would have to be a planning anorak to stop and read one in the first place. Bigger developments require a planning authority to buy one tiny advertisement in the local paper, which is usually hidden away on page 99 if it gets that far. There is a woolly commitment to consulting interest groups, residents and—how I hate this word—stakeholders. The politician who coined the word should be made to use a stake himself.

There are good intentions, but they are not law. Every planning authority can do as much or as little as it likes to keep people posted; no planning authority has any legal obligation to tell people outside its areas what is going on. That means that unless there is a planning application to build a nuclear power station, an airport or a Tesco store, they will not be told. That deficit in the planning process makes a mockery of the existing law, and seriously undermines what has become a major cross-party commitment to be seen to be consulting.

The Government swear by consultation. Hundreds of different consultations are currently taking place: we need only look at the No. 10 website to see that. Those with strong opinions and ample time should be free to add to debates, but there is one small drawback. Consultation does not involve any debate at all. The public are invited to pour in opinion, which can then be conveniently polarised, twisted or ignored. The scale of the consultation industry is reminiscent of the old maxim "Divide and rule". There are now so many official consultations that it is impossible to keep abreast of any of them. Moreover, the Government have opened up consultation far too widely.

Consultation involves small complications, but big complications are much more serious. Consultations are voluntary, they are not binding, and no one has a say. There has to be a proper "code of conduct". Imagine what Moses would have said if God had handed him a code of conduct instead of the ten commandments. "Thou shalt not covet thy neighbour's ass" has a better ring to it than "Perhaps we should leave the neighbour's donkey alone".

Private Members' Bills such as this are designed to establish effective procedures by which all councils must abide. It is no longer good enough to tell people what the council feels that it should be telling them. It must no longer be acceptable to insert a tiny notice in the form of a classified advertisement in the local paper. Under my Bill, the nature of proposals must be crystal clear, and they must be advertised so that people can see notices, understand them and—more important—respond to them. Local authorities will have to go out of their way to let people know what they are doing, and the Bill will specify precisely how far out of their way they will have to go.

Critics may say that this will cost money. It is necessary merely to amend, not to reinvent the wheel, and paying for the maximum sensible standards will surely save more in the long term. If planners and politicians listen to local opinion first and take action on the basis of what people really want, town halls will get on a great deal better. We can all cite cases from all over the country in which that has not happened. Perhaps the most obvious local example is my own county council, which ill-fatedly put up hundreds of road signs without consulting. The public were upset, and all the signs came down again. That is not good enough.

The tragedy is that local authorities are not doing anything wrong, but are obeying the law. The Bill spells out what is necessary. It makes sense, and I commend it to the House.

Question put and agreed to.

Bill ordered to be brought in by Mr. Ian Liddell-Grainger, Kelvin Hopkins, Mr. Mark Francois, Rob Marris, Mr. Ben Wallace, Mr. Lindsay Hoyle, Mr. Henry Bellingham and Mr. David Clelland.

PLANNING (CONSULTATION)

Mr. Ian Liddell-Grainger accordingly presented a Bill to require local planning authorities to consult or notify persons living outside their area about specified matters; and for connected purposes: And the same was read the First time; and ordered to be read a Second time on Friday 19 October, and to be printed [Bill 90].

Opposition Day

[8TH ALLOTTED DAY]

Occupational Pensions

Mr. Speaker: We now come to the eighth allotted Opposition day, and the debate is on occupational pensions. I inform the House that I have selected the amendment in the name of the Prime Minister.

3.45 pm

Mr. George Osborne (Tatton) (Con): I beg to move,

That this House has no confidence in the Chancellor of the Exchequer's handling of occupational pensions.

That simple motion reflects the following four simple charges. First, that in his first Budget this Chancellor introduced a stealth tax on pension funds that his own civil servants warned him would blow a big hole in those funds' finances. Secondly, that in the decade since that Budget that is precisely what has happened; we have seen what the Labour pensions Minister at the time describes as the "large-scale desolation" of our pension system. Thirdly, that that desolation has left millions with a shortfall in their retirement funds and 125,000 people with little or no pension at all. Finally, that this Chancellor has from the start acted with stealth, blocked all attempts to get at the truth and now blames everyone but himself for the destruction that he has brought to Britain's pensions. In short, the abolition of dividend tax credits was, in the words of the Prime Minister's own economic adviser at the time,

"a mad thing to do"

and quite "crackers".

Several hon. Members *rose—*

Mr. Osborne: On that note, I shall give way to the hon. Member for Livingston (Mr. Devine).

Mr. Jim Devine (Livingston) (Lab): If the Conservative party were in power, would it reintroduce the dividend tax credit?

Mr. Osborne: It would do the hon. Gentleman's career a great deal of good if he did not read out the prepared questions of the Economic Secretary to the Treasury. I will come on to what we think we can do to help pensions, and there will be an opportunity tomorrow for the hon. Gentleman to vote for changes that would help those 125,000 people. That raises a question that he will have to answer when we have that debate tomorrow.

Several hon. Members *rose—*

Mr. Osborne: I shall give way to the hon. Member for Stourbridge (Lynda Waltho), and perhaps she will tell us whether she will vote for the amendments that would help those 125,000 people.

Lynda Waltho (Stourbridge) (Lab): I would like the hon. Gentleman to tell me whether he agrees with his colleague, the hon. Member for Eastbourne (Mr. Waterson), who today on "The Daily Politics" show led people to believe that the Tory party would look at bringing back the dividend tax credit. What would the hon. Gentleman's party do?

Mr. Osborne: Now that the Secretary of State for Environment, Food and Rural Affairs has withdrawn from the Labour leadership race, Labour Members are queuing up to ask the Chancellor's questions in our debates. I will come on to talk about what the hon. Lady and I can do to help those pensioners. Indeed, there is a vote tomorrow in which she can take part.

I was talking about the Chancellor of the Exchequer, and may I say how pleased we are that Macavity has finally been dragged kicking and screaming out of hiding on the very day when homeowners and pensioners are coming to terms with the latest rise in inflation? Not long ago, the Chancellor was telling the Treasury Committee that he expected

"inflation to come down significantly over the course of the next few months."

Today he received a letter from the Governor of the Bank of England explaining why it is rising. Well, the Chancellor never was much of a forecaster.

Whether in terms of rising inflation, the record tax burden, the billions of pounds that we see being wasted on projects such as the NHS computer system, or that con-trick Budget—or, indeed, the pensions raid—this Chancellor's boast of economic competence is unravelling before our eyes. *[Interruption.]* The first, and worst, of all his mistakes was that raid on pensions. When he stands up to respond, let us find out if he can look Britain's pension holders in the eye and say "sorry". One Browne has already done that this week. *[Interruption.]* Let us see if another Brown has the courage to do so again today.

The road to the Chancellor's first and worst stealth tax began, strangely enough, in a hotel room, because the pension tax plans were dreamt up—*[Interruption.]*

Mr. Speaker: Order. It is far too noisy in the Chamber. The hon. Gentleman is entitled to be heard—*[Interruption.]* I do not want to have to tell you a second time, Mr. Balls.

Mr. Osborne: The plans for the pension tax raid were, strangely enough, dreamt up in a hotel room. They were dreamt up by the small cabal of the then shadow Chancellor, which included the Economic Secretary, in the penthouse suite of the Grosvenor House hotel, which was taken by the hon. Member for Coventry, North-West (Mr. Robinson), who I see has also brought a copy of his book into the Chamber. He is the Chancellor's former paymaster in more ways than one. It is all there in the hon. Gentleman's memoirs, which are titled "The Unconventional Minister". I guess that unconventional meant that he was bankrolling the Chancellor, and providing Tuscan villas to the Prime Minister and mortgages to Peter Mandelson.

It is clear from the memoirs that right from the start the tax on pensions was never about encouraging retained profits or increased investment, or any of the other excuses that the Chancellor still peddles. The paymaster says in his book:

"We needed the money. It had to come from somewhere. We set a target of increasing revenues by £5 billion per annum...There were not many options. If the target was going to be met, then tax credits had to go."

Of course, they were still in opposition while the plans were being drawn up—

David Taylor (North-West Leicestershire) (Lab/Co-op) *rose—*

Mr. Osborne: Perhaps the hon. Gentleman can tell us whether he knew of the plans before he campaigned in that election.

David Taylor: It is clear from what the hon. Gentleman has said so far that basic GCSE economics was not on the curriculum of the minor public school that he attended. Would he acknowledge the force of the argument by many independent economic observers that the pension fund deficits and the closures of schemes have much more to do with the extended and unjustified holidays from employer contributions and extended life spans than with any of the actions to which he refers?

Mr. Osborne: Let me tell the hon. Gentleman what the right hon. Member for Birkenhead (Mr. Field) said recently. He was the Minister for Pensions at the time and he said:

"When Labour gained power in 1997, Britain's occupational pensions were the envy of the world...Ten years on the scene is one of large-scale desolation."

Mr. Frank Field (Birkenhead) (Lab): Would the shadow Chancellor like to quote what I said about the two body blows to pension schemes? The first was under the Conservative Government when they taxed surpluses on pension funds.

Mr. Osborne: We will wait for the right hon. Gentleman's speech, when he can tell us about the second blow to pensions. I did read his article in which he talked about the changes that Lord Lawson made and the tax on the pension surpluses, but as the right hon. Gentleman says, by 1997, the pension system was in extremely good shape. He has said that on several occasions. While of course he makes the point about Lord Lawson's tax, the fact was that when this Government came in, the occupational pension system was strong and the right hon. Gentleman, as the Minister for Pensions at the time, did not know—as the electorate did not know—that the Government were planning to abolish dividend tax credit.

Mr. Field: There are two points. One is whether the assets looked strong. The second is the crucial factor of the running down of pension surpluses. If the hon. Gentleman were more honest—[HON. MEMBERS: "Oh!"] I am sorry, if he were more accurate, he would admit that his party fatally weakened pensions. That makes the charge that he is trying to make more serious, not less serious.

Mr. Osborne: The right hon. Gentleman has said on several occasions that when Labour came to office, we had one of the strongest pension provisions in Europe. Now we have probably some of the weakest. That was the situation in 1997. The right hon. Member for Birkenhead did not know about the dividend tax changes because, presumably, they were kept secret from him. They have done enormous damage, as I think he understands—[*Interruption.*] It is no good the Chancellor joining in the cheering, as he has not spoken to the right hon. Gentleman for 10 years.

Several hon. Members *rose—*

Mr. Speaker: Order. The hon. Gentleman has indicated that he is not giving way. Also, I appeal to hon. Members not to shout across the Chamber. If they do, they run the risk of being expelled from the Chamber. That is what will happen.

Mr. Osborne: The Government kept their stealth plans secret—from the public, from the rest of the Labour party, and even from the then Leader of the Opposition. Clearly, the Chancellor was starting as he meant to continue. According to the memoirs, the tax plans were locked in a safe in that hotel room throughout the election, while the rest of the Labour party went around the country campaigning on a promise not to increase taxes at all.

John McFall (West Dunbartonshire) (Lab/Co-op): Will the hon. Gentleman give way?

Judy Mallaber (Amber Valley) (Lab): Will the hon. Gentleman give way?

Mr. Osborne: I give way to the Chairman of the Treasury Committee, and then I shall make some progress.

John McFall: Does the hon. Gentleman remember that Norman Lamont, who was Chancellor in 1993, said that dividend tax credits had to go because they distorted the market? On five separate occasions over their 18 years in office, the Conservative Government reduced the level of dividend tax credit. Is he contradicting the policies adopted by that Conservative Government?

Mr. Osborne: I can tell the right hon. Gentleman that Norman Lamont—Lord Lamont—did not abolish dividend tax credits. That is why they were there for the present Chancellor to abolish them in 1997. When Treasury civil servants proposed to my right hon. and learned Friend the Member for Rushcliffe (Mr. Clarke) that he should abolish them, he absolutely rejected the idea, because he knew the damage that would be done to pensions.

Dr. Nick Palmer (Broxtowe) (Lab): Will the hon. Gentleman give way?

Mr. Osborne: No. I shall get on with my speech and take some interventions later.

The Chancellor and the man who is now Economic Secretary dropped their tax bombshell on to the laps of Treasury civil servants the day after the 1997 general election. Their advice was clear, and we know the truth thanks to the two-year campaign undertaken by *The Times*. I congratulate that newspaper on its efforts, which it maintained despite the costs incurred.

The Chancellor should be condemned for his efforts to stop that campaign. Indeed, I hope that he will be able to confirm something that a member of the Government told me privately yesterday—[*Interruption.*] I can tell the House that someone in my job gets quite a lot of advice about the Chancellor from members of the Government.

Yesterday, I was told that the documents were finally released only because the Permanent Secretary to the Treasury refused to go on funding the legal costs involved in blocking their release.[HON. MEMBERS: "Oh!"] As I said, I hear many stories from Labour Members about

the Chancellor. When the right hon. Gentleman responds to the debate, perhaps he will confirm the truth of that story.

In the end, the Chancellor was forced to release the documents. However, he did so very late on the Friday afternoon after the House had begun its Easter recess. The Government have made a habit of burying bad news, but that was one of their shabbiest attempts, and I am pleased to say that it failed spectacularly.

We can now see the Treasury advice, and understand why the Chancellor was so desperate to conceal it from the public. In its submissions to the Chancellor in May and June 1997, the Inland Revenue warned that

"abolishing tax credits would make a big hole in pension scheme finances"

and that

"the change would lead to a reduction in pension benefits for the lower paid"—

the same people whom he had just hit with his Budget. The Revenue also told the Chancellor that

"any loss of pension could be difficult for someone on a small income to cope with",

and it advised him that

"everyone in a money purchase scheme is a potential loser."

Officials at the Inland Revenue ended up by saying that they did not imagine that the Chancellor would want them

"to consult the DSS before Budget Day."

On that note, may I welcome the Secretary of State for Work and Pensions, whose private views about the Chancellor are now so public?

Of course, when Labour Members listened to the Chancellor make his 1997 Budget speech at the Dispatch Box, none of them could have guessed that when he promised to undertake a long-needed reform of company taxation to encourage investment, he meant that he was about to clobber their pensions with a stealth tax worth £5 billion a year.

That first Budget speech established the reputation for stealth and dishonesty that all the right hon. Gentleman's subsequent 10 Budget speeches have lived up to, and none more so than the con trick that he delivered a month ago.

The Chancellor of the Exchequer (Mr. Gordon Brown): This, Mr. Speaker, is what I said in that Budget:

"The second is a structural reform that will also encourage investment.

The present system of tax credits encourages companies to pay out dividends rather than reinvest their profits. This cannot be the best way of encouraging investment for the long term, as was acknowledged by the previous Government. Many pension funds are in substantial surplus and at present many companies are enjoying pension holidays, so this is the right time to undertake a long-needed reform. ... so with immediate effect, I proposed to abolish tax credits paid to pension funds".

Now, will the hon. Gentleman withdraw the accusation that the House of Commons was not told in 1997? The House of Commons was told not only what we were doing but why we were doing it and why, incidentally, the previous Government had cut the tax credit five times.

Mr. Osborne: The Chancellor never told the House of Commons that he was hitting people with a £5 billion tax raid on the pensions. Not once did he say that.

Of course, my right hon. Friend the Member for Richmond, Yorks (Mr. Hague), the then Leader of the Opposition, did say that abolishing dividend tax credits would mean that

"pensions will be smaller and pensioners will be worse off."—[*Official Report*, 2 July 1997; Vol. 297, c. 306-321.]

That is of course exactly what has happened. The figures speak for themselves; 60,000 occupational pension schemes have been wound up or, as the right hon. Member for Birkenhead said in the article:

"five sixths of the final salary schemes that have closed have done so since 2000; in other words, they have closed on our watch".

Only a third of the remaining final salary schemes are open to new members, and 125,000 people have lost all or most of their pension altogether. I give way to anyone who will vote for that amendment tomorrow.

Judy Mallaber: Did Lord Lamont's special adviser, the right hon. Member for Witney (Mr. Cameron), agree with Lord Lamont when he cut dividend tax credit in 1993 that it distorted the commercial decisions of British companies? Did his special adviser accept and agree with that, or not?

Mr. Osborne: May I give some advice to the hon. Lady? Reading out the planted questions of the Labour Whips Office will not give her that preferment that she has been seeking under the current Prime Minister or indeed under the next one.

Mr. Andrew Robathan (Blaby) (Con): When my hon. Friend referred to the 125,000 people who have lost their occupational pensions, is he aware of the extraordinary and disgraceful rumour that, when confronted with the victims of the pension raid, the Chancellor said, "These are not our people." Will my hon. Friend comment on that extraordinary remark?

Mr. Osborne: It would not surprise me, because those people work hard and save hard, and they want to be independent of the state, so they are not really the Chancellor's sort of people at all.

Mr. Henry Bellingham (North-West Norfolk) (Con): Will my hon. Friend give way?

Mr. Osborne: I will give way. I know that my hon. Friend takes a particular interest in this subject.

Mr. Bellingham: I am grateful to my hon. Friend the shadow Chancellor for giving way. Is he aware that I represent a large number of former Albert Fisher employees, who have lost the vast majority of their occupational pensions? The compensation currently on offer under the financial assistance scheme is inadequate. Does my hon. Friend understand their resentment and anger about what is going on?

Mr. Osborne: I absolutely understand their anger. I will come on to talk in some detail about what we can all do tomorrow to help those people.

The Chancellor denies all the damage that has been done.

Tom Levitt (High Peak) (Lab): Will the hon. Gentleman give way?

Mr. Osborne: I will give way to the hon. Gentleman because I know that he has some of these cases in his constituency, and it is a seat that we hope to take at the next election. Perhaps he can tell us how he will be voting.

Tom Levitt: If the hon. Gentleman is referring to the Turner and Newall case, it has absolutely nothing to do with this issue; it is to do with the administration of the American parent company, nothing else. The hon. Gentleman has been speaking for 20 minutes and has not yet mentioned changes in interest rates, changes in the stock market, the pension contribution holidays that were taken or increased life expectancy. Is he seriously implying that none of those issues has had any effect on pensions and that it is all down to dividend tax credits? No one believes that.

Mr. Osborne: Of course the stock market crash and rising life expectancy have had an impact, but I am debating what the Chancellor of the Exchequer is responsible for—the pensions tax.

Mr. Russell Brown (Dumfries and Galloway) (Lab): Will the hon. Gentleman give way?

Mr. Osborne: Let me make a little progress in my speech. I shall be happy to take lots of interventions because I want the Chancellor to take lots when he speaks, which is not his habit.

The Chancellor has denied all the damage that has been done. The day after that Budget he said:

"Pensioners...will not lose out over this."

Ten years on, he is still peddling that ridiculous line. Tell it to the single parent, working part-time, contributing about £100 a month, who has to increase her annual contributions by £850 to make up the damage caused by the Chancellor's decision, or the young professional—*[Interruption.]* I know Labour Members do not like to hear about those people. Perhaps they are not Labour people any more. A young professional who started her pension plan four years ago and contributes £400 a month will have to work 21 months longer, or increase her contributions by almost £1,000 a year, thanks to the Chancellor.

Rather than acknowledging responsibility, all we have heard from the Chancellor and his cronies is an increasingly desperate string of excuses. They were trotted out by the Economic Secretary on the "Today" programme a fortnight ago. It was a vintage performance. I know that the Chancellor is thinking about who might take his job when he moves next door, as he hopes. The Leader of the House of Commons has his hopes, as does the Secretary of State for Trade and Industry, but I think I speak on behalf of the whole Conservative party when I ask: please may we have the Economic Secretary? We think he is a real vote winner.

In the "Today" programme interview—the hon. Gentleman's first big test as a Minister—he made a number of extraordinary claims. The first was that the pension funds had been long-term gainers from the new pensions tax.

The Economic Secretary to the Treasury (Ed Balls) *indicated dissent.*

Mr. Osborne: The hon. Gentleman nods to repeat that claim. Indeed, the Chancellor repeated the claim a week later. Taking £100 billion from pension funds and telling them they were gainers has to take the prize for the most unbelievable political statement of the year. Richard Lambert does not believe it; the Economic Secretary should listen to him because he gave the hon. Gentleman his first job. Richard Lambert said that the tax raid made

"a significant contribution to the weakening of the country's occupational pensions platform."

The hon. Gentleman should listen to the Prime Minister's former pension adviser. She said:

"The Chancellor will go down in history as the one who destroyed our pensions system."

The president of the National Association of Pension Funds said:

"This was the biggest attack on pensions in living memory. Even Robert Maxwell only took £450 million."

What is it with Labour MPs and pensions?

Mr. Graham Stuart (Beverley and Holderness) (Con): Is my hon. Friend aware that the Institute of Actuaries said that £150 billion may yet be a conservative estimate of the cost to the funds? Will he press the Chancellor to tell us today how much the tax has cost pension funds? Have the Government made estimates and what are they?

Mr. Osborne: I agree with my hon. Friend. When the Chancellor speaks, he would do well to tell us what the Treasury's estimate is of the damage done to British pensions by the money taken out of pension funds, but perhaps we shall have to wait a couple of years for the next freedom of information request.

Mr. Adrian Bailey (West Bromwich, West) (Lab/Co-op): Will the hon. Gentleman give way?

Mr. Osborne: I want to carry on talking about the comments made by the Economic Secretary on the radio. He said, "Don't blame us. It was all the idea of the CBI. They were demanding that we abolish dividend tax credit."

Ed Balls *indicated dissent.*

Mr. Osborne: It is no good the hon. Gentleman shaking his head—that is what he said. How did the CBI respond to his claim? The then director general, Adair Turner, went on the radio to say that it was "completely untrue" and that

"at no time whatsoever did the CBI support the policy...when the change was introduced...I wrote to the Chancellor expressing our disagreement."

If the hon. Gentleman disagrees with that comment, perhaps he would like to intervene. [HON. MEMBERS: "Come on."] It is the hon. Gentleman's big moment in front of the Chancellor—he might get the job he is looking for.

Of course, it is not just the Economic Secretary who has made that claim. The Chancellor himself made it at the CBI conference in 2004. In answer to a question from the audience, he said that the case for abolishing dividend tax credits

"was made originally by the CBI"—

a claim that we now know from Lord Turner is completely untrue. Since the Chancellor has discovered the art of the intervention, perhaps he will intervene now to disagree with me. No, he does not want to.

The third claim of the Chancellor is that the tax change was done to encourage long-term investment in the economy. He may well say that in his speech today, but the fact is that documents released by the Treasury show that the Chancellor had known all along that that was not the case. The advice he received from the Inland Revenue on 22 May that year clearly says that

"the view of the economists is that overall the reform will be broadly neutral in terms of the amount of investment."

Today we learn for the first time that one of the Chancellor's own Ministers was warning at the time of the damage that would be done by his tax.

Mr. Balley *rose—*

Mr. Osborne: I shall give way, as I wonder what the hon. Gentleman believes has been the impact on investment.

Mr. Balley: Will the hon. Gentleman explain why, if the abolition of the tax credit was so devastating to pension funds, those funds' assets rose by more than £150 billion in the three years after that?

Mr. Osborne: I have just read quotes from the CBI and the National Association of Pension Funds that show that there has been a devastating blow to pension funds and that more than £100 billion has been taken out of pensions. That is the case and people's retirements have been raided. That was, indeed, predicted.

Several hon. Members *rose—*

Mr. Osborne: I want to make some progress.

That was predicted by David Simon, the chairman of BP, who wrote that abolishing dividend tax credits would

"reduce funds available for reinvestment"

and

"significantly jaundice... the attitudes of investors in UK projects".

If officials were saying that there would be no overall effect on investment and Ministers were warning of a negative impact, why were the public told that investment would go up? Why? *[Interruption.]* The Economic Secretary is peddling another claim that is simply not the case. Business investment as a proportion of GDP has been at a record low.

Now, Mr. Speaker, we hear a lot of excuses from the Chancellor about his pensions tax. What we never hear is any expression of sympathy for the millions who have had their retirement funds raided. *[Interruption.]* Off go the boot boys. As I say, we never hear any expression of sympathy. In Budget after Budget, we hear nothing from the Chancellor about what we can do to restore confidence in pensions and nothing about how to help those who do the right thing.

Unlike the Chancellor, we are listening to the pensions industry and we are working with British businesses on the tax and regulatory changes that are needed. However, there is something that we can do right now for the 125,000 people who have lost some or all of their pensions because their company went bust. I imagine that every MP has met some of those people in their constituency surgeries: their stories are heartbreaking, their dreams shattered with a lifetime of hard work and saving lost—and all through no fault of their own.

We know that some of the fault lies with the Government. The parliamentary ombudsman made that clear in talking about "maladministration". The Labour chair of the Public Administration Committee agrees with that verdict. He says that the Government should stop quibbling over this and act to find an acceptable solution for the thousands affected. That is the opinion of the chair of the Public Administration Committee and I agree with him. I believe that all of us, Government and Opposition alike, have a duty to help those people.

So far, frankly, the help has been inadequate. The Government's financial assistance scheme has cost £9 million to administer, but has paid out just £3 million to date. Even by this Chancellor's standards, that is pretty poor value for money. We need a new approach, an approach that meets our moral obligations to those victims—*[Interruption.]* Yes, the moral obligation that we all owe to those people. It is an approach that we need to adopt without placing a long-term additional burden on the public exchequer.

My hon. Friend the shadow pensions Minister has, along with Government Members, tabled amendments to the Pensions Bill, which reports to the House tomorrow. The effect of those amendments would be to create a lifeboat fund for the 125,000 people under the management of the Pension Protection Fund. The lifeboat fund would start making payments immediately to top up pensions to PPF levels—90 per cent. of the total expected pension package. It would include the 6,000 people whose employers remain solvent, but whose pension scheme has gone bust. I agree with the hon. Member for Cardiff, North (Julie Morgan), who may be in the Chamber, although I cannot see her, that it is unjust to leave those unfortunate people facing financial ruin.

How much would all this cost? According to the e-mail that the Secretary of State for Work and Pensions sent to the parliamentary Labour party and which we have a copy of, the net present value cost is £600 million. The annual cash requirement begins at around £30 million, rises to a peak of perhaps three times that in 20 years' time and then falls to zero. To get the money flowing now, the Treasury should make a loan to the lifeboat fund. That is the precedent of what the Government did with Robert Maxwell. The Treasury should then recover the money, on behalf of the fund, from the hundreds of millions of pounds of unclaimed pension assets that the industry itself confirms exist.

The amendments tomorrow command cross-party support and we will discover today whether they have the support of the Chancellor of the Exchequer. Perhaps he can tell us now. It is time for him to start making amends for the damage that he has done. The Chancellor has made many mistakes in his long time at the Treasury—mistakes that are now coming home to roost. But surely the Chancellor's biggest mistake was his first: his £100 billion raid on the nation's pensions. Why did he do it? As one of my hon. Friends says, we are told that the millions who work hard and save hard for their pension are not his kind of people. In his eyes, their greatest sin is that they want to be independent of the state. In our eyes, that is one of their greatest virtues.

[Mr. George Osborne]

For 10 years, the Chancellor has twisted and turned and done everything possible to duck his responsibility and conceal the truth, but the great British pension theft was his crime. The Chancellor has raided the retirement hopes of millions and wrought desolation on the British pension system. We have no confidence in his management of pensions. We have no confidence that he has the answers for the future. Now it is time for him to stand up, face the music, and tell us all that he is sorry.

4.17 pm

The Chancellor of the Exchequer (Mr. Gordon Brown): I beg to move, to leave out from 'House' to the end of the Question, and to add instead thereof:

'notes and welcomes the acts of this Chancellor and Government to tackle the legacy of pensions mis-selling, support occupational pensions through a Pension Protection Fund set up for the first time and anew Pensions Regulator, further support 125,000 people through the Financial Assistance Scheme whose occupational pensions were affected by employer insolvency, set out the long-term framework for pensions through the new Pensions Bill, including re-linking the uprating of the basic State Pension to average earnings, introduce a new scheme of low cost personal accounts and stakeholder pensions of which over three million have been created, remove the dividend tax credit, make reductions in corporation tax which have contributed to the 50 per cent. rise in business investment and helped the UK economy to grow in each of the last 39 quarters and introduce the winter fuel allowance, free television licences and the Pension Credit to provide an additional framework of support for today's pensioners'.

I relish this debate. I will answer every question put to me. But as this is a debate about occupational pensions, why did the shadow Chancellor not mention first of all that we are the first Government in history to ensure protection for pensioners when their company goes bust? That was not done by the Conservatives; it was done by Labour—not sympathy, but action. Why did not the shadow Chancellor start by also recognising that, retrospectively, we are helping those employees whose companies have gone bust? That is the means by which we are helping the 125,000 who suffered not because of a dividend tax credit, but because their company went bust. We are also—the shadow Chancellor does not recognise this—the first Government to address seriously the mis-selling of pensions that we inherited from the Conservatives. When we took office in 1997, 2 per cent. of the mis-selling had been dealt with. Within two years, the figure was 98 per cent. That was not done by the Conservatives; it was action by a Labour Government.

Mr. Graham Stuart *rose—*

Mr. Brown: Will the shadow Chancellor not also acknowledge that we are the first Government to create an auto-enrolment pension scheme that will mean that all—*[Interruption.]* I will give way to all the hon. Members who want to intervene once I have set out my argument and shown that the shadow Chancellor has made a series of mistakes.

We are the first Government to create an auto-enrolment pension scheme that will mean that all taxpayers have a pension from work. That was never done by the Conservatives; it has been implemented by Labour. We are the first Government to make it a priority to tackle pensioner poverty. That is why we have introduced the pension credit, the winter allowance, and the free TV licence for the over-75s—opposed by the Conservative party in the 2001 election. We will be the first Government in 30 years to restore the link between pensions and earnings when we introduce our long-term changes as a result of the Pensions Bill.

Despite what the shadow Chancellor has been saying throughout the debate, what actually happened to the pension assets from 1996 to the present day is that the assets of pension funds in 1996 were—

Mr. Graham Stuart: Will the Chancellor give way?

Mr. Brown: I will give way in a minute, but I think that the shadow Chancellor should have an education before I do so.

In 1996, the assets of pension funds were £549 billion. By 1999, they were £820 billion. By 2006, even after the stock market crash, the assets of pension funds were more than a trillion pounds. In other words, the assets of pension funds have doubled during the period of this Labour Government.

Mr. John Redwood (Wokingham) (Con) *rose—*

Mr. Brown: I will let people in when I have finished putting these factual points.

Let me also tell the shadow Chancellor that in 1996, the total income of pension funds was £34.4 billion. By 1999, it was £39.6 billion. By 2006, the figure was twice as much as it was in 1996: £71.3 billion.

Several hon. Members *rose—*

Mr. Brown: I will give way in a minute.

If anyone expects the Conservative party to be more helpful to pensioners than we have been, let me read what the shadow Chancellor said at a meeting organised by *The Independent* at the Conservative party conference:

"There are lots of Conservatives who come up to me and say we've really got to put more money into the pensions ... the test of whether we are ready for government is whether we can resist those additional"

calls for public expenditure.

Several hon. Members *rose—*

Mr. Brown: I will give way in one second.

The strength of our argument is not just the points that I have made. It is based on the rock of the economy and making the right long-term decisions for the country. It is on the rock of the economy that occupational pensions and any other services in our country depend. I tell the House that I do not apologise for the three long-term decisions that I took in 1997 in the interest of stability and growth in this country: first, to make the Bank of England independent, which was opposed by the Conservatives; secondly, to build a fiscal framework for this country that allowed us to double public investment, which was opposed by the Conservatives; and, thirdly, to remove the bias against long-term investment in our economy. That bias was recognised by the previous Chancellor, and, to achieve that, we cut corporation tax by 2p in the pound.

If the shadow Chancellor wants to cut corporation tax by 2p in the pound, as we did in 1997, why cannot he tell us how he could fund that other than by withdrawing the dividend tax credit? Why does he continue to tell us that he wants more investment in the economy while refusing to back the measures that increased investment in the economy? Why does he tell us that he opposes in principle the withdrawal of the

dividend tax credit when his own Government said that it was a bias against investment in 1992 and when he cannot tell us that he would restore it if ever he came to power? Why does he not admit that the Leader of the Opposition was the adviser to Lord Lamont on the fifth occasion on which the dividend tax credit was cut?

Adam Afriyie (Windsor) (Con): Will the right hon. Gentleman give way?

Hon. Members: No!

Mr. Brown: I am just about to give way.

The shadow Chancellor says that he wants long-term answers to the problems of the economy, but every position that he takes—refusing to replace the dividend tax credit with something else and refusing to tell us how he would fund corporation tax cuts—shows that he has learned nothing from two years as shadow Chancellor. His approach is short-termist, opportunistic and insubstantial. We take the long-term decisions for the economy; he has a short-termist approach.

When the hon. Gentleman became shadow Chancellor, he said that far too often the Conservative party had been perceived as opportunist. He said:

"we have sacrificed long term credibility for the prospect of winning the support of an aggrieved section of the population or ... winning a vote"

in Parliament. He continued:

"Short termism has hampered attempts to develop a long term ... policy."

That is exactly where the Conservative party is today.

Mr. Graham Stuart: I am extremely grateful to the Chancellor for giving way. As ever, he prefers to talk about the policies of the Opposition, rather than the results of his own policies. Will he give an answer today, and say what estimate he and the Treasury make of the impact on pension funds of the pension tax raid that he authorised in his first Budget in 1997? Give us a straight answer!

Mr. Brown: The hon. Gentleman clearly has not read the papers in any depth. What the Treasury said was that actuaries would assume that there would be a 7 to 20 per cent. fall in the share price immediately after the announcement, but in fact the share price rose. It rose by 0.5 per cent., then it rose by 12 per cent. over the quarter, and then it rose by 27 per cent. over the year. That is why the assets of pension funds, which is the big issue, rose from £549 billion in 1996 to £820 billion by 1999.

Several hon. Members *rose—*

Mr. Brown: I will deal with other interventions later, but perhaps the hon. Member for Beverley and Holderness (Mr. Stuart) will tell me something: he is a member of the Cornerstone group—

Mr. Stuart *indicated dissent.*

Mr. Brown: Is he not? *[Interruption.]* Oh, he is. Is he apologising? The Cornerstone group proposes £40 billion of tax cuts, but not one of them is to restore the dividend tax credit.

Mr. Redwood: I am grateful to the Chancellor for giving way. Does he agree that if we took a fifth of his income away, he would be worse off? Why can he not accept that when he took a fifth of the dividend income away, pension funds were bound to be worse off?

Mr. Brown: I used at least to have some respect for the right hon. Gentleman's grasp of basic economics, but what actually happened was this: in 1993, the current Leader of the Opposition advised Lord Lamont to remove part of the dividend tax credit, but the Conservatives did not replace it with a cut in corporation tax. There was no cut in corporation tax. When we made our change, we cut corporation tax by 2p. What happens when corporation tax is cut by 2p? First of all, companies are more profitable. Secondly, they can pay more in employer contributions to pension funds. Their dividends rise and they are able to pay more dividends to pension funds. I have to tell the right hon. Member for Wokingham (Mr. Redwood) that all his assumptions are wrong, because what actually happened after the corporation tax changes was that companies paid more in employer contributions, dividends rose, payments to pension funds rose from £34 billion to £39 billion, and the assets rose from £549 billion to £820 billion.

The Leader of the Opposition puts forward all his proposals for tax cuts, but is it his priority to restore the dividend tax credit or not? It does not seem to be his priority, it is not the shadow Chancellor's priority, and it does not seem to be the priority of anybody on the Conservative Benches.

Mr. Kenneth Clarke (Rushcliffe) (Con) *rose—*

Hon. Members: Oh!

Mr. Clarke: The Chancellor is carefully eliding and shuffling a few dates and events, so may I help him with his recollections? When he was shadowing me as Chancellor, neither of us realised that both of us were looking at the same proposition of a reduction on the tax dividend credit on pensions. In the Treasury, I discussed that proposition with my right hon. Friend the Member for Charnwood (Mr. Dorrell), who was then the Chief Secretary to the Treasury, and in the Grosvenor House hotel, the Chancellor discussed it with the current Economic Secretary to the Treasury and the hon. Member for Coventry, North-West (Mr. Robinson). We rejected the idea because we were satisfied that it would do damage to occupational pension funds. The Chancellor decided that it would not damage them, and he is still using the preposterous argument that it was responsible for the stock market boom that followed, but I seem to recall that the boom had something to do with the dot.com bubble in the United States. Is he still saying that the Grosvenor House mob came to the right conclusion, and that we came to the wrong one?

Mr. Brown: First of all, the ex-Chancellor supported, during the period in which his party was in government, the reduction of the dividend tax credit from 33p to 30p, then from 30p to 27p, then from 27p to 25p, and then from 25p to 20p. It was virtually halved in the period in which the Conservatives were in government, and it was halved on the advice of the Leader of the Opposition; he advised Lord Lamont to go ahead with the move. As far as the ex-Chancellor is concerned, the problem is that in 1997 and 1998, he thought that there would be a recession in Britain, so it was not the right time to deprive companies of those resources, but I took the view that the economy would continue to grow. I was proven right: instead of a 7 or 20 per cent. cut in share prices, shares continued to rise, profits continued to rise and investment continued to rise. The ex-Chancellor said:

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"I've been forecasting a hard bump and not a soft landing for the British economy since Brown handed the job of setting rates to a committee of bankers...He is going to bust our economy" without any risk of growth. That is what he said, but he was absolutely wrong.

Mr. Stephen Dorrell (Charnwood) (Con) *rose—*

Mr. Brown: I will take not only the ex-Chancellor but the person who was the Chief Secretary at the time.

Mr. Dorrell: I am grateful to the Chancellor, but I was actually the Financial Secretary. Can we be clear about one thing? Since the Chancellor came to power in 1997, the number of private sector final salary pension schemes accepting new members has been cut by two thirds. Is that a successful policy, an unsuccessful policy or nothing to do with him?

Mr. Brown: It is absolutely right that there has been a cut in those schemes in every major country in the world, but I have to tell the right hon. Gentleman that I have the figures with me, and the cut in defined benefit schemes between 1995 and 2000 was 2 per cent. Between 1990 and 1995, there was a cut of 5 per cent. under his Government. I remind him that when he spoke in 1993 on the Finance Bill, he supported the withdrawal of the divided tax credit to 20 per cent. He said the Tories were doing it

"in a way that does minimum economic damage, recognising the substantial tax benefits available to pension funds as collective savings vehicles."—[*Official Report, Standing Committee A*, 15 June 1993; c. 377.]

He makes my case.

Several hon. Members *rose—*

Mr. Brown: Who is next?

Pete Wishart (Perth and North Perthshire) (SNP): I am grateful to the Chancellor for giving way, but is it not the case—*[Interruption.]*

Mr. Speaker: Order. Let the hon. Gentleman speak.

Pete Wishart: Thank you, Mr. Speaker. Is it not the case that the pension fund raid will cost the average Scottish family £3,750 at a time when one in five Scottish pensioners live in poverty? When the Chancellor came to Scotland, he said that he regretted nothing and that he would do it all again. Should he not apologise to the Scottish people, and does he not understand that this is the final nail in Labour's coffin in Scotland?

Mr. Brown: I have just explained to the House that we put £11.5 billion into pensions from 1997 until now in real terms. We have done more to abolish pensioner poverty than was ever done by the Opposition. We introduced a winter fuel allowance and free television licences, which were opposed by the Opposition. We introduced the pension credit, and the only plans that do not add up are those of the Scottish National party, which assumes billions in oil revenues that do not exist, which promised to spend money that it does not have, and none of whose figures add up. The hon. Gentleman should go back to Scotland and explain why his policies and plans are economically illiterate and cannot make a difference to the people of Scotland.

Mr. Edward Garnier (Harborough) (Con) *rose—*

Mr. Brown: The Conservatives were complaining that I was not taking enough interventions, but I will give way to the hon. and learned Gentleman.

Mr. Garnier: I am very grateful to the Chancellor. In my constituency and throughout Leicestershire, there are thousands of former British United Shoe Machinery pensioners who, instead of living in retirement on their occupational pensions, have a vastly reduced income and just about survive on benefits. Does the Chancellor claim that as one of his great policy successes?

Mr. Brown: First, we have just announced—and we are the first Government ever to do so—a financial assistance scheme worth £8 billion to the 125,000 pensioners who are in difficulty. I hope that the hon. and learned Gentleman supports that. My right hon. Friend the Secretary of State for Work and Pensions will be able to say, later in the debate that, as part of the £8 billion announcement, we are reviewing the assets of all the funds—we announced that weeks ago—to see if more money can be found. Far from the shadow Chancellor announcing anything new today, he is reheating an announcement made by the Pensions Secretary weeks ago. If the hon. and learned Gentleman is worried about the condition of his pensioners in the meantime, perhaps he should now support the pension credit, the winter allowance, free television licences and the minimum pension guarantee, because I have not heard many Conservative party members or Conservative MPs who are anxious to come out and support those things.

Several hon. Members *rose—*

Mr. Brown: I see that five hon. Members are standing.

Mr. Philip Dunne (Ludlow) (Con): With reference to the £8 billion that the Chancellor has just mentioned, will he acknowledge to the House that that is payable over 60 years and that its net present value is less than £2 billion?

Mr. Brown: We have just raised the figure from £2 billion to £8 billion. We have made it possible for every one of the 125,000 people who have lost out to benefit. Is the hon. Gentleman repeating what the shadow Chancellor has said, that there will be no extra funds for pensions, or is he demanding that the shadow Chancellor produce extra funds for pensions? Perhaps Opposition Front Benchers—in particular, the shadow pensions spokesman—will clarify in the course of this afternoon whether they are offering new money or whether they are sticking to the shadow Chancellor's pledge that there will be no new money at all.

Greg Clark (Tunbridge Wells) (Con): Will the Chancellor confirm that his raid has been not only on pension funds, but on Britain's charities? And will he confirm that Britain's charities have lost £1.3 billion to date as a result of that policy?

Mr. Brown: That is not true. *[Interruption.]* The shadow Chancellor thinks that the matter is so important that he did not even mention it in his speech. *[Interruption.]* The dividend tax credit was indeed paid to charities, but we gave them compensation for five years afterwards, and at the same time we introduced a major reform of charities. Gift aid was worth £135 million when we

came in; it is now worth £750 million. I have not seen the Conservatives supporting what we have done in that area, either.

Mr. Peter Lilley (Hitchin and Harpenden) (Con): If it was damaging to charities and the Chancellor had to compensate them, why does he not admit that it was damaging to pension funds and issue compensation?

Mr. Brown: The right hon. Gentleman had better be careful in joining this debate. He was the author of plans on pensions that virtually lost his party the 1997 election. I have just explained to him that companies paying into pension funds are paying employers' contributions, which rose by £2 billion between 1996 and 1999. It was wrong that so many companies were taking employer holidays, and it was also wrong that the share of wages paid in pension contributions was only between 1 and 2 per cent. Those companies had unfortunately been encouraged to take those holidays by the taxation regime operated by Lord Lawson, which was why those pension funds were not receiving employer contributions as they should have done. Once we made the change, employer contributions started to rise. They have now risen to £33 billion a year, and I hope that the right hon. Gentleman will acknowledge that employers are now paying a fairer contribution to the pensions of their workers. In my 1997 Budget—this is why the shadow Chancellor was completely wrong when he tried to suggest that this was not in the 1999 Budget—I said that employers had been taking holidays for too long and that it was time for them to restore contributions.

Most sensible people who look at what happened will find that because we cut corporation tax, employers were able to pay more contributions, which rose by £2 billion in that period. At the same time, of course, there were higher dividends, so the effect of the dividend tax credit was wiped out. The whole argument put by the shadow Chancellor this afternoon was dependent on a 7 to 20 per cent. fall in the stock exchange, which was the worst scenario drawn up by Treasury officials. We decided that that would not happen and took the view that the economy would not experience that share cut. We were right and share prices rose by 12 per cent. in the quarter and by 27 per cent. It is about time the Opposition, who pride themselves on having some knowledge of economics, understood that because we acted on corporation tax, which they failed to do, we were able to recycle revenues to both pension funds and higher dividends, which meant that the assets and incomes of pension funds rose between 1996 and 1999.

Several hon. Members *rose—*

Mr. Brown: I am prepared to take contributions from Back Benchers who have not spoken.

Mr. Michael Fallon (Sevenoaks) (Con): If the Chancellor really believes that employers have been happy to make increased contributions to these schemes, why have so many been closed to new entrants?

Mr. Brown: As I just said, the bigger fall in defined benefit schemes was between 1990 and 1995, when there was a 5 per cent. fall; there was only a 2 per cent. fall between 1995 and 2000. I have to accept that around the world, particularly in America, defined benefit schemes were running into trouble—*[Interruption.]*

Mr. Speaker: Order. Allow the Chancellor to speak.

Mr. Brown: The hon. Member for Sevenoaks (Mr. Fallon), who sits on the Treasury Committee—I am very grateful to him for praising my economic record a few weeks ago, which would not have gone down well with the shadow Chancellor—is a member of the No Turning Back group, which is recommending—*[Interruption.]* This is absolutely relevant to the debate. Members of the No Turning Back group want tax cuts. Unfortunately, they have made all these representations for tax cuts, yet not one of them is about restoring the dividend tax credit—that is how strongly they feel about it.

Several hon. Members *rose—*

Mr. Brown: Now, shall I take a member of the Cornerstone group or the No Turning Back group? It is difficult; I will take the tall one.

Andrew Selous (South-West Bedfordshire) (Con): It has been estimated that council tax payers are paying an extra £175 a year in council tax because local authority pension funds have had so significantly to increase their contributions because of the pension tax raid. What does the Chancellor say about that? *[Interruption.]*

Mr. Speaker: Order. Before the Chancellor answers, let me say this to Mr. Bryant: it is the last time I will hear you shouting in this Chamber.

Mr. Brown: I do not accept what the hon. Member for South-West Bedfordshire (Andrew Selous) says. He is a member of the Cornerstone group, which wants a flat tax based on a single rate of 22 per cent., a personal allowance of £10,000, an overall tax cut—

Andrew Selous: I am not a member of the Cornerstone group.

Mr. Brown: Perhaps the hon. Gentleman will tell us if he wants the dividend tax credit restored.

Mr. Graham Stuart: On a point of order, Mr. Speaker. The Chancellor does not seem to worry about getting his facts right.

Mr. Brown: Perhaps the hon. Member for South-West Bedfordshire will tell us if he wants the dividend tax credit restored.

Andrew Selous: I am happy to tell the Chancellor that I shall be voting for our amendment tomorrow to help these 125,000 people, and my hon. Friend the shadow Chancellor will be making further plans public over the coming year.

Mr. Brown: But the shadow Chancellor has said that he is not going to restore the dividend tax credit—he is not denying that. The hon. Gentleman cannot talk about what we are doing tomorrow night, when voting on those people who lost their pensions because their employers went bust, which has nothing to do with the dividend tax credit but which is an important issue that we must deal with. He wants to deal with council workers and council tax. Unfortunately his shadow Chancellor will not support him, but says that he is not going to restore the dividend tax credit. The Leader of the Opposition started it in 1992 by cutting the dividend tax credit, and the shadow Chancellor is not going to rescind its abolition. Why are the Conservatives promising tax cuts in every single area, or trying to do so, yet not one of them seems to want to restore the dividend tax credit? Is not that an example of short-termism, opportunism and completely

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unsubstantial policy? The hon. Member for Tatton (Mr. Osborne) has learned nothing in two years as shadow Chancellor.

Miss Julie Kirkbride (Bromsgrove) (Con): If the Chancellor feels so confident of his argument, why did he try so hard to have his Treasury officials block the advice that he was given at the time? Will he now answer whether the permanent secretary blocked further litigation because of the cost?

Mr. Brown: First, we introduced the Freedom of Information Act 2000. Secondly, I support it. Thirdly, I support the release of the papers. The debate has shown how the Act can give information, which people can dissect and then find Opposition policy completely wanting. Perhaps it is time to release the papers relating to the 1993 decisions. Doubtless, the shadow Chancellor has applied for that to happen.

Several hon. Members *rose—*

Mr. Brown: I shall take one more intervention.

Mr. John Baron (Billericay) (Con): Earlier, the Chancellor mentioned pension credit. Is he proud of the fact that it is so confusing and complicated that the latest estimate suggests that 1.5 million pensioners throughout the country do not claim it, despite its being due to them? Half of them live in poverty. Is that a record of which to be proud? If not, what will he do to put it right?

Mr. Brown: Nearly 3 million pensioners who receive pension credit never received anything from a Conservative Government. If the hon. Gentleman wishes to support pension credit and get it to pensioners in his constituency who do not have it, we will help him to do so. However, it is about time Conservative Members stood up and said that they supported the winter fuel allowance, the free television licences, the pension credit and what we have done on pensions—the £11.5 billion.

In 1997, we made three major changes in the economy. The third was to remove the bias against investment—exactly the proposal that underlined the change that Lord Lamont made in 1992, and the five other changes in dividend tax credit that have taken place. The result of our change was not that the share price fell—it rose. All the figures that the shadow Chancellor gave today are wrong. Investment in the economy rose as a result of the measure. The shadow Chancellor asked about investment earlier: it rose by 10 per cent. in 1997, 20 per cent. in 1998 and is now £40 billion more than it was in 1997—a sign that the economy is working well. Corporate profits also rose as a result of all the changes that we made. We have had—uniquely under any Government—39 quarters of economic growth unbroken by recession.

Pension assets rose from 1996 to 1999—they did not fall. Pension income rose, not fell, from 1996 to 1999. Pension dividends rose between 1996 and 1999—they did not fall. We made the right decision for the British economy—the right decision for investment, the long-term stability and growth of the British economy and British industry. It is clear today that the Opposition have no alternative to our policy. They would not rescind the dividend tax credit. All they talk about is short-term opportunism—it is insubstantial. Their policies do not add up and they have been exposed in every part of the debate.

4.47 pm

Dr. Vincent Cable (Twickenham) (LD): My colleagues and I intend to vote in favour of the motion. We opposed the abolition of dividend tax credits 10 years ago—I personally spoke against it. We believe that the Government made a mistake and that they should acknowledge it. However, the hon. Member for Tatton (Mr. Osborne) helped neither his case nor his credibility by turning the debate into a Punch and Judy show, for two main reasons.

First, undoubtedly damage was done to money purchase schemes and final salary schemes. However, most of the serious analysis that has been conducted in the City suggests that, though it was a factor, it was not one of the three leading factors that contributed to the demise of final salary schemes, according to Stephen Yeo of Watson Wyatt, who was one of the leading analysts. Abolition was, therefore, a factor, but there is no point in exaggerating it.

Secondly, as the debate has already shown, the record of the Conservatives in office was not terribly credible. There were acts of omission—the failure to take action on pensions mis-selling—and acts of commission, notably taking action against the so-called over-funding of schemes in the mid-1980s, which the right hon. Member for Birkenhead (Mr. Field) highlighted, and nibbling away at, if not outrightly abolishing, the dividend tax credit through a succession of measures.

Mr. Graham Stuart: Does the hon. Gentleman accept that, under the last Conservative Government, occupational pensions were transformed in their scope through an almost tenfold increase in their funds? That was an outstanding achievement. Is it really necessary for the hon. Gentleman, only about 10 seconds into his speech, to show that the Liberal Democrats are heading for a coalition with Brown, if they can get away with it, and that they are here to support him? Anyone who votes Liberal is going to get Brown, and get Labour.

Dr. Cable: That last comment was really quite pathetic. I started by saying that we intended to vote in support of the Conservative motion tonight, but I am trying to present my argument in a reasonably balanced way—something that I do not think that the hon. Gentleman could begin to understand.

I will make no further reference to the speech by the hon. Member for Tatton. He was not here in 1997, and I think that he has become a bit preoccupied by a cult of secrecy and the exposure of information. I remember the debate at the time; it was very open. All these arguments were put forward, and criticism of the removal of dividend tax credit was made by the Conservatives and by us. There was no great secrecy about it. The arguments were fully debated at the time.

I took the view then—as I do now—that the move was a mistake, for several reasons. The first was a political reason, and not the reason that the hon. Gentleman gave. The Government judged that they needed to raise taxes in 1997 because of what they believed was an excessive level of public debt in relation to gross domestic product. Our view was that if they needed to raise taxes in 1997, they should have done so openly. We argued for

direct taxation as an open and transparent way of achieving that, but the Chancellor decided to do it in a more roundabout way, and it has come back to haunt him. That was a political mistake. I am not quite sure what the hon. Member for Tatton was arguing should have happened. Was he suggesting that there should have been an increase in taxation, but of a different kind? Or was he arguing that the severe constraints on public spending that were built in by the right hon. and learned Member for Rushcliffe (Mr. Clarke) should have been made even more severe? What was the counter-factual case that he was advocating?

Stephen Hesford (Wirral, West) (Lab): The hon. Gentleman is talking about political mistakes, but the political mistake was not made by my right hon. Friend the Chancellor. The hon. Gentleman has agreed that taxes had to rise, and my right hon. Friend made the decision that we are now debating. The political mistake was the 1p rise in income tax that the hon. Gentleman's party proposed in 1997 and 2001, but has now dropped.

Dr. Cable: Actually, the Government have done what we asked—they did it in a roundabout way, but they got there eventually—so I am not sure that that was a very telling intervention.

The first mistake was the political one of not being open and not accepting that taxes had to rise and doing that in a direct and transparent way. The second mistake involved the damage that was undoubtedly done to pension schemes. We can now quantify that damage in retrospect. Estimates have been made, for example, of the impact in a money purchase arrangement on someone who was aged 25 in 1997. That person will probably have lost about 17 per cent. of their pension benefit. However, there were not many people in that category.

If we take a more relevant group, namely, people who were 55 in 1997 and who are now retiring, their loss is estimated by the actuaries to be about 5 per cent. of their pension benefit. That is a substantial sum, and those people are angry about that. However, it is 5 per cent., not 50 per cent. We must look at this in some sort of context.

Mr. Brooks Newmark (Braintree) (Con): That is none the less a lot of money. The Chancellor has failed to answer this question: given that the abolition of the tax credit happened 10 years ago, what estimate have the Lib Dems made of the actual cost in pounds?

Dr. Cable: Estimates have been made by people who are far more authoritative than us. Perhaps I can refer the hon. Gentleman to a careful study carried out by Watson Wyatt of the overall impact of the measures. It took the view that there is currently the equivalent of a deficit of about £540 billion in occupational pension schemes. It arrived at that figure by calculating that that is the sum that would be required to be made up if pensions were self-financing through an insurance arrangement. It also calculated that the damage done by the Chancellor's changes was about 10 per cent. of that total. So we are talking about damage, but it is one factor among several.

Mr. Bailey: The hon. Gentleman is at least trying to put a coherent argument. Does he accept that part of the reason for that act was to rationalise investment decisions to improve the level of investment in companies, which in itself helped pension fund assets? Does he agree that his figures have to be discounted, at least because of the increase in the investment in companies—their asset value—that has also been reflected in the asset value of pension funds?

Dr. Cable: That is a good point logically, but it is factually wrong. I noticed that the Chancellor made the same point. Research after the 1997 Budget by City university business school tried to analyse the impact on investment—whether the abolition of the dividend tax relief did what it was designed to accomplish. It came to the conclusion—it had no political axe to grind—that the impact was zero. The claim that it would change investment behaviour was simply wrong as a matter of fact.

Mr. Bailey: I believe that the figure that the hon. Gentleman quoted was for 1997. Was that not a little early to make an accurate assessment? Does he agree that, looking at the stock market, the FTSE has gone up from 4,500 in 1997 to 6,500 now, and that the all-company index has gone up from, I think, 2,800 to 3,500? There has been a significant increase in investment and the asset values of companies.

Dr. Cable: I am touched that Labour Back Benchers have such faith in the stock exchange as a measure of business behaviour. The study was done several years after the 1997 Budget and established my point that despite the Government's expectations, which may have been reasonable, they did not achieve their aim. There was no change in investment behaviour.

I tried to raise my fourth criticism in an amendment at the time, as did other hon. Members, and the intervention from the hon. Member for South-West Bedfordshire (Andrew Selous) was on this point. One of the unforeseen negative consequences was the impact on public sector schemes, in particular local authority schemes, which accounted for about 10 per cent. of pension fund assets. The effect of the change was to increase the Bill for local authorities by about £300 million. That was a substantial increase in council tax which was regressive and had a significant effect on local authority funding. It was clearly something that had not been thought through.

Mr. Redwood: Does the hon. Gentleman accept that the £540 billion combined deficit figure from the actuaries is predicated on wind-up and transfer into bonds, and we happen to be living through a gilt bubble, where prices are very high because of the pension crisis and regulatory pressure to go into bonds? Is not the more accurate deficit for ongoing pension schemes the FRS 17 deficit? Is not the current cumulative FRS 17 deficit about the same as the actuaries' figure for the losses as a result of the tax switch?

Dr. Cable: The right hon. Gentleman makes a good point. Others take the view that the FRS criterion is very demanding, but he makes the valid point that we are dealing with a set of assumptions and could come up with different numbers. However, the work in the City suggests that damage was done as a result of the measures but that it was not one of the most important factors. As we are going over the historical record, it is helpful to review what those factors were.

The first factor was the impact of the tax holidays, which has been discussed. The second was changes in the stock market, to which several hon. Members have

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referred in different ways. The third was demography. In 1997, the life expectancy of a man coming up to the pension age of 65 was another 19 years. It is now 20.5 years. That is an 8 per cent. increase. Consequently, if there were no adjustments to contributions, the pension benefit would fall by 8 per cent., so demography has played an important part. Low interest rates contributed to the problem of annuities, which we have discussed often. One of the other contributory factors was the behaviour of many of the private companies.

Lynne Jones (Birmingham, Selly Oak) (Lab): Does the hon. Gentleman agree that one problem was that the actuarial advice to pension funds did not warn them of longevity increases? Those did not suddenly come about, but happened over a period and should have been catered for several years before the adjustments were made.

Dr. Cable: The hon. Lady is right. There was a substantial time lag, and when the adjustment was made after the profession insisted on the provisions of the minimum funding requirement, that was arguably a particularly demanding factor operating on the funds.

Mr. Russell Brown: My hon. Friend the Member for Birmingham, Selly Oak (Lynne Jones) has made an important point. Does the hon. Gentleman also agree that companies that used their pension fund surpluses to make people redundant in the guise of early retirement did no more than compound the problem?

Dr. Cable: I am coming to that. In many instances, private companies behaved appallingly to their employees. Tomorrow we will discuss the way in which compensation can be given to employees who, through bad luck, found themselves in insolvent schemes, but in many other instances solvent schemes were closed in a very cynical and manipulative way.

A substantial number of my constituents belonged to the pension funds of two American companies, EMC and Parsons, both of which do large amounts of business with the Government. They are flourishing and highly profitable multinationals, whose offices can be seen by those driving out to Heathrow airport. A few years ago they took advantage of the existing arrangements to close their occupational pension funds to new entrants, and effectively to wipe out their obligations to existing pensioners. They did that within the law, but quite cynically. They shipped into the United Kingdom trustees who had been appointed at head office in the United States, and used the maximum scope that they had within the legislation to—"defraud" would be putting it too heavily—reduce the benefits of their employees substantially in a very cynical way, for which they had absolutely no justification in terms of their position. Employers of that sort have contributed to the lack of confidence in occupational pension schemes.

Mr. Mark Todd (South Derbyshire) (Lab): The hon. Gentleman is producing a thoughtful analysis of the problem, but he has omitted one factor. I think that companies' perception of risk, particularly when deficits were exposed more vividly in accounting terms, altered during the period that we are discussing. Companies also became aware of the relatively low weight that a good-quality pension scheme carried as part of a retention and recruitment package. That was certainly my perception. My company's pension scheme closed to new entrants while I was there, before I became a Member of Parliament in 1997, partly because the company did not consider it a valuable enough tool for retaining and recruiting quality staff.

Dr. Cable: Those are very good points, which add to my basic argument about the complexity of the decline of the occupational pension scheme. Some of it was caused by factors outside Government control, some was due to regulatory change and some was attributable to tax measures, although not necessarily the most important part.

Much of the debate has been retrospective. It has asked who was to blame, and why this happened 10 years ago. We should spend a bit of time looking forward. The hon. Member for Tatton was right to emphasise the need to do something about the 120,000 people who have been dispossessed as a result of the collapse of their occupational pension schemes. He also mentioned the proposal that we are to debate tomorrow, which the Liberal Democrats will support. It is a practical proposal designed to address the issue of compensation, and we hope that the Government will be sympathetic to it.

Another issue that is coming down the track and will have to be faced fairly soon is the Equitable Life inquiry by the ombudsman, which is close to completion. It relates to a serious case of mis-selling to highly sophisticated pensioners, which may well have involved a serious regulatory failing. The Government's response to that, and to the ombudsman's report, will be an indication of how seriously they take the issue of confidence in private funds.

Pete Wishart: I am surprised by the hon. Gentleman's curious defence of the Chancellor and his policy. It almost seems likely that the Liberal Democrats will tell us next that Bob Maxwell was quite a reasonable guy. Given the hon. Gentleman's response to the Chancellor's speech, can he tell us how he will advise his colleagues to vote this evening?

Dr. Cable: I do not know whether the hon. Gentleman was having a private chat when I began my speech, but I think I said three times that we would support the Opposition motion. I presume from his intervention that he will be doing the same.

The other key future development in terms of the basic pension architecture that the Government need to get right is to do with personal accounts. We have supported the principle of creating a new mechanism for saving by the low paid and the principle of auto-enrolment, but we are worried that the new scheme could give rise to large-scale mis-selling, intentionally or otherwise. The reason for that is that the new plan is targeted at low-paid workers who might potentially be in receipt of benefit; I understand that about 50 per cent. of the target audience for the new personal accounts are potential recipients of benefit, and particularly pension credit.

What will happen? There will be a negative interaction between means-tested benefits and the new pension payments. We will have a situation in which some people will face the equivalent of an 85 per cent. marginal rate of tax on their new pension, and many will face a marginal rate of tax of 50 per cent. Many such people would be strongly advised not to take out such personal accounts. Yet one has a sense that the

Government are so committed to this scheme that that advice will not be given and that many people will be lured into a scheme that is clearly not in their interests.

Underlying all of this is the most fundamental point of all: the reason so many people are on means-tested benefits is that the Government—particularly the Chancellor—have chosen to concentrate all their efforts on improving the pension credit scheme rather than the basic state pension.

Mr. Brian Jenkins (Tamworth) (Lab): Will the hon. Gentleman give way?

Dr. Cable: No, I am about to finish. Until there is a decent basic state pension without means-tested benefits there will be no platform on which people on low and middle incomes can make sensible decisions about their own supplementary saving and pensions.

Several hon. Members *rose*—

Madam Deputy Speaker (Sylvia Heal): Order. I remind Members that Mr. Speaker has imposed a 15-minute time limit on Back-Bench speeches.

5.7 pm

John McFall (West Dunbartonshire) (Lab/Co-op): I am pleased to have been invited to contribute to the debate. Two words are particularly appropriate for it: "hullabaloo" and "hypocrisy". "Hullabaloo" is appropriate because we are debating a decision that was taken 10 years ago and on which there was complex and competing counsel. The following question must be asked: what will this debate do for good government and good public policy in the future? Instead of opening up the workings of government as a result of freedom of information legislation, might it encourage Ministers to seek only advice that supports the decision that they want to take? If all civil service advice is prepared with an eye to publication, objections to official policies will not be put in writing and will soon be completely suppressed. I believe that I have support on that point from the right hon. and learned Member for Rushcliffe (Mr. Clarke). It is an important point, which has not yet been raised in today's debate.

"Hypocrisy" is also a relevant word. If we look at the past record, we find that the previous Conservative Government were making progressive steps towards reducing, if not abolishing, dividend tax credit. I will mention a few of them later. I have also looked at the general press commentary on this issue. John Ralfe is a pension expert and former finance head of Boots. He has said:

"Anyone who thinks we were living in a pensions nirvana before 1997 needs his head examined."

He [illegible]said:

"[illegible] someone who habitually jumps to Brown's defence, but the [illegible]at everything is his fault is baloney."

Yes, that [illegible] is absolute baloney.

Steph[illegible]o is a senior consultant at Watson Wyatt. He advises the Conservative party, and he said that

"the cost of pensions has risen due to lower investment returns, the increased cost of security and greater longevity."

The decision that we are discussing is not among his top three reasons for that rise in cost. The top three reasons are the rise of guaranteed benefits, poor investment returns and greater longevity. For example, today a 65-year-old man is on average expected to live for 20 years, as against 12 years in 1950. As a result there has been a revaluation of pension scheme liabilities, which has contributed to the current situation.

Mr. Redwood: Does the right hon. Gentleman accept that one of the big impacts on investment returns was the dividend tax? If one takes away money that would have been received in income, the assets are worth less and the total return falls.

John McFall: The former Chancellor of the Exchequer, Norman Lamont, and John Moore and others in the Conservative party said that the tax relief was a subsidy. Pension funds do not pay tax and why should they get a subsidy? Steelworkers, miners and others do not get such subsidies. I would have thought that in true Conservative No Turning Back fashion, the right hon. Gentleman would agree with his ideologically firm colleagues on that issue.

The issue is the relationship between labour and those who have retired. A hundred years ago, there were 14 people working for every one retired. Nowadays, the figure is four to one, and in 2050 it will be two to one. That will lead to big problems. I regret the Opposition's motion today, because I had thought that we had a consensual approach to the issue of pensions. A long-term solution is needed, but the Opposition are going for the short-term fix.

Mr. Jim Cunningham (Coventry, South) (Lab): Does my right hon. Friend recall that in 2000 some £250 billion was wiped off the stock market, which had a monumental effect on pensions? Most neutral commentators agree with that assessment.

John McFall: That is certainly one of the issues of concern. The basic issue is that not enough people are saving. Confidence in savings is declining. Indeed, the Treasury Committee has undertaken several inquiries into that issue, to which I shall refer. Two of the big questions are how we can restore confidence and how do we get people on between £10,000 and £25,000 a year to save. It is those people who are not saving, and they constitute some 8 to 10 million people.

David Robbins, a pension partner at Deloitte, has said:

"Around 90 per cent. of the British population aren't saving enough to ensure a reasonable standard of living when they retire."

The problem has come to a head because people are living longer. Pensions provision has become so expensive that large numbers of companies have scrapped final salary schemes or closed them to new members amid fears that they could be crushed by the weight of future liabilities. It is incumbent on us as responsible politicians to recognise that issue.

Stock market volatility is another issue. In 2000, some £250 billion was taken off the value of the stock market. Other hon. Members have mentioned the issue of accounting standards and FRS17, which exposed the potential liabilities of companies. That also reduced confidence. The Secretary of State for Work and Pensions is in his place on the Front Bench and the Treasury Committee has worked with him on the pension issue. I make the point to him that the Cabinet needs to discuss today's accounting environment. Many companies have told me that despite the good efforts of the Financial Reporting Council and others, one good measure is being built on another, so that the system becomes

[John McFall]

complex and difficult to apply, understand and compare. One company wrote to me this morning with an example in which the same transaction can be correctly accounted for in three different ways with quite different impacts. There is something wrong with such a system. That cannot be laid at the Government's door, but it is a responsibility for them. We urgently need to simplify accounting and make it more transparent, and that should also be part of the debate.

Mr. Ian Taylor (Esher and Walton) (Con): The right hon. Gentleman makes some good points about the collateral harm to pensions and the lack of confidence caused by FRS17 and other regulations. The problem today is whether the Chancellor, in making the decision in 1997, realised the size of the impact it would have. The previous Conservative Government considered the move, but rejected it because of the impact it would have. The question today is whether the Chancellor fully understood, even on the Treasury advice he received, the damage it would do to pension schemes.

John McFall: That is a very good question, but Conservative Governments reduced the relief five times, from 35 per cent., so some in the hon. Gentleman's party took a different view.

I said at the start of my speech that these are complex issues and that people have different opinions about them. I was in the City yesterday, and I asked one of the practitioners there about the decision taken 10 years ago. I was told that the market goes up and down on a daily basis, and that decisions must be judged according to whether they achieve their objectives. No one can see 10 years into the future, as the correspondence published in the *Financial Times* over the past few weeks demonstrates.

In a letter dated 3 April, a chartered financial planner named Peter Cave said that we should put the pensions issue into context. He said:

"Pension funds are rarely invested 100 per cent. in equities, so the tax charge affected only a portion of pension investments: let us suppose a 50:50 split between shares and equities. What is the average dividend in shares? Let us pretend it is...5 per cent. a year".

That is ambitious in today's environment, but Mr. Cave went on:

"Then, by stopping the (current) 10 per cent. tax refund, Mr. Brown is stopping 10 per cent. of the 5 per cent., namely 0.5 per cent. So the current annual loss to a pension fund, through Mr. Brown's tax change, is 0.5 per cent. on half of the pension fund—namely 0.25 per cent."

So we are talking about 0.25 per cent. of £1,000 billion, but I can tell the House that, behind closed doors, fund managers can put up their fees just like clicking their fingers and we will know nothing about it. That is how complex the matter is.

As Chairman of the Treasury Committee, I have been lobbied a lot by industry representatives over the years. They have been concerned about two things: how to restore confidence in the industry so that people on lower incomes get saving again for their pensions, and how we can get people on average salaries of £10,000 to £25,000 to enrol in pension schemes—something that the Government have done a lot to facilitate with their establishment of the national pension saving scheme.

The Treasury Committee has made its view clear, saying:

"The long-term savings market is worth £1,900 billion-plus, and its efficient working is vital for the prosperity of both savers and the wider economy. It is widely accepted that there is now a damaging lack of consumer confidence in long-term savings."

The Committee added that savers need to be given "clear, succinct information" that would reduce the risk of mis-selling.

The Treasury Committee has also been responsible for establishing a committee comprising industry and consumer group representatives to look forward and plan the pension industry. Richard Lambert, the director of the Confederation of British Industry, was kind enough to be the original chair of the committee. The Treasury Committee's aim was to reach cross-party consensus about the pensions problem, and we made recommendations to the Chancellor about tax and benefits. We said that the present complex tax arrangements needed to be made more coherent to encourage people to save.

The Pensions Commission set up under Adair Turner agreed, saying that

"many do not trust the financial services industry to sell good-value products".

It said that the combined result had been a dramatic growth in the numbers in the private sector work force who do not contribute to a non-state pension from just over 8 million in 1996-97 to nearly 12 million in 2004-05. Lord Turner concluded that

"the private pension system, far from growing to fill the gap left by the State...is actually doing less."

As responsible politicians, we must focus on that, on a consensual basis, as otherwise we will not succeed in making improvements. Lord Turner has performed a good service, especially in respect of the auto-enrolment that has been mentioned already, and of the annual management charge.

Stakeholder pensions were introduced with an annual management charge of 1.3 per cent. They failed because the industry was not attracted by that, and Turner asked for a management fee of 0.3 per cent. If, during the lifetime of a pension the management fee is 1 per cent. more—1.3 per cent. rather than 0.3 per cent., which is a low figure for the industry today—the end result for a worker is that they have 20 per cent. less in their pension. That is one fifth less. So it is important for us to engage in the setting of annual management fees and ensure that the industry brings its costs down. The Secretary of State for Work and Pensions knows that I have been on his back and I will keep on his and other backs on this matter because until we get low fees and competitive charges we shall be doing a disservice to those who save their money on a weekly basis. That is the issue that we should focus on.

I mentioned the issue of hypocrisy. The dividend tax credit was cut five times in 18 years by the previous Government. Norman Lamont in his 1993 Budget clearly said that it could have damaging economic effects and it distorted the market. He said:

"It cannot be right to distort the commercial decisions of British companies in this way".—[*Official Report*, 16 March 1993; Vol. 221, c. 186.]

So hon. Members who have addressed the House this afternoon agreed with that Budget, but it seems that they have now turned turtle and they do not agree with the policy. This is where the charge of hypocrisy sticks.

If it was okay during 18 years of Conservative rule to reduce dividend tax credits, why are Conservative Members bleating now—particularly those who have a firm ideological viewpoint? The tax credit should be seen as a subsidy, and why should people get a subsidy when other people do not get it?

The Pensions Commission reserved its real comments for Lord Lawson's Budget and the Finance Act 1988, which forced companies to take contribution holidays. Turner said:

"indeed not only did contributions fall but they were required to fall by deliberate government policy... the Finance Act of 1986...required pension funds to identify whether...they had a surplus of 5 per cent. or more, and to take action to remove the surplus within five years, or else lose some part of their tax exempt status. The deep dip in contributions seen in the period 1988-91...almost certainly reflects the impact of this policy."

So we had a perverse situation in which companies paid more tax if they invested in their pension fund, but paid less tax if they paid out a dividend. Surely that was a market-distorting policy. Surely it was for the benefit of the long-term economic future of the United Kingdom to get rid of that policy.

My right hon. Friend the Member for Rotherham (Mr. MacShane) has written a letter to me. He says that he tried to get it published in *The Economist*, but it was refused. It regards the comments of John Moore, who was a Conservative Treasury Minister and has endorsed the release of this information. The letter says that John Moore said to my right hon. Friend that

"the first thing an incoming Labour government should do would be to switch the tax relief for private pension funds to more worthwhile ends."

He was a Treasury Minister, a professional accountant, someone who had experience in this House. So I hope that the charge of hypocrisy sticks perhaps only for today and that we get back to the consensual approach to pensions provision.

So what should we do? First, we need to get back to a consensual approach. We should accept that dividend tax credits distort the market. We should work together to reverse the historic under-investment and short-termism in the British economy. We should also continue on the path of reducing corporation tax. We should provide incentives for investment. I am particularly keen that the Government should provide incentives for those in low-paid work to save for their retirement. We should also recognise the long-term nature of the problems with pensions and get back together, working on a consensual basis to find a solution to a long-term problem.

5.24 pm

Mr. Kenneth Clarke (Rushcliffe) (Con): I agree with the right hon. Member for West Dunbartonshire (John McFall) that we are making a great hullabaloo about the events of 10 years ago, but there are perfectly good reasons for doing so and for holding this debate. There is an obvious public interest because the Chancellor has delivered his last Budget and is about to become Prime Minister, so the release of the information excited legitimate public questions about his judgment, his style of taking decisions and the consequences of some of the judgments he has made, which may give some clues to how he might act in future.

The questions were provoked by the release of information on the decision of the Information Commissioner. The Chancellor says he welcomes the release of such information, although—like the right hon. Member for West Dunbartonshire—I am not sure that I do; I am not sure that we want the form of government in this country to be altered in quite that way. However, it is inevitable that we should have a debate.

The debate is particularly relevant because the subject is even more important now than it was 10 years ago. We all accept that there is something of a pensions and savings crisis and we are all trying to produce long-term consensus on how to resolve it—not for the first time. I was involved in trying to reach consensus with Barbara Castle when she produced proposals that would have practically wiped out private occupational pensions if she had gone ahead.

The undoubted fact is that if people carry on contributing as little to their savings and their future retirement as they do at present we shall face great problems. We have to form a judgment about recent events, which will include coming to the conclusion that more should be done to encourage people to make their own savings and their own provision and that more should be done to encourage employers to help by trying to rebuild the system and reverse the decline of the occupational pensions industry. That will require continued tax relief—perhaps additional tax relief when it is affordable and even forms of subsidy—so it is important that we consider what the culture should be now. Never again should pensions be regarded as the easy source of revenue that they were in 1997 by the incoming Chancellor. If we can get that point across, the future consensus will be improved.

I turn to what is still relevant about what happened 10 years ago and will deal briefly with how the announcement was made. The decision was arrived at in great secrecy in opposition and there was no mention of it in the election campaign. It was produced in the Chancellor's first Budget and he read it out in delphic terms; four sentences dismissed the heftiest part of a great increase in the burden of taxation in the 1997 Budget. We had been warned about the windfall tax—another disgraceful tax—but it did not raise enough for the Government, so out of the blue came those remarkable four sentences, ending with:

"The previous Government cut tax credits paid to funds and companies, so with immediate effect I propose to abolish tax credits paid to pension funds and companies."—[*Official Report*, 2 July 1997; Vol. 297, c. 306.]

It is clear when we read it, but we all know how the Chancellor delivers such things, particularly the difficult bits of Budget speeches. That was the first time.

The Chancellor's announcement was misunderstood by less sophisticated members of his party. I do not say that critically; things such as tax credits on pension funds are subjects that usually hold the complete attention of only about 20 Members on either side of the House. The Chancellor's statement produced cheers because some Labour Members thought he was announcing a tax reduction and he thought he had got away with it—or so he thought. However, by the next day—3 July, when I spoke in the debate—the Chancellor was angry because *The Times* had cottoned on to the full implications. History repeats itself. Only a week or two ago, he had a bad press on the morning following the Budget as people began to analyse what he had done.

[Mr. Kenneth Clarke]

In 1997, the Chancellor announced the original stealth tax. He chose it as a source of revenue partially because he believed that 999 in 1,000 people would not understand the statement he was making, so the money would not appear to come from their pockets. However, by the next day, as the hon. Member for Twickenham(Dr. Cable) said, people were beginning to criticise it. I looked up what I said at the time. Even then, we were talking about the fact that we had been considering but rejecting the same proposal and I said that there would be a profound effect on pension funds, pensioners and employers as a result of that dramatic and unexpected change, for which we were unprepared and which had never been mentioned in the general election eight weeks before.

Mr. Ian Taylor: Does my right hon. and learned Friend accept that there were some rumours that that might happen? Indeed, the first question put to the Prime Minister at Prime Minister's Question Time in May was from me, and I asked him whether he would compensate pensioners for any of the proposed changes in advance corporation tax.

Mr. Clarke: There were rumours and I shall refer in a few moments to a book on the subject. There was considerable worry at the time about the matter leaking out before the election. The decision was taken in great secrecy by the group of four people to which the shadow Chancellor has already referred—the three hon. Members and our old friend, Charlie Whelan—in the Grosvenor House hotel and with the assistance of Arthur Andersen, the then well known consultancy and accountancy firm. That is how these proposals were devised and put together. It had nothing to do with Treasury advice and I have no doubt that this group discovered, as we had discovered, that the Treasury, as usual in these matters, had a range of opinions among officials, with some in favour and some against. It had all been tied up and decided before the Government came to office.

Mr. Dunne: For purposes of clarification, will my right hon. and learned Friend confirm whether that is the same Arthur Andersen whose partners advised Enron on its tax planning?

Mr. Clarke: There are probably even more victims to be added to the list, but I believe that it is indeed internationally the same firm, but no doubt some very good people worked for that accountancy and consultancy firm. It was Enron rather than working for new Labour that brought it to grief, but the firm did indeed work for both and helped to produce this particular proposal.

Why was the decision taken? They looked at the argument, familiar to anyone at the time, that if companies were stopped from paying dividends as demanded by pension funds and were encouraged to retain profits, it would boost investment. That was repeated and has been repeated again over the last few days. It was a convenient argument to use whenever people were looking in that direction to raise revenue. However, as the hon. Member for Twickenham said, subsequent events proved that that was quite untrue. In any event, I do not accept it because the idea that if a company has produced a surplus, the best form of investment for it is to plough it back into the same company—or that if it distributed that surplus to the markets, they could not find better ways of investing the money in other ventures and other businesses—is a somewhat preposterous one.

If anyone returns to that argument, as new Labour Ministers do, I hope that we will not go back to the absurd idea that successful companies should hoard all their profits and not return any of the money to the owners as if that were the best way of making use of the surplus generated. In today's modern markets, which work very well, I believe that quite the reverse is true. All the pressures under the present Government are for share buy-backs and distribution of dividends because most people accept that that former argument was wrong and that the best way to proceed is to encourage the distribution of dividends so that the market can make use of them in new ways.

Mr. Siôn Simon (Birmingham, Erdington) (Lab): Surely what this measure was doing was precisely removing the market distortion of the subsidy so that the company could decide for business reasons what was the best proportion to invest back in the business and what was the best proportion to pay back in dividends. That should not be distorted by the tax subsidy.

Mr. Clarke: That was the argument, but as I have just explained, I do not accept it and I do not think that subsequent history showed that it had that effect. It actually made no significant difference. That argument may have been used even by my predecessors in office, but it has been a convenient excuse to put forward when a Chancellor is looking for revenue.

Let me move on to how and why the decision was taken. Labour apologists for what happened keep going back to former decisions by my noble Friends Lord Lawson and Lord Lamont, which took place in quite different circumstances. It is relevant to look further into the precise time that we are talking about and the state of the economy then. The three Members I have identified were sitting in that hotel suite at the same time—precisely the same time—as my right hon. Friend the Member for Charnwood (Mr. Dorrell) and I were looking at the same proposition. We rejected the argument about distributing dividends and the argument that the pensions funds could carry this. It is possible to say that we came to a conclusion that, looking back, was preferable to the one that they reached. I do not believe that, in the end, in any event, that issue is what drove the three new Labour pioneers to the conclusion that they came to.

I turn to a book that has been cited once already—I thought that my hon. Friend the Member for Tatton (Mr. Osborne) was going to take all my speech when he opened the debate. The book is called "The Unconventional Minister: My Life Inside New Labour" and it is by the hon. Member for Coventry, North-West (Mr. Robinson). I commend it. I am grateful to him for giving me an inscribed copy when he produced it. I am using it only for political criticism of the decision and certainly no kind of personal attack on him or either of his colleagues. He is candid and makes it quite clear that they were searching for revenue. On page 88, when discussing looking at whether the calculations made by Andersen's and being checked by the Treasury were right, he says:

"We needed the money. It had to come from somewhere".

That was what actually drove the decision in that first tax-raising Budget in 1997.

Why did the Government need the money? The main problem was that they had promised not to raise personal taxation. That was a successful electoral ploy and totally

robbed me of the best argument that I was hoping to use against them. They were raising the money to fund their youth employment schemes and other measures. That is what it was for. The hon. Gentleman's book reminded me that the windfall tax had been announced to pay for that, but it was not enough.

Mr. Geoffrey Robinson (Coventry, North-West) (Lab) *indicated assent.*

Mr. Clarke: The hon. Gentleman is agreeing. Well, it is his own book: it is a good source. The Government had to find some tax that they had not told anybody about in order to fill the shortfall. They may also have suspected that there was a kind of structural deficit and they had to do something about it. He refers to that as well, I think. But the key thing was that the Government believed that they had to raise some money without raising any personal taxation. It had to be corporate taxation and this move was the easiest way because it would raise an astonishing £5 billion per annum—and nobody would understand it apart from a few anoraks in the House and a few people in the pensions and accountancy industry. It was the original, and most profitable, stealth tax. That is how it all emerged.

A sadness is that the Government turned out not to need the money. It was the beginning of some extremely bad forecasting that they made in subsequent years. They were not able to anticipate where the dotcom bubble in America was going to take us. Nobody did; I did not when I made my remarks about recession. They began to run massive unsolicited and unexpected surpluses. It was years before they needed the money. Sadly, nowadays they are still spending about £6 billion a year and no one can find an easy way of getting out of this continued drain on pension funds.

They did what they did to raise the money and because it was a stealth tax. It did terrible damage to the pensions industry, pensioners and the legitimate expectations of many of our constituents.

I listened to the Chancellor defending himself and saying what a great decision it was and how he would make it again. He allowed fancy to run away with him. He was plucking things from the air to a quite extraordinary degree. The idea that I had used the argument that we were going to go into recession against him was nonsense. That came when the Governor of the Bank of England was raising interest rates and the Chancellor was raising taxation at precisely the same time, when we were already slowing down the economy. My right hon. Friend the Member for Horsham (Mr. Maude) and I were unlucky: all that happened was that the economy went flat. There were two successive quarters of stagnation. We never went into recession. But that was later.

Corporation tax was used in mitigation. In my last Budget, I reduced the small companies rate of corporation tax—quite the reverse of what has just been done by the Chancellor. My recollection is that the Government did not cut corporation tax until 1998—and they did not actually cut it. They took the headline rate down by 2 per cent., but they altered the method of payment to quarterly on advance estimates so that the cash flow into the Treasury was increased by what they did to corporation tax. It is bizarre to use that excuse. Until very recently, the Labour Government had been raising corporate taxation incessantly during all the time in which they had been in office. The Chancellor then went into even wilder fancies by saying that corporate profits had risen as a result of the decision. I cannot for the life of me understand how corporate profits rose.

As has been pointed out, the inescapable fact is that the decision, on international financial reporting standards calculations, has cost at least £100 billion over the years. The cost is now running at £6 billion a year. Compared with the previous arrangements, 20 per cent. of the dividend income of pension funds is being sacrificed to the Treasury. Whereas nine out of 10 members of occupational pension schemes were in defined benefit schemes when we left office, only one in 10 is now in a defined benefit scheme. It is estimated that deficits in the pension industry are running at about £100 billion, which is exactly the figure that has been extracted so far by the tax.

The reaction to this is relevant. The way in which the Chancellor gets carried away by using different time scales to make his points, clutching at figures from the past and making wild assertions about what has happened casts serious doubts on his judgment and where we were going. Yesterday, the Secretary of State for Defence came to the House in almost as big a pickle. He had made a quite appalling error of judgment, but he admitted that he had made a mistake and actually apologised for it. Had he not admitted that he had made a mistake, he would have been roasted alive on the Floor of the House, so he made a sound political judgment. I am afraid that the Chancellor's instincts are totally different. The very fact that he is criticised makes him defend his decision more vigorously by using wild arguments to justify it. He seems oblivious to the fact that although the decision was not the only cause of the problem—there was also longevity, the fall in stock market values and the mad regulation and valuation—he has done great damage to the pensions industry and his judgment was seriously—

Madam Deputy Speaker: Order. The right hon. and learned Gentleman's time is up.

5.41 pm

Mr. Geoffrey Robinson (Coventry, North-West) (Lab): I am pleased to follow the former Chancellor, the right hon. and learned Member for Rushcliffe (Mr. Clarke). He started his speech in a serious vein, but he seemed to degenerate into using the unfortunate tone of voice and personalised criticism that we have sadly come to associate with the shadow Chancellor. As I tried to say to the shadow Chancellor last time I commented on his remarks, I do not know why he wishes to demean himself in such a way. The more he personalises his attacks on the Chancellor and makes them as unpleasant as he does, the more his behaviour borders on a form of paranoia and suggests that he lacks self-confidence. If I may offer him some advice—although he seems to have found much in my book, I doubt that he will take this from me across the Chamber—he would do well to moderate the personal nature of his attacks. *[Interruption.]* That remark was meant to be constructive; it was made to the hon. Gentleman in perfectly cordial terms.

Let me address a couple of points made by the former Chancellor. He makes a great deal of his four-year period as Chancellor. The Opposition often talk about the golden legacy that we inherited in 1997—*[Interruption.]* Calm, calm. I am prepared to say that we did not find the usual mess left by Tory Governments. However, two significant aspects of the economic situation were of

[Mr. Geoffrey Robinson]

great concern, so we had to address them immediately. The first was the public debt. I have the figures for the former Chancellor, given that he seems to have forgotten them.

When the right hon. and learned Gentleman took office, we had a massive public sector deficit of £42 billion. The reason the deficit had been allowed to run that high in 1992 was quite clear: the Conservatives wanted to win the election. To some extent, they succeeded in winning the election on the back of an unsustainable public sector boom and investment in the public sector. The deficit rose to 5 per cent. of gross domestic product, which was an exceptional figure by anyone's standards. When the right hon. and learned Gentleman vacated No. 11, he left us with a structural deficit—or a deficit at any rate; he never answered my questions about whether it was structural—of £22 billion. During his four years of stewardship of the Treasury, his forecast for the deficit was wrong every year because he overestimated by 100 per cent. the reduction that he actually achieved.

That was the first matter that we had to tackle in one way or another, and through a combination of factors. The other matter—and it relates to why we made the Bank of England independent, and why the first act of the incoming Labour Chancellor was to show that he had the resolve to face the issue of whether it was necessary to raise interest rates—arose because the Conservative Chancellor, no doubt from sound party political electoral considerations, had refused Bank and Treasury advice to raise interest rates time after time, and month in, month out. Those were the twin matters that we had to address. The incoming Chancellor addressed one of them by taking the courageous political decision and brave economic decision to make the Bank independent. We all know that the present shadow Chancellor said that that move was a mistake, and he even voted against it, I think.

Mr. George Osborne *indicated dissent.*

Mr. Robinson: He indicates that he did not vote against it, and I am prepared to accept that, but he certainly was not very vocal in his support for the measure. As for the right hon. and learned Member for Rushcliffe, the former Chancellor, in the weeks after we took the decision, he said that it was a mistake. Those were the two fundamental decisions that we had to take. Part of the issue, and I see that we must confront it as honestly as I did then, was that we had to raise money, via the windfall tax, for our welfare to work programme, which was £5 billion. We raised a bit more than that in the end. The programme was successful, and people were successfully employed. Another issue was a general closing of the gap, which we successfully achieved, perhaps even to a greater extent that we dreamed that we could. We then went into budget surplus, but we did not do that by dodging the difficult decisions, by finding some local bandwagon that we could jump on, or by flirting with a superficially attractive idea that makes a brief apparition on the political stage. We did it by facing up to the fundamentals and taking difficult decisions.

The shadow Chancellor, who is a recent convert to the idea of facing up to the issues, has the courage to say to his party's Back Benchers, whatever groups they are in—there seem to be so many of them; I cannot keep up with them these days—

David Taylor: The Cornerstone group.

Mr. Robinson: Yes, and there is the No Turning Back group. They want £40 billion of tax cuts, but the shadow Chancellor will not say where they are to come from, and of course he will not say that his party will reinstate the tax credit system. Of course he knows that it would be wrong to do so. I hope that later we will hear from the Secretary of State for Work and Pensions on the steps that we are taking to deal with the real problems that we face.

We heard very good contributions from the hon. Member for Twickenham (Dr. Cable), who led for the Liberal Democrats in this debate, and my right hon. Friend the Member for West Dunbartonshire (John McFall), who is the Chair of the Treasury Committee. He made a serious contribution on a serious problem. We face a savings problem and a long-term pensions problem, and we have to find consensus to deal with that. Those who have chosen to make a personal attack on the Chancellor and to turn the issue to temporary party political advantage have done nothing to advance the debate, which is one in which the whole House and all the parties have to engage. That has been made clear—*[Interruption]*—not by the hon. Member for Beverley and Holderness (Mr. Stuart), who makes an interjection from a sedentary position, but by many others in the House. The shadow Chancellor does nothing to contribute to the debate, given the tone of voice that he used and the party political way in which he deliberately sought to exploit an issue that is of public interest, but not for the reasons that have been given.

David Taylor: Was my hon. Friend as disappointed as I was to hear the right hon. and learned Member for Rushcliffe (Mr. Clarke), the last Conservative Chancellor, misrepresent the position in relation to advance corporation tax? The former Chancellor said that the changes were made to increase cash flow, and it is certainly true that there would be increased cash flow at the start, but would that not simply re-profile the amount of corporation tax that would fall due? It would not alter the total. To misrepresent matters in that way does not improve the case one iota.

Mr. Robinson: My hon. Friend is correct, and I fear that the right hon. and learned Member for Rushcliffe, who did not have much interest in the detail of policy while he was in the Treasury, may not have understood that point. One thing that we did when we corrected the whole matter, when we abolished dividend tax credit, was to introduce a new instalment payment system for corporation tax. Of course, inevitably linked to that was the removal of advance corporation tax; in fact, there was a cash flow advantage to the Exchequer, of which the Confederation of British Industry was very aware. I will come back to that point in a moment.

Mr. George Osborne: I am grateful for the hon. Gentleman's advice that I should be gentler with the Chancellor in future. Will he explain something, because he is in an almost unique position to do so? He explained why the decision was made to raise taxation, and he made the point that the then shadow Chancellor thought that he had to tackle the budget deficit. Why was that decision kept secret? Why were those tax plans developed in such detail in opposition, kept, so he claims, in a safe in his hotel room, and never revealed to the public or perhaps even, as I understand it, to the leader of the

Labour party at the time? If that difficult decision, as the hon. Gentleman says, needed to be made, why was he not honest about that to the public before the general election?

Mr. Robinson: The hon. Gentleman is absolutely incapable of distinguishing between a fundamental point and a personal point. He is at it again, trying to imply that there is something wrong about trying to work out policies in opposition. I commend my book to him, as it will teach him how to behave in opposition, which he has not learned yet, as well as preparing him for government. Every party that makes a serious attempt to become the Government of this country does serious work in opposition with serious players, which is one reason the Opposition have been distinctly unsuccessful on three occasions in gaining the country's trust. People saw through all that they said on immigration at the last election, as they saw through what they tried to do on tax in previous elections. They jumped on an apparently attractive bandwagon, but the wheels came off when they were under scrutiny. With that mind, let us deal with the central issue—*[Interruption.]* If Opposition Members would like to intervene, I am happy to give way.

Mr. Graham Stuart *rose—*

Mr. Robinson: I will give way to the hon. Gentleman in a moment. He was very patient in waiting for the Chancellor to give way, and made a terribly telling intervention. I look forward to another one, but may I first deal with the point about the official advice that we received?

There were, as the right hon. and learned Member for Rushcliffe correctly said, a range of views in the Treasury and in the Inland Revenue, which were the two principal Departments giving advice. Initially, the Inland Revenue was dubious about the figures that we had worked out in opposition—only the Treasury computer held all the information needed to achieve an up-to-date and accurate estimate—because it had looked at the problem before, and the numbers were nowhere near as favourable to the overall proposition of the three interlinked changes as was later the case. We had to wait about two weeks until the Inland Revenue came back, thoroughly in agreement with the proposals that we had evolved. Indeed, the person who led for the Inland Revenue said that it was something that he had wanted to do for many years.

Mr. Stuart *rose—*

Mr. Robinson: May I just finish this point, because it fits the whole and may be of some interest to the House? As the right hon. and learned Member for Rushcliffe said, the proposal had been considered before, but it was rejected, principally because of the fear of political repercussions. He could not face up to making tough decisions, just as he could not face up to increasing interest rates or to making the necessary cuts that have since brought the public accounts back into balance. That is why the Opposition failed to do it—and it is that lack of political courage that dogs them to this day. They seek to exploit easy opportunities, and that hollowness means that they will be found wanting at the next election.

Mr. Stuart: Why was the public not told?

Mr. Robinson: The figures were printed very fully, and the hon. Gentleman will find the £5 billion figure in every relevant part of the documents relating to that time. I cannot see why there is any surprise about that. Everyone knew it then, and everyone knows it now. The figure was in the public domain. To my knowledge, nothing has been revealed, apart from the fact that the Opposition, with the help of some parts of the press, are trying to impose a construction that suggests that in some way the Chancellor personally rejected official advice from the Treasury. Nothing could be further from the truth. As I said a moment ago, and as the previous Chancellor said, a range of advice was available. Of course, officials gave us caveats and warned us of the dangers. They told us the same about the Bank of England, which is no doubt why the right hon. and learned Gentleman refused to make it independent, because he was fearful of what would happen if he did so. Just as we made the hard but correct decision on the Bank of England, so we took the hard but correct decision about the overall reform of corporation tax, which involved the abolition of tax credits. Any notion that the Treasury team or the Chancellor personally went against official advice is plain wrong. I hope that the House clearly understands that.

None of the excerpts that the Opposition have read out from the official papers delivers the formal burden of official advice that we received, which was that we should proceed with the overall reorganisation of the corporate tax system. The CBI itself—and I spoke personally to Adair Turner—was in favour of the overall reorganisation. In particular, the industry as a whole wanted to get shot of advance corporation tax. If ACT were abolished, tax credits had to go, and if that happened, there was every reason to provide a more balanced and even pattern—a level playing field—of corporate taxation that would not favour dividends, capital investment and retention, still less companies that wanted to reinvest funds that they could not profitably use in their own business. That would be left to the market and not to an invented and distorted tax mechanism that no one ever had in mind when ACT was introduced.

I come back to the two central points on which I am pleased to base my personal contribution. This is a serious debate, and it should be about a serious problem that the country as a whole faces. I hope that, after this unwanted and unnecessary political intrusion instigated by the Opposition, we can return to the consensual approach adopted by the main parties in the House. The reasons we made that decision were quite clear, and it was based on the burden of advice from the Inland Revenue and from the Treasury that we should proceed with the changes that we were making. It was necessary, as were the other decisions that we made about the independence of the Bank of England, about raising interest rates and about closing the gap in the disastrous public expenditure levels that we inherited from the Tories. I do not want to rehearse again the specious and fallacious arguments made by the Opposition, which were comprehensively demolished by the Chancellor in his major contribution. I hope that the shadow Chancellor will take on board what I said earlier, because in such head-on confrontations, the message that reverberated around the House is that he has some way to go before he reaches the measure expected of a shadow Chancellor. As for us, we stand by those decisions: they were right then, and they are right now. We have problems—let us face them responsibly.

5.57 pm

Mr. Peter Lilley (Hitchin and Harpenden) (Con): It is a great pleasure to follow the hon. Member for Coventry, North-West (Mr. Robinson), whose amiable lack of self-regard enables him openly to admit that Labour deceived the British electorate at the last election. He sees nothing wrong in developing policies in secret, which it refused to admit. As an aside, I got wind of those policies before the election. I held a press conference during the election campaign alleging that it was the Labour party's intention to abolish advance corporation tax. Only the *Financial Times* took me at all seriously, publishing a comparatively modest article saying that that was allegedly being considered by the Labour party. No one else paid any regard to the matter, and even I scarcely believed that it really intended to do it. None the less, I shall put in some context the decision that subsequently followed.

When I became Secretary of State for Social Security, the first crisis with which I had to deal was the Maxwell pensions crisis. The former Labour Member for the Milton Keynes area had left his companies' pension funds bereft of hundreds of millions of pounds, so tens of thousands of pensioners' livelihoods and future were at risk. We had to deal with that—we did not do so, but that is not the issue today. It meant, however, that I had enormous sympathy for my successors when they faced a Chancellor of the Exchequer who introduced a tax that took billions of pounds from the pension system, which affected every pensioner and future pensioner in the country. Indeed, on the night that he introduced that tax, I described it as the Robert Maxwell memorial tax, because no one before the Chancellor had thought that they could get away with removing money from pension funds without anyone noticing until it was too late. That is what our Chancellor did, but he has not got away with it indefinitely—only for too long.

I want to look very simply at the Chancellor's record on pensions and his reasons for introducing this change. He inherited a system that, in the words of the right hon. Member for Birkenhead (Mr. Field), was the "envy of the world". He inherited an occupational pension scheme that was accepted as the jewel in the crown of pensions systems worldwide. As a result, we were enabled to build up funding, savings and investments for future pension liabilities in this country to a level that was not only more than that built up by any other country in Europe, but more than all the other countries in Europe put together had saved and invested to meet their future pension liabilities. We faced less of a potential burden of tax to fund our future pension liabilities than those countries, and we were generating a huge annual flow of savings, which were available for investment in this country or to acquire assets abroad to meet the burden of future pensions.

In 1997, when the Chancellor took over, occupational schemes were generally well funded: they were secure, they were growing, they were giving earnings-related pensions to an increasing number of people and they were fairly taxed without disincentives to save. Let us take each of those points in turn and see what has happened under the tenure of this Chancellor.

Mr. Wayne David (Caerphilly) (Lab): Will the right hon. Gentleman give way?

Mr. Lilley: May I make a little more progress? I will happily give way when the hon. Gentleman has something about which to ask a question.

Pensions were well funded in 1997. We know that because when the Chancellor introduced the tax, one reason that he gave was that they were over-funded—he thought that they had too much money. Now, the deficits are measured in billions of pounds. I have asked the Library for the figures, and it puts the gross deficit shortfalls of pension funds at some £76 billion, which is a turnaround from surplus to deficit that is commensurate with the net present value of the £5 billion a year taken from pension funds and its impact on the value of those funds' assets.

The Chancellor had the cheek to suggest that my hon. Friend the Shadow Chancellor needs a lesson about the value of assets, but it is he who needs the lesson. What is important is whether assets exceed liabilities, which was the case in 1997. Now, the liabilities of pension funds exceed the assets. That is the Chancellor's record, which he must answer for, and the lesson that he needs to be taught.

We were told then, and we knew well, that occupational pension funds were secure. Robert Maxwell had delivered a blow to confidence, but that blow was enormous precisely because up to that point no significant public company had ever gone into bankruptcy while being unable to meet the liabilities of its pension funds. Such pension funds were sufficiently well founded that even if the company did not survive, the pension fund did, or if the funds were underfunded, they were met by the resources of companies. When I faced the Maxwell pension crisis, I asked officials, "What normally happens in such cases?" They said, "This has never happened before", so secure were we. Now it happens all too often, and all too many companies have failed leaving deficits in their pension funds. Hence the amendments that Conservative Front Benchers will introduce tomorrow to the Pensions Bill, when Opposition and Government Members will have an opportunity to try to make good the deficits and help the pensioners who are now caught in an occupational pensions system that is no longer as secure as it was.

The Chancellor has mentioned £8 billion being made available, albeit over 60 years, which is a measure of the crisis that he has created.

David Taylor: On pension fund deficits, surely the right hon. Gentleman should refer, at least in part, to the fact that after a long boar market the FTSE 100 was at about 7,000 on 31 December 1999, and that it halved to 3,500 by March 2003. Surely that played a huge role in the decline of pension funds, at least for a period—as we sit here today, it has, of course, almost climbed back to those levels. Why does he not refer to that? It is important, is it not?

Mr. Lilley: I am grateful to the hon. Gentleman to doing so for me. I entirely take the point. Markets go up; markets go down; markets go back up again. When they go down, it is like the tide going out—it reveals who was swimming without wearing any swimming trunks. When the market went down, it revealed the shortfalls in the provision that the Chancellor had made available and the problems that he had created.

The system was growing before this Chancellor came into office, but now pension funds are closing. The

majority of them are closed to new members, and two thirds of final salary systems have closed on his watch. Lord Turner has forecast the virtual euthanasia of final pension occupational schemes. The crown jewel of the occupational pension system has been successively plundered and sold off to the fences.

The Chancellor inherited a system that was fairly taxed and well incentivised. The system was fairly taxed in the sense that it was designed so that people did not pay twice. Having paid taxes on their incomes and made savings—the companies in which they invest pay tax—people did not pay a further round of tax, which is what the complex system of advance corporation tax credits was all about. The tax credit reflected the value of the tax—when taxes went down, the tax credits went down. The bulk of the reductions reflected that, rather than being a cut in the credits without any corresponding cut in the tax for the most part.

Mr. Dorrell: My right hon. Friend has touched on an important point of principle. My right hon. and learned Friend the Member for Rushcliffe (Mr. Clarke) referred to the fact that that option was rejected when he was Chancellor, partly because the arguments about rebalancing investment flows were rejected and partly because the tax change implemented by the Chancellor introduced for the first time double taxation on pensioners—taxation on income into the pension fund as well as taxation of the pension paid to the pensioner.

Mr. Lilley: My right hon. Friend is absolutely right. Any fair system taxes money either when it goes in or when it comes out, but not when it goes in, when it is in there and when it comes out again, which is where we are heading under this Government.

There is another change that no one has mentioned so far, which is the double whammy that this Chancellor landed on the pensions system, namely, the resort to extensive and almost universal means testing. That has meant not only that the pensions system bears more taxes, but that the incentive to save is reduced, particularly for those on middling and low incomes. That will have a serious, long-term deleterious effect on savings and provision for pensions in this country, not least because it means that most providers of pensions are now afraid that they will be acting unwisely if they advise someone who is not very rich to save and invest, which is surely a serious indictment of the situation that this Chancellor has created.

The Chancellor justified what he did in his Budget speech and subsequent interviews in three ways. First, he said that the measure would increase investment. Figures from the Library show that when the measure was introduced business investment amounted to 10.4 per cent. of GDP—it subsequently went down before recovering again to 10.4 per cent. of GDP. The measure has not raised the level of investment in this country—I will not pretend that the decrease was due to the tax change—and it has failed in the central thing that it was supposed to do.

The Chancellor said that the measure would discourage dividend payouts. As we all know, dividend payouts follow a cycle, but in the nine years since the measure was introduced, the payout rather than falling has risen compared with the nine years before its introduction. The amount is only small, but the measure has had the opposite effect, if any, to that which the Chancellor proposed and forecast. He imagined that there would be a complex system whereby even though the cash flow of companies would clearly be reduced by this tax measure—there is no way of taking money from companies and pension funds that does not leave them with less—they would none the less invest a higher proportion of a reduced cash flow, which would increase asset values in the long term sufficiently to offset the effect of the money that was taken out. That was an absurd, incredible and complex thesis that I am pleased to say the Chancellor did not resurrect today, although it will be interesting to see whether his devoted colleague and potential successor will do so in the wind-ups.

Finally, the Chancellor said that it could all be paid out of surpluses—that these pension funds were awash with money that served no purpose, and that they could pay it out at a rate of £5 billion a year with no harm done. As we have seen, however, those surpluses were available at that time but subsequently disappeared and have been replaced, by and large, by deficits on a fairly substantial scale.

Ed Balls: I will resist the temptation to ask the right hon. Gentleman about pensions mis-selling. I am following his argument very carefully. Is his refutation of the Chancellor's argument based on the fact that dividends—the profits paid out by companies in the UK—have been rising over the past 10 years under this Government?

Mr. Lilley: No, it is not, but never mind. If the hon. Gentleman reads the text in *Hansard* he will be able to see what I was saying.

The Chancellor said that the percentage of dividends paid out would decline; in fact, it has risen. *[Interruption.]* I am sorry—the percentage of profits paid out as dividends.

Ed Balls: Let us be clear: the right hon. Gentleman is saying that dividends have been rising over the past 10 years.

Mr. Lilley: I was referring back to the Chancellor's Budget speech, when he said:

> "The present system of tax credits encourages companies to pay out dividends rather than reinvest their profits."—[*Official Report*, 2 July 1997; Vol. 297, c. 306.]

If he introduced this measure to discourage paying out dividends, he has failed, as companies paid out a higher proportion in dividends in the subsequent nine years than they did before.

Ed Balls *rose—*

Mr. Lilley: I will allow the hon. Gentleman one last attempt.

Ed Balls: Given that the overall level of profits for corporations in the UK is at a record high, if the level of profits paid out in dividends has gone up, that means that dividends going to pension funds and to recipients of those profits have also been rising. The right hon. Gentleman is therefore saying that profits and dividends being paid out have gone up over the past 10 years, which is a fair point.

Mr. Lilley: That series of interventions by the hon. Gentleman was probably worse than his contribution on the "Today" programme. All that he may end up saying is that the Chancellor successfully achieved the opposite of what he intended, but it was not such a bad thing after all.

[Mr. Lilley]

The Chancellor committed two great sins of commission by imposing a heavy burden of taxes on pension funds and introducing extensive means-testing, but he committed an even greater sin of omission, which was the failure to cope with the growing issue—I would not call it a problem; it is a good thing that people are living longer—of longevity. The Government failed to address that for their first eight years in office. Why is that? I suspect that it is in large measure to do with their misrepresentation of the pension proposals that we published ahead of the 1997 election. Having so grossly and grotesquely misrepresented our proposals for reform, they could not return to the issue until it was all in the past, when they came back with something not entirely different from what I had proposed. It is a case of dishonesty being the root of a failure to act subsequently.

I believe that on this issue the Chancellor has revealed his failures of judgment and unwillingness to accept when he has made mistakes. It is time to drive home to him that he seriously damaged the glories of the pension system that we had in this country by taxing it, means-testing it and failing to adapt to the longer life expectancy that we all now enjoy.

6.15 pm

Mr. Siôn Simon (Birmingham, Erdington) (Lab): Being a socialist, I am a compassionate sort, and I think that Labour Members have been unduly hard on the Conservatives. My right hon. Friend the Chancellor and my hon. Friend the Member for Coventry, North-West (Mr. Robinson), the former Paymaster General, were very mean to the former Chancellor, the right hon. and learned Member for Rushcliffe (Mr. Clarke), and to the shadow Chancellor. The Conservatives should be congratulated—not only those on the Front Bench, but those in the serried ranks of their predecessor generations, of whom there have been rather a lot in the past 10 years—on the only successful piece of guerrilla politics in what has otherwise been a sterile, acrid, wasted decade of opposition.

Opposition day debates on spurious subjects and specious axioms are nothing new—indeed, they are the very stuff of these afternoons. It is unbelievable that we are having this debate today, 10 years on, and we can only look forward to the rest of the series of retro-debates. Perhaps next week we could have one on the calamitous independence of the Bank of England and the consequent interest rate crisis, on the disastrous introduction of a national minimum wage and the consequent inflation shock, or on the disgraceful cuts in corporation taxes which accompanied the removal of the pension fund dividend subsidy, thereby causing a sharp, immediately discernible and outrageous rise in investment. Or, with a slightly different flavour, we could debate the consistent reduction of the dividend subsidy by successive Tory chancellors—a gradual phasing out of this market distortion, catastrophically prefiguring its eventual, extremely successful, removal by the Labour Government in 1997.

When the removal of a subsidy becomes a smash-and-grab raid, we really are in the world of doublespeak and upside-down-think. Even "credit" is a misnomer when the institutions in question do not pay tax. This was a subsidy, and one that was widely understood to have serious, long-term, structural, negative effects on the level of investment in the economy. Everybody knew that. We knew it when I worked in the global HQ of a FTSE top 10 company in the early 1990s. The dividend was deleterious, but there was no choice because of the tax regime and because of the expectations that it created in the City. Even the Tories knew that perfectly well. Even Norman Lamont, advised by the right hon. Member for Witney (Mr. Cameron), knew it. That is why he said exactly that when he cut the subsidy for the fifth time in 1993.

Mr. Redwood: Does not the hon. Gentleman understand that it was advance corporation tax—not a subsidy, but a rebate of a tax?

Mr. Simon: It was not advance corporation tax. We are talking about the dividend tax credit, as it was called, which was a subsidy paid in cash to pension funds, which do not pay tax. I am afraid that it is the right hon. Gentleman who does not understand.

This was a subsidy widely understood by the Tories to be deleterious; otherwise, why would they have phased it out gradually on five successive occasions? Their Government were not only pouring cash unnecessarily down the necks of pension funds but incentivising companies to pour their cash down the necks of pension funds instead of reinvesting it into their businesses. Not only did everybody know at the time that something needed to be done, but no serious, impartial, disinterested commentator is in much doubt that, as part of a package including cuts in corporation taxes and increasing capital allowances directly to stimulate investment, it worked.

Mr. Kenneth Clarke: The hon. Gentleman has been encouraged to perpetuate the myth that the great scheme involved cutting corporation taxes. That was not the aim. I refer him to the book of the hon. Member for Coventry, North-West (Mr. Robinson), which makes clear on page 86:

"In the first place, if we were simply to get rid of ACT and leave the other existing arrangements for the payment of corporation tax in place, we would face a net loss to the exchequer in cash-flow terms of over £1 billion per year. This was unthinkable. The road to reform should take us in precisely the opposite direction".

He goes on to describe the way in which they ended up producing a system that resulted in a cash flow to the Treasury of more than £20 billion.

Mr. Simon: I think that I reviewed my hon. Friend's book when he published it. It is an enjoyable read, but I believe that I said at the time that it was perhaps imperfect. It has misled the right hon. and learned Member for Rushcliffe to overlook the fact that at the same time as the dividend subsidy was removed, the main rate and the small firm rate of corporation tax was cut as part of a package that succeeded in stimulating investment. The investment in the economy, profitability and the size of the pension funds increased significantly between the policy's introduction and the dotcom crash of 2000. Everybody knows that.

Mr. Graham Stuart: I wish to ask a simple question. Does the hon. Gentleman believe that taking money out of the pension funds in some way boosted them?

Mr. Simon: No money was taken out of the pension funds. A previous Government's cash subsidy, which was being given to pension funds but was not advancing their interests, was removed for the long-term benefit of the economy. That was immediately perceived to be

successful. That is what happened. The notion that any current problems or changes in the pension industry are attributable to the removal of the subsidy in 1997 is not simply wrong but ridiculous. That is why I am so impressed, as a partisan politician, that the Conservative party has got the subject on the Order Paper an unbelievable decade later.

Let us consider Kaletsky's column in *The Times* last week. I do not know whether hon. Members have read it—none, strangely, has mentioned it. I commend it to everyone. One of the many comments that he made was that

"the claim that the 1997 'tax raid' was the main cause of pension fund closures, or even an important contributory factor, is simply false."

As he goes on to explain:

"The fact is that the pre-1997 pensions industry was not remotely as healthy as its lobbyists have claimed. The closure of traditional private sector pension funds was already becoming inevitable because of regulatory changes imposed by successive governments over the previous 20 years."

We know what kind of Governments they were in the 20 years leading up to 1997, do we not? I do not recall that they were Labour Governments.

Let us be clear: even it were not for the dotcom crash that wiped £250 billion off the value of the stock market; even if contribution holidays—encouraged by Tory Governments through their capping of surpluses—had not been recklessly overused, and even if life expectancy had not risen so dramatically, there would still be major challenges for the pensions industry because of the serious regulatory changes, which fundamentally altered the landscape of the industry, the implications of which were not properly foreseen or understood when the Tories introduced them.

Having to pay spouses' pensions, protect pensions against inflation and offer equitable treatment to early leavers had, along with life expectancy, already doubled the cost of providing private pensions. To quote again the esteemed and disinterested Kaletsky in *The Times*:

"The last straw... was the Major Government's panic reaction to the Maxwell pensions scandal."

He finally quotes Stephen Yeo, as several others have done, who advised the Tories on pensions. It is a shame that he did not tell them at the time that the business of getting rid of the subsidy being responsible for a pensions catastrophe was nonsense.

The Tories know it is nonsense, so what on earth is the motion doing on the Order Paper? To any student of economics or public policy, it would be baffling. To the student of politics—of the cynical, deceitful, disreputable way in which it is possible to practise politics—it is instructive. Hon. Members too often have recourse to Josef Goebbels's line in 1933, which they often misquote and misattribute, that

"any lie constantly repeated eventually becomes the truth".

It is not a line that fits our purpose here because it is far too strong. Conservative Members have not been lying about the matter, obviously.

However, the variation on Goebbels's theme that dear old Willie Whitelaw played to the Conservative party conference in 1985, when he said that

"we must never forget the value of constant repetition to get our message across"

is not strong enough because it does not include the implication that it does not matter how misleading or lacking in truthful content the message that the party in question is conveying is—all that matters is how often one says it.

Any young proto-politicians who seek instruction in the worst excesses of the dark arts should note the sheer, dogged, determination, during a period of utter barrenness, despondency and failure, to keep the non-story alive. Looking back through the records, there is quite a roll of honour from the Conservative point of view, though a complete rogues' gallery from the point of view of serious debate about the pensions on which people are obliged to rely often at the most vulnerable time in their lives.

The right hon. Member for Hitchin and Harpenden (Mr. Lilley), whom I greatly esteem in many other contexts, opened the Budget debate about which we have heard so much in 1997, and claimed that the change in the dividend subsidy, combined with the windfall tax—perhaps another potential Opposition day debate; "the windfall tax on the private utilities" might be a good topic for next week or the week after—was

"a double whammy for pension funds; it is the Robert Maxwell memorial Budget."—[*Official Report*, 3 July 1997; Vol. 297, c. 430.]

In the same year, the right hon. Member for Richmond, Yorks (Mr. Hague) stated that the Budget was

"a double whammy against pensions... It is a smash and grab raid on pension funds in this country".—[*Official Report*, 2 July 1997; Vol. 297, c. 321.]

There is the double whammy theme. In 1998, the right hon. Member for Horsham (Mr. Maude) wittily reminded us:

"Last year we had the Robert Maxwell memorial Budget, with its vicious raid on pension funds."—[*Official Report*, 14 July 1998; Vol. 316, c. 198.]

Vicious? The Chancellor removed a subsidy to stimulate investment—and a year later it is "vicious".

In 1999, the right hon. Member for Wells (Mr. Heathcoat-Amory) told us:

"In the Government's first Budget, there was a £5 billion a year raid on pension funds as a result of the withdrawal of dividend tax credits."—[*Official Report*, 28 April 1999, Vol. 330, c. 351.]

In 2000, Mr. Michael Portillo, typically lyrical, stated that

"the Chancellor is still taking £5 billion a year from the pension funds of people who are now saving for their retirement. He is attacking the people who are trying to do the right thing and want to be independent. He is impoverishing future generations of pensioners, driving more and more of them to be dependent on the state."—[*Official Report*, 13 December 2000; Vol. 359, c. 662.]

The student should pause at this point and remember that that is not only not true, but ridiculous. Everybody knows that it is ridiculous. The Conservatives know that it is ridiculous. When they were in office, they did exactly the opposite from what they say. However, now they simply keep saying it—year after year and over and over again.

In 2001, Lord Strathclyde warmed to the theme:

"I cannot think of any tax rise"—

it is now a "tax rise"—

"more retrograde than his massive tax raid on pensions savings... How can this assault and battery of prudence be defended?... 'it is like Gordon Brown leading a £25 million Brinks Matt robbery every day of the working year.'"—[*Official Report, House of Lords*, 14 March 2001; Vol. 623, c. 853.]

[Mr. Simon]

That goes on and on, right up to three weeks ago, when the hon. Member for Chipping Barnet (Mrs. Villiers) told us about the famous time when the Chancellor "dealt a body blow" to savings with what has now become "his £100 billion raid" on pension funds.

The Chancellor removes a £3.5 billion to £4 billion subsidy to stimulate investment and it becomes a vicious, £100 billion raid on pension funds. For cynical, self-serving, misleading party politics, I take my hat off to the Conservatives. It is remarkable that they managed to get the motion on the Order Paper without the Clerks rolling about laughing and the printers becoming so hysterical that they could not get the document out.

However, for serious debate about people's economic security, it is not funny. To call the ending of a damaging £4 billion subsidy, which the Tories were in the process of phasing out five or six times, a £100 billion smash-and-grab tax is not only ridiculous but disreputable. To be so baldly at odds with the facts is not clever, but to scare people about something that can make them feel so vulnerable is not kind. It is for that serious reason that Labour Members will be glad to vote against the silly motion tonight.

6.30 pm

Mr. Stephen Dorrell (Charnwood) (Con): I begin by declaring an interest as a trustee of an occupational pension fund, and as a director of the associated principal employer.

I want to congratulate my Front-Bench colleagues, for an eerily similar reason to that being used by the hon. Member for Birmingham, Erdington (Mr. Simon) to attack them. Over the past 10 years, the Chancellor of the Exchequer must frequently have quietly congratulated himself on the relatively low amount of political pain that he has had to suffer for the huge amount of money that he has taken out of the occupational pension schemes in this country, and for the damage to which that has contributed during that period. I welcome the fact that a combination of the Freedom of Information Act 2000 and the activities of *The Times* and of my right hon. and hon. Friends on the Front Bench has now brought the issue into sharp relief in the political debate. Those on the Conservative Front Bench should be warmly congratulated on that.

It is worth reminding ourselves why it has taken so long for this issue to take off as a subject of political debate. As my hon. Friend the Member for Runnymede and Weybridge (Mr. Hammond) knows better than most, and my right hon. Friend the Member for Hitchin and Harpenden (Mr. Lilley) probably knows even better, anyone who tries to explain pensions issues in a political context fights an uphill battle. It is too easy for the issues surrounding pensions to degenerate into impenetrable jargon. That is precisely why the Chancellor chose this target in the privacy of the top-floor suite of the Grosvenor House hotel before the 1997 election. It also explains why he chose to present the reality of this tax increase on the pension funds in very delphic language during the 1997 Budget.

If people make an issue sound complex, there are usually two explanations. One is that the speaker does not understand the subject; the other is that they have something to hide. The Chancellor has consistently made this subject sound complex, but not because he does not understand it. He is a very bright man; he understands it with absolute clarity. He has made it sound complex because he has had something to hide, and my Front-Bench colleagues are to be congratulated on at last revealing what he has spent 10 years hiding.

Stephen Hesford: The right hon. Gentleman has, like me, been listening to the debate. Unless I have missed something, no two people have given the same figure for this alleged pension raid, either on his Front Bench or in any other part of the House. Why is that? Is it because no such figure exists, or because nobody understands the issue, as he has just been describing?

Mr. Dorrell: I propose to stick with what I understand and, more importantly, with what my pensioner and employer constituents understand, namely, that it was a key factor of the Chancellor's policy in 1997, as was made clear by the hon. Member for Coventry, North-West (Mr. Robinson), to levy a significant additional tax revenue out of the pension funds. We can argue about the number; the figure that most of us will stick with is £5 billion. The Paymaster General clearly thinks that it is more, because he has drawn the attention of the House to the fact that dividends have risen over the past 10 years, so £5 billion might be an underestimate. The key fact is that that money was previously flowing into the pension schemes, and now it no longer does so. The key questions when additional tax is being levied are: who pays the tax and what is the consequence of levying it? I shall go on to discuss that question in a moment, but I shall give way to the Paymaster General first.

Ed Balls: I am the Economic Secretary. I am grateful to the right hon. Gentleman for giving way. I know that he has a great deal of expertise in these matters, partly because of the time that he spent at the Treasury, where he conducted a review into barriers to long-term investment, which was known as the Dorrell review. If a freedom of information request were to reveal the contents and background papers of that review, what would that tell us about the review's attitude to the dividend tax credit as a barrier to long-term investment?

Mr. Dorrell: We do not need a freedom of information request, because we had the details in glorious technicolour from my right hon. and learned Friend the Member for Rushcliffe (Mr. Clarke), who was Chancellor at the time. It was revealed that we had assessed the options for this measure as a tax-change proposal, and that we rejected it on three principal grounds. The first was a purely practical one, namely, that we feared the effect that it would have on pension funds. The other two were issues of principle, both of which are important to the debate.

The first, to which my right hon. and learned Friend referred in his speech, is that the argument for the change was that it would reduce a distortion in the tax system by reducing an encouragement to dividends and encouraging companies to reinvest in their own activities. That was also an argument put forward by the hon. Member for Birmingham, Erdington, and it was implicitly accepted by the Economic Secretary—I apologise to him for referring to him as the Paymaster General earlier. My right hon. and learned Friend, as Chancellor, made it clear at the time that he disagreed with that approach to policy on precisely the grounds that he set out to the House this afternoon, namely, that capital markets become progressively more efficient, and that,

if we want efficient allocation of capital in the economy—as we should, as an issue of public policy—we will achieve that aim better through capital markets rather than through trapping investment flows within individual companies.

That brings me to the third reason why we rejected the option, which, in view of what has happened since, will be of some interest. We did not agree with the analysis, also put forward by the hon. Member for Birmingham, Erdington, that saw the dividend tax credit as a subsidy to pension funds. It is important to understand why we did not accept that logic. Until the present Chancellor did what he did in 1997, the taxation of pension funds in Britain had always been based on the principle that the revenues going into the funds went in tax free, with the result that we were then able to tax the pensions paid by the funds in the hands of the pensioners. That meant that the capital build-up during the life of the pension took place on a pre-tax basis.

That policy had been pursued for many years, and that was what led us to reject the option that the present Chancellor subsequently adopted. He has created a situation in which the revenues that come into the pension funds via a dividend come in tax paid. For the first time in the history of occupational pensions in Britain, the portion of the financing of the pensions that comes from dividends is now subject to double taxation. It is taxed when the income comes into the pension fund, and again when it is paid out as pension in the hands of the pensioner. That is why I hold the Chancellor responsible for having contributed in a major way to the practical decline of occupational pension schemes over the past 10 years. And that was precisely the practical reason that led my right hon. and learned Friend—ever a practical man—to reject the abolition as a policy option.

Ed Balls: I am grateful to the right hon. Gentleman for giving way again. I am not making an accusation here, because, given the conventions that exist, I have seen none of the pre-1997 papers. I also do not doubt his word that the Chancellor of the Exchequer at that time rejected the case for this abolition. The case had previously been made for a reduction by his predecessor, advised by the right hon. Member for Witney (Mr. Cameron). Did the papers prepared for and submitted to the then Chancellor—the Dorrell review—contain a proposal that the dividend tax credit should be abolished, which was rejected by the Chancellor? Or did the right hon. Gentleman himself reject the idea and the background papers? I ask only because those papers have not yet been made public.

Mr. Dorrell: If the hon. Gentleman wishes to make a freedom of information request, he is no doubt as free as any other citizen of the United Kingdom to do so. What I think he will find is that the way in which I tended to work as a Minister—I suggest to him that it is a sensible way for any Minister, particularly a junior Minister, to work—was to follow the principle that there is not much point in committing a huge amount of effort to preparing a policy option without having first established whether the Minister in charge of the Department is a receptive audience to the proposal. I took the precaution of establishing that my right hon. and learned Friend was not a receptive audience.

Ed Balls: With respect, I began by pointing out the right hon. Gentleman's personal expertise in these matters. I know that his work at the time created a lot of interest, and it was called the Dorrell review, not the Clarke review. I entirely accept that the then Chancellor of the Exchequer made his decisions, but will the papers prepared for right hon. Gentleman for the Dorrell review and the background papers reveal his support for, or opposition to, the measure?

Mr. Dorrell: They will reveal that the options were examined and did not take the form of a final recommendation because we had had discussions that led to a conclusion.

In the case of a final salary pension scheme, the bill for the Chancellor's policy is met by the employer. In the case of a defined contribution scheme, it is met by the individual's pension pot and, ultimately, out of the pension paid to the individual employee. It is therefore completely absurd for Ministers to claim, as they do, that the changes have helped employers, who have ended up paying the additional costs into their pension funds, or individual pensioners who are members of defined contribution schemes, who will end up receiving reduced pensions as a result of the increased burden on their pension fund. That is why it is correct to say that the primary effect of the changes has been to contribute, in a significant way, to the reduction in the availability of final salary schemes outside the public sector by roughly two thirds since this Government came to office.

It is significant that in the Chancellor's responses to interventions all the statistics that he quoted in relation to the availability of final salary schemes ran out in 2000 or 2001. We are now in 2007 and anybody who has been engaged in private sector activity over the past decade must surely understand that private sector pension provision on a final salary basis has been in sharp retreat throughout that period and in particular in recent years. To an important extent, that is a result of the policies that the Government have pursued. It is also true that the primary effect of the changes has been to reduce pensions paid out by defined contribution schemes.

My final comments focus on the secondary effects of the changes. Increased tax burdens have resulted in reduced availability of final salary schemes and in less generous payments by defined contribution schemes. However, there have been two important secondary effects, and it is important that the Government not only accept responsibility for them, but are seen to do so in public debate.

The first secondary effect is that if additional costs to providing final salary schemes are imposed on employers, it has the effect of tipping some employers—marginal employers—into administration and receivership. It is those employers whose employees have been among the primary victims of the changes. Constituents of mine who were employed by the British United Shoe Machinery Company and who saw their savings evaporated, rightly hold the Chancellor not exclusively responsible—the hon. Member for Twickenham (Dr. Cable) was right to say that there were other important contributors—but responsible for public policy. The Chancellor took a position that was poor for those people at the margin and then made it worse. Their pension savings evaporated and they rightly hold him responsible for that effect.

The other secondary effect is much more broadly based across the economy and in the long run, particularly if we can agree to lifeboat proposals for the people who

[Mr. Dorrell]

have been badly damaged by companies that have gone into administration, much more concerning for the social structure of this country. If we take a pension world that is moving more and more towards defined contributions schemes, and where those schemes are, as a result of this tax policy, becoming less generous in terms of the pensions that they pay out, and combine that with the tax credit policies that the Chancellor has also been pursuing, and therefore the increased reliance of pensioners on means-tested benefits, we can see that we have hugely undermined the incentives on people to provide for their old age. The end result of his policy has been reduced individual responsibility because, as my right hon. Friend the Member for Hitchin and Harpenden rightly said, pensions advisers are, entirely rationally, telling people who are on relatively modest incomes that against the background of the high level of means-tested benefits and relatively low levels of pay-out from defined contribution schemes, they do not have much interest in saving for their old age through a pension fund.

We have seen the result of the Government's policy at the margin reducing, to an important extent, the incentive on the citizen to accept their individual responsibility for providing for their old age—what the Chancellor in an earlier age might have referred to as prudence. The effect of that has been the renationalisation of pension provision and a sharp move back towards seeing the state—the taxpayer—as the primary provider of income in old age, rather than encouraging individual responsibility during our working lives.

The key objectives of policy going forward must be to reverse the drift back into state dependency, to encourage independence and to encourage people to provide for their pension in their old age, and to protect to a better degree than the Government have yet shown themselves willing to do—my hon. Friends on the Front Bench have demonstrated that we are willing to do this—those whose interests have been sold down the river by the Brown mugging of the occupational pension scheme.

6.48 pm

Mr. Wayne David (Caerphilly) (Lab): It is important to remember the context of the debate. It is undeniably true, and it is certainly constantly repeated by my constituents, that senior citizens are far better off than ever before. Support for them has been systematically increased by the Government. As we all know, the basic state pension has risen by more than the rate of inflation and a raft of new benefits has been introduced since 1997. Hon. Members will be aware of them. As well as measures on the basic state pension, there is the winter fuel payment of £200 for households with someone over 60 and £300 for households with someone over 80. Free prescriptions and free eyesight tests have been introduced for the over-60s, and the over-75s receive free television licences. As we know, the Pension Protection Fund has been introduced. It is an innovative scheme, the first of its kind in this country. We also have the financial assistance scheme and related measures announced in the Budget. There have been many other measures as well. All those important measures and others have created a favourable situation for elderly people in this country.

Reference has been made to the dividend tax credit changes that were made in 1997. As has been pointed out time and again today, there was an emerging consensus that that was the way forward. In 1993, when Norman Lamont was Chancellor, he cut the credit from 25 per cent. to 20 per cent. He made numerous statements at the time, but I shall quote just one. In March 1993, he said that the dividend tax credit distorted the commercial decisions of British companies. I believe that that was true then, and remained true until the abolition of the credit.

A range of economic commentators and professional economists also said that the whole system needed to be modernised, and that the tax credit was outdated and an impediment to investment. I shall quote just one of those commentators. In his widely read and acclaimed book "The State We're In", Will Hutton said:

"If the tax treatment of dividends...was changed...then the incentives in the system would be redirected towards tomorrow's profits rather than extracting as much as possible today".

It was no surprise when, in 1997, the Chancellor of the Exchequer in a new Labour Government announced that the tax credit would be removed. Not only was the action generally anticipated and not only did it represent the summation of a developing consensus that transcended political lines, but it was widely expected in the stock markets. The day after the 1997 Budget share prices increased by 0.45 per cent., and that was not a one-off: the markets continued to respond favourably for some time afterwards.

We should consider not just the position of senior citizens from 1997 until the present day, but the particular circumstances inherited by the Labour Government in 1997. They may be difficult for us to imagine now. At that time there was still high unemployment, along with relatively high inflation, high interest rates and a large budget deficit. The need to achieve stability and do everything possible to encourage investment was widely accepted in the financial community, and that, I believe, was the rationale behind this and other measures introduced in 1997 and thereafter. Those other measures are also important. It is impossible and wrong to see this measure, which has attracted so much attention in this and earlier debates, in isolation from others introduced at the same time and subsequently. For instance, the Government introduced measures that reduced corporation tax, thus also reducing the burden on companies significantly. That was warmly welcomed at the time, and rightly so.

The difficulties that arose were not connected, directly or indirectly, with the difficulties that have been attributed to the change in the tax credit. As has been pointed out frequently today, there were other reasons for those difficulties. The fall in the stock market and the dotcom collapse were obviously of tremendous importance, and the reduction of about £250 billion in the market value of occupational pension schemes between 1999 and 2002 was enormously significant. Moreover, as at least some Opposition Members have acknowledged, life expectancy has increased. The 12 years for which a 65-year-old man could expect to live in 1950 have now become 20 years, and it is only common sense to realise that such a profound change in demography will have a profound effect on occupational pensions.

Mr. Jim Cunningham: My hon. Friend may recall that certain companies took pension holidays. I know of one major company that took a 15-year pension holiday.

Mr. David: That is also a significant factor. During the 1980s and 1990s, despite rising liabilities, many firms decided to take so-called contribution holidays, which undoubtedly had a huge impact.

Mr. Redwood: Does the hon. Gentleman not concede that a company could take a pension holiday only if the actuary signed a certificate saying that there was enough money in the fund to meet all foreseeable pension requirements?

Mr. David: I do not claim to be an expert, but I suggest that some of the responsibility lies with the actuaries. Certainly we should acknowledge that the fault lies not with the Government's decision in 1997, but with decisions made by individuals on subsequent occasions in complex circumstances. The main point is, however, that if we are looking for reasons for the difficulties that we have experienced, we should look beyond the ending of the dividend tax credit.

Judy Mallaber: Is it not strange that it apparently took the actuaries so long to start warning of the implications of longer life spans for pension schemes?

Mr. David: That is a valid point. While it is always possible to speak with the benefit of hindsight, it seems that the problems that arose at least partly as a result of increasing life expectancy were not identified by those who were supposed to have their fingers on the pulse, and they should look to themselves when these matters are discussed.

Rob Marris (Wolverhampton, South-West) (Lab): It is not a question of hindsight. I was a personal injury lawyer at the time, and I used life expectancy tables to calculate lifetime loss of earnings. I saw new tables every year showing increased life expectancy, and I took that into account in my professional practice. Actuaries advising those in charge of pension schemes clearly did not.

Mr. David: That is an important point. My hon. Friend is clearly far better versed in such matters than I am. I think we should have another debate, here or elsewhere, where they can be examined in more detail.

Those three factors—the fall in the stock market, increasing life expectancy and firms' decisions to take contribution holidays—all contributed, in their different ways, to our current difficulties. Those difficulties are not due to the Government's decision in 1997, as was argued at least initially by Opposition Members today.

Mark Tami (Alyn and Deeside) (Lab): Local authorities were mentioned earlier. Does my hon. Friend agree that it seems to have been Tory authorities that took the pension holidays that caused their employees the difficulties they are now experiencing?

Mr. David: My hon. Friend has identified a moot point. Opposition Members have gone very quiet, perhaps because there is quite a lot in what he has said. It is more than just a rumour or a suggestion; I believe that it may be based on hard fact, and I am sure that my hon. Friend's intervention was based on sound knowledge.

Some commentators, for whatever reason—I suspect that it is more to do with politics than with economics—appear to have changed their position on this issue. The shadow Chancellor, the hon. Member for Tatton (Mr. Osborne), made a passing reference to Dr. Ros Altmann, although he did not mention her by name. The press have described her as being very critical of the 1997 decision, but I was interested to note that historically her view has been somewhat different. In evidence to a Select Committee back in March 2004, she made some very pertinent comments that were quite different from those attributed to her recently. Let me quote from the verbatim reports of that evidence session of March 2004. She clearly stated that the arguments that some had put forward to test the water were wrong because income was reduced by only about 0.9 per cent. She asserted that that was an insignificant amount. She said that the argument that some had put forward was

"simply trying to make a political point but is of negligible size in this debate in practice. Even if they still had the...relief, there would not have been enough in the funds to pay for pensions. I certainly do not want to be associated with any argument that says this problem was caused by the removal of this relief."

Mr. Philip Hammond (Runnymede and Weybridge) (Con): The hon. Gentleman might have been listening earlier when the right hon. Member for West Dunbartonshire (John McFall), who chairs the Treasury Committee, argued that the difference between a 0.3 per cent. annual charge and a 1.3 per cent. charge when accumulated over a lifetime would make a huge difference to the pension pot of ordinary working people. Is not the hon. Gentleman undoing that argument?

Mr. David: I am simply relying on expert objective opinion, rather than on political comment. Dr. Altmann's argument certainly seems to hold water with members of that Committee, and she certainly was convinced of it.

Mr. David Gauke (South-West Hertfordshire) (Con): The hon. Gentleman praises the independent and expert advice of Dr. Ros Altmann. Will he therefore tomorrow support the amendments to the Pensions Bill, which are supported by Dr. Ros Altmann, a number of the hon. Gentleman's colleagues and Opposition Members?

Mr. David: The hon. Gentleman knows the answer to that, so he has asked a rhetorical question. I quoted Dr. Ros Altmann simply to highlight that commentators need a degree of consistency and that it is wrong to quote people's comments in isolation both historically and in terms of their wider contributions. In 2004 when some of the difficulties that we are alluding to were already becoming apparent, she was clear what the situation was.

This is an important debate. I am pleased that it is taking place because, sadly, over the past week or so there has been an unprecedented degree of misrepresentation in the newspapers of this country and from many Opposition Members. As we have addressed the details in this debate, the reality has become clear. The Chancellor gave a tour de force in explaining why the situation that we are discussing came about.

Mark Tami: The Chancellor wiped the floor with his opponents.

Mr. David: I agree with my hon. Friend, and I hope that the newspapers accurately reflect that reality tomorrow morning, but I will not hold my breath.

It is possible to say with honesty and integrity and with hand on heart that the right decision was made in the Budget of 1997. It was the right decision for investment. Investment in the subsequent 10 years has increased

[Mr. David]

dramatically; that objective fact cannot be denied. Therefore, that decision was right for the long-term interests of this country.

7.3 pm

Mr. Ian Taylor (Esher and Walton) (Con): Obviously, by praising the Chancellor's speech the hon. Member for Caerphilly (Mr. David) is applying to him late in life for a job, perhaps as his Parliamentary Private Secretary. I wonder whether he would have made that same speech so willingly in 1997, when the decisions we are discussing were being taken: would he have stressed the benefits of this change in advance corporation tax that the Chancellor had sprung on the House? It is my contention that at that time nobody knew what its full effect would be. The Chancellor certainly did not come clean about it in the Chamber. It is good that he is now belatedly being held to account, simply because we happen to have the Treasury evidence, which came out after 10 years. The Chancellor's remark that he welcomed the Freedom of Information Act 2000 was one of the most amusing comments that he has made in the Chamber, and I hope that it will be included in future dictionaries of quotations. He clung on to information that some of us had anticipated must have existed in the first place—he legally tried to hold it back until he went on a trip, to Afghanistan—namely that he overrode the advice that he had been given and that he knew what the effect of his decision would be, although I suspect that he did not realise how bad it would be.

There is a pensions crisis, although I accept it is not caused entirely by the particular tax change that is at the centre of our debate—I shall come back to that point. There is a pensions crisis because people no longer have confidence in putting enough money aside for their retirement. Not only do they not feel that that is a justifiable saving, but they are unconvinced that the benefits of that saving will flow back to them when they have retired.

Stephen Hesford: I ask the hon. Gentleman to look back to 1990s. Because of Maxwell and pension mis-selling under his Government, people did not have confidence in the system then either, so what has changed if what he says is right?

Mr. Taylor: It is clear what has changed. In 1997 the pensions industry was, according to objective observation, in a good state. Of course, the Maxwell affair raised questions about what might happen, but people did not think that that was a generic problem. However, since 1997 60,000-plus occupational pension schemes have closed, final salary schemes are now regarded as too risky, and some people have lost money because of failed schemes or failed companies that fall outside the recently introduced lifeboat—we will return to that when we address the Pensions Bill tomorrow and the excellent proposals that the shadow pensions Secretary and his colleagues will put forward.

The constituents of the hon. Member for Wirral, West (Stephen Hesford) must be raising concerns. It would be very strange if they were not. *[Interruption.]* Well, the hon. Gentleman must live in an extremely affluent and contented constituency, but in the dark reaches of Surrey the natives are restless.

Stephen Hesford: I am pleased to be able to tell the hon. Gentleman that I do live in a reasonably affluent and contented constituency.

Mr. Taylor: I am delighted that the hon. Gentleman can afford to do so, but some of my constituents have been affected by failed schemes. Arcolectric has a failed scheme. Mayflower is based in Guildford, but its failed scheme also affects constituents of mine. Those people are extremely concerned about their futures, and I hope that the Government will tomorrow adopt the Opposition's amendment on this issue.

However, that is not the only issue that I wish to address. There is a pensions crisis and there is a savings crisis and we must do something about that. How we address those problems is perhaps not a matter for this debate, but I hope that something constructive will come out of it, because I am extremely concerned as the long-term prospect is that the state will not be able to provide sufficient for people in their retirement. People will live longer. Therefore, they will have costs to meet, not least in terms of nursing home care. In those circumstances, we desperately need there to be a thriving private sector pensions industry.

In 1997, it was clearly being rumoured that the Government were thinking of making changes. The hon. Member for Coventry, North-West (Mr. Robinson) made an open speech in which he was also affable—although he did not perhaps always mean to be so—and in which he revealed the truth: secret work was going on at that time to work out how to get more money from the taxpayer without them necessarily realising it. That is effectively what he said in his book, and it is what he has said in the Chamber today. There is nothing wrong with that in the sense that Governments occasionally have to consider how to raise tax revenues. All Governments have a responsibility to do that. It is always better—in the long term, it is better for the reputation of the Government—if they do so overtly rather than covertly, but the exercise undertaken by the hon. Member for Coventry, North-West was clearly covert. Again, I do not necessarily criticise him for being covert before a general election. Political parties do not always put all their policies in the shop window. What was damaging was that the introduction in the Budget was covert, glossed over and spun so that nobody understood its implications. However, the advice given to the Chancellor from several different quarters suggested what the effect might be.

Justine Greening (Putney) (Con): Does my hon. Friend agree that the biggest problem was that the covert change took the choice away from individuals saving through occupational or private pensions, because they did not realise that they needed to decide whether to increase their contributions? They were left thinking that there had been no change and that therefore they did not need to change their provision. They were wrong.

Mr. Taylor: I welcome that point because it underlines the concerns that I have about how we get people to realise the full extent of their personal liabilities for their own futures. Anything that reduces their awareness of what they need to do is of considerable concern.

When the Chancellor introduced his 1997 Budget, he was aware that some of us were already talking about the implications of what might happen. My right hon.

Friend the Member for Charnwood (Mr. Dorrell) was involved in the previous decisions and I was aware that we had rejected a change of the sort that the Chancellor and the hon. Member for Coventry, North-West were considering. Therefore, the first time that the Prime Minister's came to the Dispatch Box to answer questions, in May 1997, I asked him whether he would compensate pensioners for any loss that might arise from the rumoured changes in tax, including a windfall tax and advance corporation tax. Not surprisingly, I got the brush-off with an evasive reply. The Prime Minister merely commented that a windfall tax would not damage pensioners and did not comment on advance corporation tax. He also took some sideswipes at my right hon. Friend the Member for Hitchin and Harpenden (Mr. Lilley) and the pension proposals and reforms that we had put forward before the 1997 election. That attack was disingenuous, because at least we had put our proposals forward for public consultation. They were misrepresented by the incoming Labour Government, but I strongly suspect—as my right hon. Friend pointed out in his speech today—that they subsequently regretted having written off those proposals, which meant that they could not grasp the pension problem for some years.

Lord Simon of Highbury, then a Minister, also apparently made it clear that the changes would be damaging. He also said that the proposed tax change was a particular concern, given its impact on investment in the UK and pension provision. The Chancellor claimed that he was given the opposite advice today—that the decision would help investment. Those issues have been addressed by colleagues in previous speeches, so I shall not go over them.

The Chancellor was aware of the implications, but he did not make them clear in his Budget speech. I am not sure that he fully understood what the implications were. Local authorities have been mentioned, and I checked with my local authority, Surrey county council, today. It said that at the 1998 valuation the deficit on the pension fund was £243 million, but at the 2004 valuation—the latest official valuation—the deficit had grown to £517 million, despite the council making additional contributions of £200 million to reduce the deficit over the period. That prudently run county council has been hit, with the result that council tax payers are paying more. The impact of the measure in 1997 was not only felt by pensioners, but caused collateral damage. Did the Government admit that? Did the Chancellor come to the House and say "Well, I think that this is a necessary measure because we need to raise more money. I have been advised by my Minister"—the hon. Member for Coventry, North-West—"that we have to raise £5 billion and this is how we'll do it. It will of course affect pensioners, but in the long term we think that the pension industry will survive, and of course it will have a knock-on effect on council tax payers, but they must play their part." He did not say any of that.

The accusation against the Chancellor is not that he thought through some measures and happened to come up with some that were tax-raising. That is the job of the Chancellor. The accusation is that he did that in a clandestine, covert way and has never apologised to the people who have been affected. Apologies in the Chamber are always highly regarded and respected by colleagues. The House listens sympathetically if a Member comes to the Chamber and says, "Well, I didn't understand the full implications of what I have been doing. There were merits to my decision and I took good advice, but the effect has been worse than I expected." But even today, when the Chancellor's cover has been blown, we did not hear a word of apology. There was lots of talk about other measures that he had introduced to try to protect from flanking cover the problems that he had caused by that decision, some of which have been beneficial to pensioners, but that does not alleviate the damage to confidence in the pensions industry.

We did not get an apology. Instead, we got bluster, fight-back and statistics that did not make comparable sense with the time scales involved. Interestingly, few of the figures came from after 2001. Heaven forfend that I should have to read the Chancellor's speech in *Hansard* tomorrow, but I think that that is true. That is interesting, because one of the arguments that he has used is that the stock market went up. It is rare that Chancellors claim credit for stock market movements, and he certainly would not wish to claim credit for the fall in the stock market, which logically he should. If he is behind all movements, the fall must also have had something to do with him.

Lord Turnbull said that the Chancellor was behaving like Macavity the cat, and my hon. Friend the shadow Chancellor referred to that. That excellent poem also says:

"But when a crime's discovered, then Macavity's not there!"

Well, the crime has been discovered. The Chancellor was there, but he did not come to the House and own up. That is the accusation that we are making.

7.17 pm

Judy Mallaber (Amber Valley) (Lab): No crime has been committed. That is a ridiculous way of putting things. The statements and analysis given by the Chancellor and others have made the position clear, and they contested very strongly the points made by the Opposition.

It was unclear from the exchanges between the right hon. Member for Charnwood (Mr. Dorrell) and the Economic Secretary what the advice and recommendations were on the relationship between investment and dividend tax relief, and it will be fascinating to read the papers when they are released. I get the feeling that a range of advice was given by the Treasury and advisers from other Departments. It is like what people say about economists—get three economists in a room and one ends up with four opinions. The debate on the advice reminds me of that saying.

We all know what the debate is actually about. I do not have the polemical flair of my hon. Friend the Member for Birmingham, Erdington (Mr. Simon), who was very up front on this issue, but the debate today—certainly for those who initiated it—has been about trying to denigrate the economic record of the Chancellor, which the Opposition have not previously been able to challenge seriously. He has been able to see off one shadow Chancellor after another because of the excellent performance of the British economy under his stewardship.

We have had the longest sustained period of economic growth, with 2 million more people in work and higher incomes for the British people. The unspoken element of this debate is that the Tories want to denigrate the Government's record because their attack has moved from the Prime Minister to the Chancellor ahead of the leadership election. They are determined to damage the Chancellor, regardless of the seriousness and importance of the issues relating to pensions.

Justine Greening: The constituents who came to my surgery this week to raise their concerns about pensions and the Chancellor's smash-and-grab tax raid believe that those are live issues for everyone outside the Chamber. The hon. Lady dismisses their concerns and pretends that we are holding this debate only to pin something on the Chancellor, but that is untrue.

Judy Mallaber: The problem is serious and we need to have a proper discussion about the consensus that we want to build in respect of pensions in the future. However, the way in which the debate has been initiated means that it cannot offer a serious representation of what has happened. All hon. Members know that constituents are worried about their pensions and livelihoods, both now and in the future. No one denies that, but that is not the substance of the debate. Some serious contributions have been made, but there has been little attempt to give a serious representation of what has happened, and why.

The debate is an easy hit for the Opposition. Few people understand the complexities of pensions or the workings of the stock market. Not many are familiar with dividend distribution and the nature of investment, the implications of demographic change resulting from rising life expectancy, or the changes in accountancy laws. The issues are complex, and it is easy to claim that a smash-and-grab raid has been carried out and to say, "The Chancellor stole your pension." That is the soundbite, but it is not an accurate or sensible reflection of what has happened. The truth is very different.

When we look back at the relevant documents, I shall be interested to see what they have to say about the relationship between the abolition of dividend tax credit and investment. It has been claimed that the aim was merely to raise money, and the right hon. and learned Member for Rushcliffe (Mr. Clarke) said that the money was to be used for the Government's employment programmes. As I understand it—

Mr. Derrell: The hon. Member for Coventry, North-West (Mr. Robinson) said that.

Judy Mallaber: I have not read the book that everyone is quoting as though it was the new Bible. I shall have to get a copy.

The windfall tax covered the amount needed for the Government's new deal—a programme which, along with other measures, has cut significantly unemployment in my constituency. It has also enabled us to spend less on funding unemployment, and to have more money for investment in public services.

Mr. Derrell: The hon. Lady does not need to read the book. The hon. Member for Coventry, North-West was in the Chamber earlier, and he made it crystal clear that the change to taxation of pension fund dividends was motivated by a need to raise revenue.

Judy Mallaber: I am sure that my hon. Friends on the Front Bench will respond to that when they reply to the debate, but my understanding is that the change was made to assist in investment—something that I, as a member of the Trade and Industry Committee, consider to be very important.

However, if it was such a bad thing to remove the dividend tax credit, why did the present Opposition cut it five times when they were in government? I return to a question that I asked earlier. Lord Lamont was Chancellor in 1993: did his special adviser at the time support his statement that dividend tax credit distorted the commercial decisions of British companies? The shadow Chancellor refused to answer. He merely resorted to an easy jibe, claiming that I was asking a planted question. That made me wonder why I bothered to stay up late reading so many articles and newspaper commentaries—many of which blamed our current pensions difficulties on a variety of different factors.

My right hon. Friend the Chancellor said that dividend tax relief halved under the Conservatives, so we are entitled to ask whether the right hon. Member for Witney (Mr. Cameron) supported the argument that there would be an impact on investment decisions.

I turn now to the article by Stephen Yeo that has been quoted before. I do not know the extent of his relationship with the Conservative party, as I do not share the great interest exhibited by some of my hon. Friends in such details. However, Stephen Yeo is a partner at Watson Wyatt pensions consultants, and he has said that

"scrapping tax relief was not behind funding problems."

He added:

"I don't think it is even in the top three reasons."

I understand that Opposition Members respect Mr. Yeo and listen to what he says, but he is not the only commentator who does not consider that scrapping dividend tax relief posed serious difficulties for the viability of pension funds. Most of the money gained from cutting dividend tax relief was returned to companies through changes such as the cut of 2p in the pound in corporation tax. The aim was to remove the bias against investment, and to encourage companies to make decisions about future investment based on commercial rather than tax considerations.

We are forced to return to the question of what the present Government inherited. That is quite nice, because we are usually told that far too much time has passed to allow us to talk about what happened under the previous Conservative Government. We are supposed to have moved on from all that but the Opposition have given us the opportunity to return to such questions, as this debate takes us back to the circumstances of 1997.

At that time, the UK was suffering from historic under-investment. For every £100 invested here, Germany invested more than £140, the US and France £150, and Japan more than £160. The various measures taken by this Labour Government have meant that we have had continuous growth since 1997. We have managed to cut the historic cost of unemployment by getting people into work and creating 2 million more jobs.

Mr. Newmark: The hon. Lady has repeated what the Chancellor has said—that part of the motivation was to increase investment. However, what evidence is there that investment has increased? As far as I can see, the facts suggest that investment as a percentage of gross domestic product is at an historic low.

Judy Mallaber: I advise the hon. Gentleman to look at the record of economic growth and rising employment—

Mr. Newmark: I was talking about investment.

Judy Mallaber: The economy is far healthier than it was. The Opposition seem to want to denigrate the economic success that has been achieved. They cannot say that there has been no investment: in my constituency,

companies have been able to invest and to create new jobs. Even Conservative party advisers such as Stephen Yeo do not say that the dividend tax cut was responsible for what has happened with pensions.

Mr. Newmark: Will the hon. Lady give way?

Judy Mallaber: No, as my time is running out.

The suggestion is that the abolition of dividend tax relief was the reason for the present serious problems with pension funds. However, no reference has yet been made in the debate to the TUC, which represents many of those who have suffered as a result of what has happened to pension schemes. If the proposition behind the debate was correct, I do not believe that the TUC would say the following:

"Neither employers nor opposition politicians should be allowed to get away with blaming Gordon Brown for cuts in occupational pension schemes. When the tax rules were changed, pension funds were generally in surplus. Many companies had got used to long contributions holidays, and with typical UK short-termism had no plans for restarting contributions. Many companies used pension surpluses to make people redundant through early retirement.

But when reality returned and employers started facing bills for their pension schemes once again, the retreat from quality schemes began. Stock market pressures and longer life expectancies have caused far more difficulties than the tax change".

Most serious commentators have highlighted three factors behind the development of the problems with pensions. First, employers took pension holidays when the going was good in the 1980s and 1990s, and they did not begin to contribute again when things started to go pear-shaped. Secondly, firms rushed to get involved in the dotcom bubble, which ended with the stock market fall of 2000. According to the Pensions Commission, in the 1980s and 1990s companies should have been investing, not cutting their contributions. As was said in earlier exchanges, they should have been looking at factors such as the increase in life expectancy and realised that more money, not less, needed to be put into pension schemes. I hope that such issues will be discussed in a more serious debate on pensions tomorrow when we consider the Pensions Bill.

It would appear that actuaries suddenly woke up and realised the cost to pension funds of increasing life expectancy. They started getting worried and demanding that each year any potential liabilities should be brought forward. I am not an accountant or an actuary, but other contributors will probably come in and make more points about the impact of that in terms of decreasing confidence in pensions.

It is hypocritical of the Conservatives to accuse my right hon. Friend the Chancellor when they themselves were responsible in considerable part for creating the conditions in which contribution holidays were taken by companies. My right hon. Friend the Member for West Dunbartonshire (John McFall), the Chair of the Treasury Committee, quoted Adair Turner's report, which cited the changes introduced by Tory Chancellor Nigel Lawson in the Finance Act 1986, which forced companies to take contribution holidays. It said:

"indeed not only did contributions fall but they were required to fall by deliberate government policy ... the Finance Act of 1986 ... required pension funds to identify whether ... they had a surplus of 5 per cent. or more, and to take action to remove the surplus within five years, or else lose some part of their tax exempt status."

So the Conservative party cannot deny its responsibility for what was clearly an important factor.

I am proud of a number of things that we have done to assist with pensions. I am proud of the number of pensioners in my constituency who have been taken out of poverty. I am proud that pensioner households will be £1,500 better off in 2007-08 as a result of the way in which the tax and benefits system has developed. I am proud that the average household will be £2,200 better off and that the 2007 Budget will lift a further 60,000 pensioners out of paying tax. I am pleased that we have introduced the Pension Protection Fund and that extra money has been announced for it in the Budget.

A lot of things have been put forward by the Conservative Opposition that have not been based on a serious analysis. My concern is that we should return to having a serious debate. I agree absolutely with the hon. Member for Putney (Justine Greening) that these are serious issues. None of us would undermine that assertion. I do not think that the to and fro of political polemics, in which I now find myself engaging as well, necessarily helps us take those arguments forward. These are serious issues.

Mr. Mike Weir (Angus) (SNP): Will the hon. Lady give way?

Judy Mallaber: I am coming to the end of my time, if the hon. Gentleman does not mind. We need to look at issues such as increasing take-up of pensioners' entitlement. I applaud the work of welfare rights teams and other organisations in my constituency to increase benefits take-up. We need to look at investment decisions and the effects that they have.

We desperately need a consensus on the future of pensions. I thought and hoped that that was the direction in which we were going, so I have not found today a helpful diversion. We need to look at the future of our pensions system, which was created in conditions very different from today's. Demographic changes have taken place since them. In the past we had different family and working patterns. We were not dealing with the problems of carers, for example, which I talked about in the Second Reading debate on the Pensions Bill. I hope that we can return to a serious debate on those issues, which are complex and difficult, and that we will get away from the back-biting and polemics and move seriously towards the consensus on our future pensions system that we so desperately need.

7.34 pm

Mr. John Redwood (Wokingham) (Con): I am a company director and the trustee of a pension fund, and I have put that in the Register of Members' Interests.

Before I came into the House I was involved with the direction of investments for a wide range of pension funds and I have in other capacities kept in touch with the pension world. In all my adult life, I have never known the occupational pension movement to be as weak as it has been from 2002 until today. We need to understand why it is weak and the origins of the problem and we need to look carefully at the Chancellor's defence of his actions.

The Chancellor and the Economic Secretary to the Treasury were at their cleverest today as they sought to find a contortion of an argument to get themselves off

[Mr. John Redwood]

the serious charge made by my hon. Friends on the Front Bench and others—that one of the main causes of the disarray in pension funds has been the removal of about £5,000 million a year of income by the cancellation of the tax credit and the advance corporation tax system that was in operation before this Government came to power.

The Chancellor's main defence seemed to be that it was good for companies to have that money taken away, that it meant that the companies would be able to invest more in themselves and that this would create extra value. One of the most important trustee rules in most pension funds is that they cannot invest in the company concerned, because that would increase the risk. The whole idea of a pension fund is that it should be separate from the company itself. However, if we take the Chancellor's argument more generously, we could suppose that he was looking at the whole population of companies and he thought that, had there been this shift from distribution to investment, all companies would have done better. Of course, the truth is that that shift did not occur. We have heard good evidence already today that the payout ratio of profits going in dividends actually rose despite the change in the tax system.

So the Chancellor is left arguing the rather ludicrous proposition that if you take a fifth of someone's income away they will be better for it. I asked the Chancellor of the Exchequer the terribly simple question—he is an intelligent man—whether, if I took a fifth of his income away, he would be worse off or better off .

Mr. Newmark: He did not answer.

Mr. Redwood: He did answer. My hon. Friend is quite wrong. He answered from a sedentary position and he said no, he would not be worse off. I have a simple suggestion for the Labour Front Bench. If it is the case in Labour economics that you are not worse off if you take a fifth of your salary away, will they all take a fifth of their salary and give it to the pensioners who do not have enough pension as a result of the policies that the Labour Government have been following? They would find it useful, and obviously the Chancellor does not think that it is very useful to himself.

The Chancellor said that it would not make him worse off because he knew what was coming next. The second part of my question was, if taking a fifth of his income away would make the Chancellor worse off, would not taking a fifth of pension funds' dividend income away make them worse off? The Chancellor is left trying to argue that it does not make them worse off if the Government take that money away.

Perhaps the Chancellor does not understand the full power of compound arithmetic. A pension fund is a long-term fund. It may have a life of 50 or 100 years; it depends how long the company goes on making those promises and how long the members and pensioners live before the fund has finished its task. Every year, all those pension funds are receiving £5 billion less—probably more than that now; the Chancellor will not tell us the accurate figures—owing to the cancellation of the tax credit. It is not just that the pension funds are short of £5 billion a year. They would invest that £5 billion. Given that equities and property have been doing well in most of the years I have been involved with markets, after, say, seven years the £5 billion would be £10 billion because the £5 billion would have increased by 10 per cent. per annum. The funds would have £10 billion more just from one year's dividend tax credit that has been forgone. Then the next year another £5 billion has gone missing; in 10 years the amount forgone would be perhaps worth treble. So a large amount of money has clearly been forgone by the pension funds.

We then come to the Chancellor's second very clever argument. He says, "Ah, yes, but between 1997 when the money began to be taken away and 2000, stock markets went up." Yes, that is quite true, Chancellor of the Exchequer. So he says, "Therefore, no damage was done because what pension funds lost on the dividend tax credit they made up on the share gains." This is where stopping the clock at 2000 is an important part of the trick argument. From 2000 onwards, there was a sharp crash in the market.

If the Chancellor were here he would say, "Yes, but markets around the world fell so it was not just a British problem and it was not a result of my actions." I have looked at the extent of the market falls in Britain and around the world. The evidence is clear that the British stock market fell by considerably more than the New York, Frankfurt and Paris stock markets. All the major markets performed rather better than the UK market. We can make a strong case that the extra decline in the London market reflected the economic policy of Her Majesty's Government, especially the taxation policy.

I will make a concession. It was not just the removal of the tax credit; another important tax change had quite a big impact on share values and that was the decision to take £22 billion out of the leading sector at the time—the telecoms industry—in the form of the auction tax so that companies could carry on trading. That had a huge impact on the share values of Vodafone and BT, which were the leading investments in most pension funds at the time. There was a double effect. The pensions tax—the biggest item—and the telephone tax completely smashed the equity valuations in typical UK pension funds.

Stephen Hesford: Although I do not accept that there is any connection between what the Chancellor did and the so-called drop in the equity market, if the thesis of the right hon. Member for Wokingham (Mr. Redwood) was true and if that situation is continuing—because there has been no real change in the position over the past six years—the stock market would not have recovered to more than it was when it crashed. That would not have happened if the right hon. Gentleman's thesis was true.

Mr. Redwood: I am afraid that the hon. Gentleman does not understand stock markets. On an earnings multiple valuation, the market has not actually risen at all in recent years; all that has happened is that earnings have gone up a bit and the stock market has kept pace with that rise. In real terms, the stock market is well below where it was at the market peak and it has not yet moved on to a higher valuation basis, as it had done before the full impact of the changes was discounted by the market.

I am not saying that the entire market drop was the direct fault of the tax changes. Quite a bit of it was a worldwide phenomenon; liquidity was withdrawn by

central markets around the world, so world markets dropped. The extra fall in the United Kingdom is clearly the result of tax changes in the UK, so the Chancellor's argument for getting out of jail tonight—that because share prices rose for a couple of years all was well—has to be looked at in the light of the fact that what happened next was that share prices fell. Clearly, if £5 billion is taken out of companies' income, their shares will be worth much less.

I did the sum for the Government shortly after the first Budget. In the Budget debate, I said from the Dispatch Box how damaging the proposals would be. I then made a back of the envelope calculation that they would cost £100 billion. It was an easy sum to do, because in those days the markets valued companies on 20 times earnings. In effect, £5 billion was being taken from company earnings, so multiplying that by 20 meant that there would be a £100 billion capital hit. In practice, the excess drop in the London stock market was more than £100 billion compared with other world stock markets, but that reflects the telecoms tax and other adverse factors that were then discounted by stock markets.

The Secretary of State for Work and Pensions is shaking his head in disagreement; in the wind-ups it will be interesting to hear his argument why taking £5 billion a year from company income does not have a negative impact on values and why one should not calculate how much more the London stock market fell than other stock markets.

Mr. Newmark: The point made by the hon. Member for Amber Valley (Judy Mallaber), which was the Chancellor's argument, too, was that the measure would increase investments. However, the reality is that investment, especially as a percentage of gross domestic product, went down, which in itself leads the Chancellor's thesis to fall flat on its face.

Mr. Redwood: My hon. Friend makes another extremely good point. Other colleagues have also referred to it. On the Labour Government's watch, 1 million manufacturing jobs have gone and a large amount of industry has transhipped to more clement locations abroad, with better tax and regulatory structures and a more favourable environment for business. The hon. Member for Amber Valley (Judy Mallaber) lives in a dream world when she says, "But we all know it's so wonderful". Tell that to the 5 million people on benefits who cannot get a job. Tell that to the million people who lost manufacturing jobs in recent years. Tell that to the hundreds of thousands of people who no longer have access to final salary schemes or whose promises from such schemes will not be honoured in full, or who are nervous because they fear that those promises may not be honoured.

Labour Members—although not normally the Chancellor, I am pleased to say—seem to think that the origins of the problem lie in the so-called pension holidays. It is true that in the 1990s a number of companies either cut their contributions or ceased to make them, which was sometimes beneficial for employees, because some of the schemes had employee and employer contributions. However, Labour Members really must understand how pension funds operate in this country. Each fund has to have not only an independent trustee board, but a consulting actuary who has to produce a calculation to tell the trustee board and the employing company how much money has to go into the scheme to ensure that pensions can be paid in the future. All the companies that cut, or removed, their contributions had signed actuarial certificates stating that they need not put in more money; indeed, they were often told that they could not put in more money.

The rules are still the same. There are limits on how much anybody can put into a pension scheme, because it is a tax shelter. The rules are clear: a pension scheme cannot be overfunded beyond a certain amount, because it would be an unreasonable use of the tax relief, and that is right. The Conservative Government were right to impose a limit on the tax relief for funds and the Labour Government were right to continue with it. However, it is quite wrong to say that companies are to blame for a shortfall that emerged 10 years later; they had super-solvent funds at the time and the rules and regulations and tax requirements meant that they could not put more money into the schemes. Indeed, it would have been foolish of them to have done so.

Lynda Waltho: The Pensions Commission concluded that although employers should have been increasing contributions during the 1980s and 1990s, in fact they reduced them. Can the right hon. Gentleman explain that conclusion?

Mr. Redwood: It is wrong. The funds all took sensible advice when they were solvent, which was why they were allowed to stop making contributions. Had nothing else changed they would have carried on being able to meet their promises. At a certain point they would have resumed making contributions, depending on the balance between liabilities and assets in the valuations.

Stephen Hesford: But that is precisely the Chancellor's defence. If conditions had remained the same as they were when he made his decision, we would not be having this debate. What happened was that the conditions changed much later on. It was the changed conditions that made pensions go down, not the Chancellor's decision.

Mr. Redwood: Of course conditions changed; the main change was the tax increases that did all the damage. Subsequently, actuaries decided that they wanted to make more provision for longevity, which needed to be paid for.

There is a certain symmetry in the figures. My £100 billion guesstimate—a rough guess based on a simple calculation—has been turned into a much firmer figure by people who have made sophisticated calculations. They are trained actuaries—unlike me—and they say that £100 billion is not a bad estimate of the damage done by the tax changes. The longevity problem created a potential extra deficit, which is being taken care of by the increased contributions. The symmetry is interesting because the cumulative aggregate deficits are about £75 billion—they were about £100 billion but the stock market has performed better recently, which has helped—which is similar to the figure that many actuaries say would be the discounted cost of forgoing the £5 billion or more of income in the form of the tax credit that is being removed year after year.

One of the things that Government could do to help the debate is to provide proper information so that we can calculate the figures more accurately. I have often asked them to give me the run of numbers for the imputation tax credits forgone over the past 10 years. I

[Mr. Redwood]

believe that the £5 billion included charity funds, so perhaps in the early days the figure was not £5 billion for pension funds overall, but I suspect that it is rather more now because the distribution rate has gone up, as have profits and dividends, so one would expect the credit to be worth more. I assume that is why the Government will not give me the figures, because if the amount were lower they would want people to know. However, it would be good if they published the run of figures so that we can run proper actuarial figures again, based on the actual figures that the Government can work out from the state of the funds and the dividend incomes flowing into them.

Funds today have less equity dividend flowing into them proportionately than 10 years ago when this dreadful business started, because many funds have been forced by regulatory, actuarial and other pressures to switch quite a lot of money from equities into bonds, so the figures would need adjusting for that factor, too. When the crisis hit, UK pension funds, quite reasonably, had two thirds or more of their assets in equities. They were growing assets, which, taking the normal run of years, outperformed bonds, but because of the crisis pension funds have now been talked into a much higher bond ratio, at a time when bonds are expensive and yields are low, partly due to the bubble effect of the regulatory pension fund crisis.

We could now be seeing the beginnings of another crisis in pension funds, because they can no longer make as much on investment gain to get out of trouble as they could 10 years ago before so many of them were switched into bonds. Why are they being switched into bonds? That is happening because the actuarial profession is becoming very cautious and primarily, of course, because so many of the funds are now closed funds. There is a case for saying that we need to be more cautious with a closed fund than with a growing or open fund.

It is a tragedy that many of our young people will now have no access to final salary schemes—and it was an avoidable tragedy. It means that the remaining population of pension funds are being run in a much more defensive and negative way. That means, paradoxically, that they have a bigger problem with meeting future liabilities, because asset growth is less and the calculation of assets versus liabilities is even more unfavourable.

In today's debate, we have heard estimates of the deficit ranging from £75 billion to £550 billion. That shows that we are dealing with an imprecise science and also tells us that there are different bases for working out the figures. The £550 billion figure was based on the assumption that all the funds are now going to be wound up and annuities purchased through insurance companies based on long bonds. That shows what a difference there is between trusting a bond investment and the £75 billion to £100 billion deficit figure that is based on the assumption that healthy funds can continue and will continue to grow along with growing investments.

Of course, investment gain is very important in these funds, but it is quite ridiculous of Government Members to try and argue that having £5 billion or so less a year to invest does no harm whatever to investment funds. They need more money and the main reason for that is that the Government took the money away.

7.51 pm

Lynda Waltho (Stourbridge) (Lab): I am pleased to contribute to tonight's debate, not least to put some facts and figures on the record that have been ignored so far.

I am glad that my hon. Friend the Member for Caerphilly (Mr. David) mentioned some of the positive effects that the Government have had on the lives of pensioners since coming to power in 1997, but he missed out a few that deserve a mention—not least the fact that the basic state pension is now guaranteed to rise in line with prices or 2.5 per cent., whichever is the higher, as we move to increase that pension in line with earnings. Pension credit ensures that no pensioner need live on less than £119 a week from 2007-08 and we have also introduced stakeholder pensions and the Pension Protection Fund, not to mention the financial assistance scheme.

I apologise for referring to my notes, but there are some figures that I really want to get right. As the Chancellor noted in his opening speech, many of the measures that we have implemented were opposed by Conservative Members, who called today's debate. In 1997 when we came to power, it was necessary to address historic under-investment and short-termism. The main rate of corporation tax was too high, pension funds had the incentive of encouraging companies to pay out large dividends, which inevitably had an impact on investment decisions. Dividend tax credits alongside corporation tax disadvantaged British-based international companies and an increasing amount of dividend tax credit—about £1.8 billion—was being paid to shareholders other than pension funds.

Our package of reforms included a reduction in the main corporation tax from 33 per cent. to 31 per cent., as well as the removal of the dividend tax credit, a reduction in the small companies' rate of corporation tax and increased incentives for investment, including increased capital allowances. Those changes encouraged long-termism in the British economy. Abolishing payable tax credits allowed companies to base their investment decisions more on long-term commercial requirements and less on the need to pay high dividends.

Our reforms encouraged higher levels of investment, helping to account for a rise in business investment. In fact, the figures show that foreign direct investment has risen threefold since 1997 and is now at its highest level since records began. In the quarter after the summer 1997 Budget, business investment grew by 1.75 per cent., then by 6.1 per cent., and then by 7.1 per cent. So between the 1997 and the 1998 Budget, business investment rose by 16 per cent. Since 1997, total business investment has risen by 60 per cent., compared with 34 per cent. in the previous decade. Whole economy investment has risen in every year since 1997—a decade of rising investment. In the previous 18 years, investment growth was negative for a quarter of that period.

The purpose of the changes was, of course, to make companies more profitable and to enable them, by being more profitable, to resume higher contributions to pension funds and to pay higher dividends. Companies were more profitable after tax, as rates of return rose from 13.5 per cent. in 1996 to 15.1 per cent. last year—higher than ever before. Companies could afford to pay more in pension contributions, which were up 16 per cent. by 1999 and almost three times as much by 2006.

Funds enjoyed high dividends despite the dividend tax credit change between 1996 and 1999, and even the dividend income of pension funds was higher in 1999 than it was in 1996. Companies did put more money into the pension fund. By 1992, total contributions, less refund, totalled £13.7 billion—an increase of £2 billion compared with 1996. Before Opposition Members jump to their feet to say, "Give the woman a job" or whatever, I want to make it clear that I am very happy being a Back-Bench Member representing Stourbridge and a PPS in the Northern Ireland Office—and I do not want another job.

Justine Greening: The hon. Lady mentioned that, on coming to office, the Chancellor reduced the small companies rate, but in the last Budget he increased it. Is she as concerned as I am that that, combined with the personal accounting legislation that will make companies match contributions, will produce a total burden that could be difficult for small companies to manage?

Lynda Waltho: I do not share the hon. Lady's concerns because I believe that her analysis is incorrect. We cannot have it both ways. Either we analyse what happened in 1997 or compare it with how successful our economy is now.

Pension fund assets rose by £270 billion between 1996 and 1999. Dividends, employer contributions, employees contributions and total income all rose in 1997 and all were higher in 1999 than in 1996. It was disingenuous of the shadow Chancellor not to acknowledge that, or the fact that pensions were hit by a series of problems after 2000—not least the stock market fall that year, which accounted for a reduction of £250 billion in the market value of occupational pension scheme assets between 1999 and 2002.

Increasing life expectancy, referred to by my hon. Friend the Member for Amber Valley (Judy Mallaber), should also be mentioned. Rising life expectancy obviously means that pensions are in payment for more years, thus increasing a fund's liabilities. Many firms made the decision during the 1980s and 90s, despite rising liabilities, to take contribution holidays—they were encouraged to do so—in the belief that a bullish equity market was a long-term trend. Many funds continued with those holidays after 1997. Indeed, as I mentioned earlier, the Pensions Commission concluded that employers should have increased contributions in the 1980s and 90s, but in fact reduced them.

I think that the most interesting thing we have heard this afternoon is that, despite having called this debate, the Opposition are not committed to reversing the changes. Time and again, when given the opportunity, they have declined to say they are going to reverse them. Given their record on pensions, even if they said they would, I am not sure whether anyone would believe them. After all, the Opposition have very little credibility on pensions. They presided over the pensions mis-selling scandal, which caused misery to millions, destroyed confidence and seriously damaged the pensions industry in the process.

The Opposition also presided over a growing gap between poor and better-off pensioners. From 1979 to 1997, the incomes of the best-off pensioners rose by 80 per cent., whereas the incomes of the poorest fifth grew by only 30 per cent. They left 2 million pensioners living in poverty and expected a pensioner in 1997 to live on just £68 a week. Many pensioners could not afford to keep warm in winter, and we all remember the phrase "heat or eat."

Just as the Opposition's record means that they have no credibility, their values mean that they cannot really come up with a coherent plan for their future, or our future for that matter. As a matter of ideology, based on their values, they cannot be trusted to do what is needed to deliver social justice and opportunity. They say they want to tackle poverty and do more for pensioners, but they condemn the increases in public spending needed to do that and call them financially irresponsible. Their so-called proceeds of growth rule commits them to cutting public spending every single year. Their leader himself said:

> "As that money comes in let's share that between additional public spending and reductions in taxes. That is a dramatic difference. It would be dramatically different after five years of a Conservative Government."

If that rule were in place now, spending would be £21 billion lower than the Government plan, and lower still in the future. It is impossible to make those savings without hitting pensioners hard. For all the Opposition's supposed outrage on behalf our pensioners, there is no suggestion that they are going to restore the dividend tax credit—let alone match our spending on pensions—yet they have been allowed to get away with their own policy vacuum.

The closure of occupational schemes was not caused by the decision to cut dividend tax credit. However, we all have constituents who have been affected. That is why I would like to welcome the measures announced by the Chancellor in last month's Budget and referred to earlier. The Chancellor announced that the Government will greatly increase the money available to the financial assistance scheme, to £8 billion in cash terms. The increase will ensure that pensions of all eligible members of affected pension schemes are topped up to a level broadly equivalent to 80 per cent. of their core pension rights accrued in their scheme. The cap on maximum assistance was increased from £12,000 to £26,000. As a result, the number of people helped will be trebled. The Government are also committed to keeping the financial assistance scheme under regular review. I am pleased that more help is going to be provided for people who have lost their occupational pension scheme as part of their company's insolvency.

That action shows that the Government have listened to the arguments of campaigners and to Members on both sides of the House, and have complied with the order in the recent High Court judgment, and that is another reason why pensioners—when looking at the policies put forward by the Government and the Opposition—will see through the crocodile tears and, despite the Opposition's posturing on this issue, will see that they have no plans to reinstate the dividend tax credit, nor to support our measures that have made a positive contribution to pensioners' lives over the last 10 years.

8.2 pm

Justine Greening (Putney) (Con): I am pleased to be able to make a contribution to the debate today. I am also aware that many Members still want to make their contributions, so I shall try to keep my comments quite brief. I want to touch on the longer-term impact of the changes that the Chancellor has made in relation to

[Justine Greening]

occupational pensions and, in particular, I want to talk about young people taking out occupational and also private pensions.

There is no doubt that the Turner report raised a number of issues about the pensions crisis. It talked about the fact that the sorts of advantages that pensioners currently have will not be enjoyed by people who are pensioners in 30 years' time, and about the fact that the dependency ratio, which we have not really discussed today, is dramatically increasing. It is not just a question of longevity increasing. The reality is that the number of people who will be expected to fund the state pensions is declining in relation to the number of pensioners that there will be. We have some serious problems. Turner pointed out that even if we have what could be called a modest rise in public expenditure on pensions in proportion to GDP—going from the current 6.1 per cent. to 6.9 per cent. in 2054—that would imply a 27 per cent. fall in average pensions relative to average earnings. For us to match the current level of pensions in relation to earnings, we would need to raise the proportion of public spending on pensions to 13 per cent. of GDP.

Turner's conclusion was that that simply is not affordable, and therefore future pension provision has to involve people looking to their own private provision. That is why the changes that the Chancellor made in his first Budget were so damaging—they fundamentally undermined people's confidence in being able to do that. I want to talk, in particular, about the impact that it will have on younger voters. Twenty-somethings living in Britain today will face a double whammy. Not only will the money that they pay into pensions be worth less because they will disproportionately suffer from the tax take—it will affect the entirety of their pension contributions, should they choose to make them—but they will be a generation that has disproportionately to fund an elderly generation claiming state pensions, in a way that no generation has had to do in the past.

There are some serious barriers when it comes to young people and their ability to afford the consequences of the pensions crisis that has been stored up. Unfortunately, the issue goes further than that. For example, earnings have risen in recent years, but the earnings of young people between the ages of 18 and 29 have risen at only a third of the rate of people in the age group above them—30 to 39. In fact, 56 per cent. of those who graduated in 2002 are still dependent on their parents for some form of financial support. That is an amazing statistic.

When it comes to those who will graduate in the coming years, we also know that the financial rate of return on degrees—a degree has often been seen as a way of being financially independent and being able to provide for oneself in the short, medium and longer term—has fallen. A study in 2005 by the university of Swansea said that, for some graduates, investing in a degree may have a negative rate of return. That is an important point. For a long time, the Government had a policy of getting 50 per cent. of all young people into university. Some people may have taken a decision on the basis that they thought that it would be financially appropriate, given the rate of return, but it has not been. Not only that, the other aspect is that we know that the average graduate a couple of years ago left with debts of about £14,000, but the average person entering university now will leave with debts of £20,000. It is okay for the Government to come up with schemes such as personal accounts, which are there for young people to use to save, but my point is that aside from young people's lack of confidence in the pension system, they also simply will not have any disposable income to be able to invest in their long-term financial independence. These chickens are in danger of coming home to roost.

Only last month, the Chancellor raised tax on low earners with no children. Again, those affected will disproportionately be young people. At the very time when we are hoping that this generation will be able not just to provide for themselves in a way that no young generation has had to in the past, but pay for more pensioners than any generation will have had to do in the past, they are having money taken off them by the Chancellor. That is happening not just when they invest in their pension pot—they will have to put up with this tax grab for longer than any other generation—but because they are having their income taxed more than it has been in the past.

It is naive of the Government to think that putting in place new tools will necessarily mean that young people are in a position to use them. There is also the issue of whether many young people today believe that they are contributing to an adequate state pension through their national insurance and tax contributions. The National Consumer Council said:

> "Younger consumers are not convinced that they are building up rights to an adequate state pension when they pay tax and National Insurance contributions."

People fundamentally do not have confidence in the system that they currently pay into. The key statistics show that, whatever the warm words we have heard from those on the Government Benches tonight, what matters is what people in the real world think and their response to the policies that the Labour Government have brought in.

There are clear-cut statistics that show what is going on with younger people and their pension provision. Let us look at the "Living in Britain" general household survey, which was carried out by the Office for National Statistics. It shows that in 1995, 40 per cent. of all men aged between 18 and 24 in full-time employment had pensions. By 2003, the figure had fallen to just 27 per cent. We might have thought that given that more women were in the work force over that period, more would have been taking out pensions, but we would be wrong. In 1995, 46 per cent. of women aged between 18 and 24 in full-time employment were saving in an occupational or personal pension, but by 2003 the figure had fallen to 30 per cent.

The situation was similar for the next age group up. In 1995, 91 per cent. of men aged between 25 and 34 in full-time employment had either an occupational or personal pension. However, the figure in 2003 was 63 per cent., so the number of people in this country providing for themselves independently of the state has gone backwards. The situation was similar for women. Back in 1995, 83 per cent. of women aged between 25 and 34 in full-time employment had an occupational or personal pension, but the figure had fallen to 66 per cent. by 2003. There are similar statistics for people aged between 35 and 44.

There has thus been a reduction in people's confidence in providing for themselves, but we also know that people lack confidence in the state's ability to provide

for them. We are left with an intractable situation with the result that young people are choosing not to save at all. They are hoping against hope that things will be okay by the time that they retire, although I am sure that many of them would not be able to explain why they necessarily think that that will happen.

Many young people have seen what has happened to house prices. There have been many negative stories about occupational pensions and we have only to read the papers to find out about the Government's utter dismissal of the parliamentary ombudsman's report and their response to the mis-selling of pensions. People are thus being given the message that they should not trust the Government, especially not this one. When young people think about where they might want to put their money, the message that seems to be getting through to them is that rather than investing in pensions, it would be far better for them to invest in houses, given that that is the way in which their parents have made most money in recent years. All of us in the Chamber know that that is not necesaarily a wise long-term investment strategy.

I am worried that a generation of young people in this country do not think that there is any reason why they should want to invest in a pension. That has been a problem for a long time, and we understand why: retirement seems to be long in the future for young people. However, the steps that the Government have taken have undermined people's confidence in investing in pensions, as is shown by the statistics in the ONS survey to which I referred.

If young people choose not to invest in pensions, they will end up with no pension provision for themselves and be dependent on the state for support. At the moment, people talk about a grey pound that keeps the economy going, but there is a real danger that people will talk in the future about a grey penny because our pensioners will not be well-off, so they will not be spending money and keeping the economy going, which has been the case up until now.

The problem is serious. We should not ignore the damage of the Chancellor's change to tax credits on dividends and the dismissal of the ombudsman's report. Young people latch on to that, as well as the lack of confidence and their parents' experience of pensions. Eventually, the effects of what we are doing now will come home to roost. I am greatly worried that we have a Chancellor, who is likely to become Prime Minister, who is so dismissive of this.

8.14 pm

Stephen Hesford (Wirral, West) (Lab): Rather like one of my colleagues, I want to treat the debate as what it is. It has been set up by the official Opposition not for a serious discussion of pensions, but as a purely political debate.

I welcome the hon. Member for Twickenham (Dr. Cable) back to the Chamber. If one were to consider the debate as a prosecution of the Government by Conservative Members, the hon. Gentleman, in what others have called a thoughtful address, acquitted the Chancellor of the main charge. However, he then strangely declared that he would vote with the official Opposition. That is a matter for him, but I suggest that he is taking a populist stance. If there is no conviction, there can be no real support for the Conservative motion.

Like many hon. Members, I have listened to the debate as it has unfolded. The contributions made by senior Conservative Members were revealing, unlike the sixth-form debating style of the shadow Chancellor. The right hon. and learned Member for Rushcliffe (Mr. Clarke), who has some unclean hands here, was long on rhetoric but short on facts. I suggest to the House that that encapsulates what he was like when he was in office. When my hon. Friend the Economic Secretary to the Treasury forensically probed the right hon. Member for Charnwood (Mr. Dorrell) about what the Dorrell review would have shown, if we had seen the papers, there was a strong suspicion in my mind that the review would have supported what my right hon. Friend the Chancellor went on to do and that the proposal was rejected by the former Chancellor, the right hon. and learned Member for Rushcliffe, on the basis of not argument, but politics. It seemed to me that there was some mileage in the accusation made by my hon. Friend the Member for Coventry, North-West (Mr. Robinson), in his cuddly way, that the right hon. and learned Member for Rushcliffe did not have the guts to take that political decision. The House will want to ponder that.

We then heard the speech of the right hon. Member for Charnwood. The charge sheet for today's debate is:

"That this House has no confidence in the Chancellor of the Exchequer's handling of occupational pensions",

and the basis of that charge is the cut in DTC, but the right hon. Gentleman ended up saying that what the Chancellor did was, to use his words, relevant at the margins. It seems to me, as it might seem to the House later on, that it is difficult to convict someone of an offence if what they did was relevant only at the margins, even if that were true.

The next senior Conservative Back Bencher from whom we heard was the right hon. Member for Hitchin and Harpenden (Mr. Lilley). He got himself in a twist by seeming to accept at one point that there was probably no deficit as a result of the DTC cut. If we were relying on that speech to convict the Chancellor of the charge in the motion—it is a serious charge, and I will come on to the motion's wording in a moment—it would be very flimsy evidence.

The next senior Conservative figure to make a speech was the right hon. Member for Wokingham (Mr. Redwood). He seemed to take a different tack from the shadow Chancellor. The burden of what he said seemed to be that the Chancellor's decision to cut DTC had had an effect on the stock market. The problem with that argument was not only that it abandoned the main burden of what the hon. Member for Tatton (Mr. Osborne) had been saying, but that—I pointed this out in an intervention—if the right hon. Gentleman's logic was right, the stock market could not have recovered under this Government, although it has. It seemed to me—*[Interruption.]* Does the hon. Member for Runnymede and Weybridge (Mr. Hammond) wish to intervene?

Mr. Hammond: I will, if the hon. Gentleman insists. I was simply making the point that just because a man loses a pound, it does not mean that he cannot get richer over time. We argue that the tax grab has had a serious, negative effect on the value of pension funds, and his argument does not counter that point at all.

Stephen Hesford: The hon. Gentleman is not listening; I said that the right hon. Member for Wokingham was making a different point. He had abandoned the point that the hon. Member for Runnymede and Weybridge

[Stephen Hesford]

just made, and was making the point that the dividend tax credit cut had somehow affected stock market value, and that that was why there was a pensions crisis. So the right hon. Member for Wokingham was making a different point, but what I am saying to the House is that even that point was wrong because the stock market recovered under current conditions. Logically, it could not have done so if the right hon. Gentleman had been correct in his assertion.

In an intervention on the right hon. Member for Charnwood, I made the point—and the right hon. Member for Wokingham emphasised this—that the one thing on which no one in the House has been able to agree tonight is the figures that are attached to the alleged raid. I may not have noted all the figures put forward by various Members, but none of the figures that I have heard agrees. There has been mention of £550 billion, £79 billion, £54 billion and £100 billion, and somebody even put forward a figure of £1,000 billion.

Mr. Charles Walker (Broxbourne) (Con): A trillion.

Stephen Hesford: The hon. Gentleman says, ridiculously, a trillion, but if—

Mike Penning (Hemel Hempstead) (Con): A trillion is a thousand billion.

Mr. Deputy Speaker (Sir Alan Haselhurst): Order. No insults from a sedentary position, please. Interventions are fine, but not comments from a sedentary position.

Stephen Hesford: I am obliged, Mr. Deputy Speaker.

We have heard many figures, but not all of them can be right. If someone sought to convict the Chancellor of the serious charge made in the motion, we would expect them to agree on what his so-called smash-and-grab raid has done, but no one in the House tonight has been able to agree on the figure. To carry on with my analogy, if this was an ordinary workaday court rather than Parliament, on the evidence that has been laid before us tonight a judge would have to withdraw the case from the jury, because there is not sufficient evidence that stands up to scrutiny to make a serious case of the sort that the Opposition wish to put forward.

I said that I would turn to the politics of the matter, and I will. Why are we having this debate? That question has been asked by a number of right hon. and hon. Members. We are having the debate on the back of research by *The Times* that was taken up by those of a *Daily Mail* tendency. The Opposition are being entirely bandwagon-like and opportunistic about the matter. It is not that they had an interest in the subject and so brought it forward; they are running with the subject on the back of that research. There is synthetic anger from Members on the Opposition Benches.

Mike Penning: On the cynical point that the hon. Gentleman just made, I have 700 constituents who have had their pensions stolen, and the ombudsman ruled that there had been misadministration by the Government. That is why we are having this debate.

Stephen Hesford: I am afraid that that synthetic anger just does not work, because if the hon. Gentleman had been in the Chamber when the hon. Member for Tatton opened the debate, he would know that the shadow Chancellor never mentioned any part of that issue.

Mike Penning: Will the hon. Gentleman give way?

Stephen Hesford: No. That issue is not part of the charge put before the Chancellor, so the hon. Gentleman is making a different point entirely.

I differ slightly with my right hon. Friend the Member for West Dunbartonshire (John McFall), the Chair of the Treasury Committee, who called the debate hypocritical. I disagree with him on that; it is not just hypocritical, but cowardly. It is cowardly because there would be a possible justification for what Opposition Members say if it was their policy to reverse the decision, but it is not and it never has been. Theirs is synthetic anger because they will not reverse the decision, and that is fatal to their argument. Their argument is hypocritical because, as has become clear in the debate, they do not come to the subject with clean hands—what my right hon. Friend the Chancellor did was continue a policy that was started under the Conservative Government, and my right hon. Friend made that point.

Let us say that a defence needed to be put forward, although I do not think that we have ever got to that stage, as my right hon. Friend the Chancellor made a strong case for us when he spoke in the debate. Putting aside party politics, I want to consider, in the cold light of day, what the City makes of the debate. Last week in the business section of *The Independent*, Jeremy Warner talked about the fact that the issue had been raised. *[Interruption.]* I know that Opposition Members do not want to listen to this, but they may find it just a little instructive. Mr. Warner found himself slightly embarrassed to have to return to the subject. He had, quite properly, been on Easter holiday. He came back and found that there had been a row about the issue, and he found that he was a bit out of the loop. He was genuinely surprised and mystified about why the matter was being discussed. He starts his piece by saying:

"Forgive me for returning to the subject of pension...deficits."

He talks about the idea of the subject being raised by those of *Daily Mail* tendencies, and he uses the word "revelation", and puts it in inverted commas. In other words, there was genuinely nothing new that was being discussed. He, an economic commentator, makes a point that I have already made: the anger is synthetic.

He went on to say:

"I can confidently dismiss the rantings as somewhat exaggerated in view of the story's significance."

There are many charges, he says, that others may wish to level at the Government but

"destroying the private sector pension industry through a single act of taxation is not one of them."

That acquits the Government on the central point, and I urge Opposition Members to reflect on it. He goes on to say:

"Nor in truth was the policy as outrageous as it has come to be seen."

After 10 years, it was a case of déjà vu. He said that

"removing the tax credit on dividends was a relatively minor adjustment in policy or even an evolution of it"—

I have made that point already—

"since the process had begun under the previous Tory Administration as an apparently painless way politically of rebuilding the public finances.

In the 10 years since the tax credit was abolished, the measure has cost...£90 billion."

That figure is lower than the figures that have been bandied about, but he says that it is "a small fraction"—and this is the point—

"of the total liabilities faced by these funds and by no means the biggest contributory factor to the current problem".

Hon. Members have made that point. He continued:

"Indeed, the tax raid barely figures in the 'Big Three' factors...cited by Stephen Yeo"—

who, I understand, was pensions adviser to the hon. Member for Havant (Mr. Willetts) when he shadowed the pensions portfolio—

"as the primary cause of the meltdown in final salary pensions."

That primary cause, I reiterate for the benefit of Opposition Members, is growing longevity, the cost of providing for which is much higher than originally anticipated. The second major factor is lower investment returns, and we have heard about the so-called crash on the stock market. Opposition Members have asked why my right hon. Friend the Chancellor stopped quoting figures at 2000 or thereabouts. He did so because that date delineates the point at which conditions changed. That had nothing to do with my right hon. Friend, and that is the point. In conclusion, this has been a synthetic debate.

8.31 pm

Mr. David Gauke (South-West Hertfordshire) (Con): As always, it is a great pleasure to follow the hon. Member for Wirral, West (Stephen Hesford), whose contribution was in the style of a winding-up speech. I certainly look forward to the day when he can deliver a winding-up speech from the Dispatch Box.

It has been a curious debate, because there is an argument, which is wrong but respectable, for the abolition of tax credits. That argument is simply that the Government need to find revenue somewhere, and they can do so by abolishing tax credits. That was certainly touched on by the hon. Member for Coventry, North-West (Mr. Robinson) in his speech and made explicit in his book "The Unconventional Minister", in which he argued that the Government needed the money. That is a valid argument, because any taxation has a downside effect. If one increases taxes on income, that acts as a disincentive, and if one introduces high rates of corporation tax that forces businesses overseas. That tax on pensions caused harm but, on balance, the Government took the view that it was worth introducing. That is a wrong but respectable argument. However, we have consistently heard Government Members, particularly the Chancellor, advocate a rather different approach, which sticks doggedly to the position taken in 1997 and stipulates that, first, the abolition of tax credits on pension funds will not damage pension funds and secondly, it will be good investment.

That extraordinary argument was made by the Chancellor in his 1997 Budget, and he and a number of his colleagues made it earlier today. First, the notion that taking £5 billion a year out of pension funds does not damage those funds is ridiculous. Secondly, the belief that it is good for investment is not supported by the facts. With the benefit of hindsight, there is absolutely no evidence that it has encouraged investment. As we have heard, business investment as a proportion of gross domestic product has fallen to record low levels under the Government. Adair Turner, the then chairman of the CBI, said at the time that

"this may increase the cost to business of funding employee pensions and may reduce funds for investment".

In 2005, a study by the Institute for Fiscal Studies, to which the hon. Member for Twickenham (Dr. Cable) has referred, showed that that had no effect whatsoever on investment, which should have been apparent even at the time.

My right hon. and learned Friend the Member for Rushcliffe (Mr. Clarke) and my right hon. Friend the Member for Charnwood (Mr. Dorrell) made the very good argument that it is a curious idea that the best way to allocate resources is to keep funds within existing companies. The argument that the management of existing companies should not distribute profits in the form of dividends is absurd, because innovation often occurs in new companies. Freeing up funds from companies does not necessarily mean that those funds go to consumption and are lost from investment, because it can often be positive. When the economy has done well in recent years, it has often involved new businesses with, it must be said, private equity.

At the time, the argument was made that high dividend payouts are not necessarily bad for a company in terms of long-term investment, because high dividends often increase a company's share value, and an increased share value improves a company's position to borrow. The argument does not stand together either in theory or as it has turned out in practice.

Hugh Bayley (City of York) (Lab): The hon. Gentleman is arguing that the Government followed the wrong policy in reducing tax credits. Does his party support the reintroduction of those tax credits, and if so, what taxes would it raise to pay for that?

Mr. Gauke: Had the hon. Gentleman been present in the House during the earlier part of the debate, he would know that we have gone through that. As he well knows, Conservative party policy will be very clear at the next general election. The fact remains that the 1997 decision was made on the basis that it would help investment, but the evidence that emerged in the following 10 years shows that it simply did not do so. The purpose was to raise revenue, which, as I have said, is the purpose of taxation, but that was not how it was presented. That is the charge that we have made against the Chancellor.

What the Chancellor did in 1997 is something that he has done many times since—he raised taxes, but he did not say, "Look, I'm raising revenue. These are the downsides, but I want the extra money to spend on public services." In that case, he said, "It is all for the purpose of improving investment", which was palpably false. In the pre-Budget report, he claimed that he is helping the environment by doubling the rate of air passenger duty, when the truth is that that was for the purpose of raising revenue. It has been the style of the Chancellor throughout not to be open and transparent about his policies, but to try to conceal tax-raising policies by claiming that they are some kind of technicality.

I shall quote an article by Evan Davies, the BBC economics correspondent, in an article on his website, which was not entirely critical by any means of the Chancellor—indeed, there were a number of complaints in the comments section about it's being far too sympathetic. It states:

[Mr. Gauke]

"anyone listening to his account of the tax change...might have been forgiven for thinking it was simply designed to remove some technical distortions prevailing in the tax system. They knew it was more than that."

The charge against the Chancellor is that he was not clear and straight with the British people, which is important for two reasons. First, it does nothing for the credibility of politicians as a whole when we are not open and clear with the electorate. Secondly, as my hon. Friend the Member for Putney (Justine Greening) has said, had it been clear that greater demands were being made upon pension funds, and had people realised that would be expected of them in their personal contributions, then maybe people would have adjusted their behaviour, but they did not do so, which is partly the fault of the Chancellor for not making the situation clear.

The Chancellor does not tend to be terribly straightforward, and as a member of the Treasury Committee I have witnessed that on more than one occasion involving not only taxes but spending—sometimes there is double counting, and sometimes the figures from several years are rolled up to come up with one grand total.

In this year's Budget—this is directly relevant to the debate about occupational pensions—we saw another technique with regard to the financial assistance scheme. The Chancellor made great play of the fact that he has increased the amount from £2 billion to £8 billion, but, as Treasury officials confirmed to the Treasury Committee, if one looks at it on a net present value basis, as every actuary would, the figure is much lower—£1.9 billion. There was no extra money. There are no extra sums for it in the Department for Work and Pensions budget; it comes out of the existing budget over a 60-year period.

That is important because the financial assistance scheme is supposed, but is failing, to help many of our constituents who have been left without their occupational pensions. The extent to which that is directly linked to tax credits and other factors makes it a complex matter. None the less, the parliamentary ombudsman has found that there was maladministration because of the publicity material that was provided. It has left people in great difficulties, including many of my constituents who formerly worked for Dexion.

Mike Penning: I am pleased to see the Secretary of State for Work and Pensions on the Front Bench to hear this intervention. Is my hon. Friend aware that Peter Humphreys, who heads the Dexion compensation team, is in intensive care suffering from a very difficult illness? He phoned me from there today to ask me to bang heads together across the House to support tomorrow's amendment, which has cross-party support, so that people can get the compensation that they so rightly deserve.

Mr. Gauke: I am grateful to my hon. Friend, who has had constituents who have not lived to see compensation from the financial assistance scheme because of delays in the system. The administration has cost £9 million, and only £3 million has been paid out. There are great difficulties with the FAS as opposed to the Pension Protection Fund. I hope that we can make substantial progress on the issue tomorrow.

The Chancellor has not been straightforward, open and transparent about his tax increases on pension funds, and the same applies in relation to the funding of the financial assistance scheme and the way in which the information was released. It was extraordinary to hear him saying how pleased he was that it had been released after he had—for reasons that I can understand, to some extent—fought it for two years. As a member of the Treasury Committee, I was particularly frustrated by the fact that it was released on the Friday after Parliament had gone into recess, as that was the day after he had given evidence to the Committee. We could have had the opportunity to grill him on the matter in much greater detail even than on an event such as today's debate.

It comes down to the same thing all the way through. The Chancellor fails to provide open and transparent answers but is evasive and, at times, sneaky. He claims, as a Chancellor, to be interested in the long term, but attacking pension funds is as short-termist as one can get. He claims, as a Chancellor, to be caring and compassionate, but he has done very little for the 125,000 workers exposed to losing their occupational pension funds. I hope that the House will do something for them tomorrow.

8.44 pm

Mr. Iain Wright (Hartlepool) (Lab): It is a pleasure for me to follow the hon. Member for South-West Hertfordshire (Mr. Gauke), whom I genuinely rate and like. We went through the Standing Committee on the Finance Bill together last year, and he regaled us with tales of Mrs. Gauke. I hope that she is well.

Last year, I participated in the pensions debate. I followed the hon. Member for Hemel Hempstead (Mike Penning), who is in the Chamber tonight and whose commitment to this issue is not in any doubt, as I think the whole House will agree. I was struck at the time by the Opposition's amendment, which stated that the House should

"recognise the importance of consensus in ensuring long-term, affordable and sustainable pensions reform; and therefore welcomes the commitment of all major parties in the House to engage in the process of consensus building".

The shallowness of that commitment is clear from today's debate and the antics of Conservative Members, especially Front Benchers.

The idea that occupational pensions, especially those in defined benefit schemes, were perfect before 1997 and decimated by one single act in the Chancellor's Budget—the implication of some Conservative Members' contributions—is wrong, misleading and invidious.

We are experiencing a massive change in the provision of retirement benefits. Much of that is to do with globalisation and the links between Governments, companies and financial markets around the world, much is to do with demographic changes and much is to do with policies that previous Conservative Administrations pursued.

Companies in the post-1945 period provided an element of security for workers in retirement provision. Defined benefit pension schemes helped inject motivation and loyalty into the work force. That was entirely feasible in the relatively stable environment of the post-war period. The employer bore almost solely the risks associated with planning for retirement through a defined benefit scheme. If a defined benefit scheme fell short, the employer topped it up. Everyone accepts that that has been under severe strain for the past quarter of a century. During that period, some companies have tried

to transfer the risk of retirement provision from them and towards the employee or the Government.

Moreover, high stock market returns in the 1980s also prompted many companies, as we heard on numerous occasions today, to take pension contribution holidays. According to Inland Revenue figures, employers collectively saved almost £18 billion during the 1990s pension holidays, although employees were, more often than not, forced to carry on making payments.

The TUC said that contribution holidays have typically favoured employers over employees. It estimates that 94 per cent. of surpluses were used to reduce employers' contributions or to give them a contribution holiday, with less than 6 per cent. providing employee contribution reductions—a ratio of 16:1.

In the 1990s, Unilever took seven years of pension holiday. It also took £270 million out of the then pension fund surplus and put it into its profit and loss account. In the decade after 1992, almost £1.5 billion was taken from its pension fund and almost two thirds given back to shareholders in the form of higher profits and larger dividends. I can envisage people saying, "Nothing wrong with that." However, last month, the company announced that it would close its final salary scheme to new entrants. It has failed to provide for liabilities in the long term.

The general reluctance by firms to hold the balance of risk is predominantly due to demographic changes. That has been mentioned in the debate, though not as often as I expected. The developed world is getting older and that poses daunting challenges. Declining birth rates means that the work force is not being replenished in western Europe, Japan and north America. The ratio of workers to pensioners is getting smaller and that will have a momentous impact on productivity rates and tax levels. That is happening throughout the developed work and I therefore find it odd that the Opposition have not mentioned it in the debate.

The Opposition's comments imply that only this country is affected by pressures on occupational pensions. That is far from being the case. A recent report by PricewaterhouseCoopers suggests that the state retirement age should be increased to around 70 in Germany and around 72 in Italy to allow state and occupational pensions to continue to be linked to earnings with unchanged contribution rates. PricewaterhouseCoopers also states that further delays will only make the required reforms more painful in the long term.

Mr. Graham Stuart: Does the hon. Gentleman agree with the right hon. Member for Birkenhead (Mr. Field) that we have gone from having one of the strongest occupational pension systems in Europe to having one of the weakest?

Mr. Wright: No, I do not. I am trying to make the case that, over the past quarter of a century, different challenges and massive global forces have changed the situation. I am not saying that everything was perfect in 1997, and that with this one change, everything has gone bad. I am trying to advance the case that there are more fundamental, long-term changes taking place. I would have hoped that the House would unite to scrutinise those organisations that fail to honour their promises to their employees, but that does not seem to be happening on a cross-party basis, at least not tonight.

The trend away from defined benefit occupational schemes has been exacerbated—and, indeed, encouraged—by the policy decisions of Tory Governments. We have heard how Lord Lawson, as Chancellor, decided to tax pension fund surpluses in the mid-1980s, providing a marked incentive for companies to reduce those surpluses through payment holidays or additional dividends. That demonstrated short-term gain at the expense of long-term consideration for the British economy and the health of pension funds. The Thatcher and Major Governments also encouraged a shift away from occupational pensions towards individual private pensions.

Mr. Hammond: If contribution holidays are such a problem, would the hon. Gentleman also argue that the reductions that this Government implemented in the minimum funding requirement should not have been made?

Mr. Wright: I am not going to go down that route. Certainly there was an assumption that the sun would always shine on pension funds and stock markets, but hindsight is a wonderful thing. The long-term challenges, including an ageing population and other changes in society, have been recognised and should have been taken into account by actuaries and companies.

The Secretary of State for Work and Pensions (Mr. John Hutton): In relation to the point that the hon. Member for Runnymede and Weybridge (Mr. Hammond) has just made, I am sure that my hon. Friend will be glad to know that all those changes were made properly and in accordance with the actuarial advice that Ministers received. That was made clear in the ombudsman's report.

Mr. Wright: I am extremely grateful to my right hon. Friend for that helpful intervention.

I want to return to the shift from occupational pensions to private pensions. The emphasis on commission meant that hundreds of thousands of people were persuaded—by fair means or foul—to leave good, safe occupational schemes and to take out inferior personal plans instead. Well over a million people have received compensation following that mis-selling, largely as a result of measures taken by this Government.

The crux of the Opposition's argument about the Chancellor and occupational pension schemes seems to hinge on one single act, yet we have heard many times in the debate today that Lord Lamont, as Chancellor, announced a reduction in the dividend tax credit in his 1993 Budget, and carried that out five times. In announcing the reduction to the House in March 1993, he justified it by saying:

> "The reduction in the tax credit that I am proposing will therefore have two important effects. First, the payments that lower rate payers, non-tax payers and particularly pension funds get from the Inland Revenue will be reduced by five percentage points, saving the Exchequer no less than £1 billion a year. Secondly, higher rate payers will have to pay an extra 5 per cent of tax on the dividends they receive in order to discharge their liability to tax at the top rate of 40 per cent. This, in turn, will yield an extra £200 million a year."—[*Official Report*, 16 March 1993; Vol. 221, c. 186.]

There is nothing there to help the underlying competitiveness of British industry, and nothing to stimulate a shift from short-term gain and boom and bust to long-term investment. It is merely a tax grab of £1.2 billion in a vain attempt to manage the economy following the debacle of Black Wednesday.

[Mr. Iain Wright]

What hypocrisy we have heard today! I hope that, if the Opposition are genuinely outraged at the events of 1997, their Front-Bench spokesman will apologise for the things that happened four years earlier and pledge to reinstate the dividend credit, if they feel that strongly about it. From what I have heard today, however, I do not think that that will happen.

Hugh Bayley: Is it not worth recalling that the adviser to Lord Lamont, the Chancellor who cut the dividend, was the right hon. Member for Witney (Mr. Cameron), who now leads the Conservative party? Is not it extraordinary that, when advising the then Government, he pursued one policy, yet when in opposition, he advocates another?

Mr. Wright: My hon. Friend makes a good point. This has been mentioned earlier in the debate as well. I was reading Lord Lamont's memoirs in the Library this morning, and I was struck by the fact that, when the right hon. Member for Witney (Mr. Cameron) was employed as a special adviser, Lord Lamont described him as an old Etonian with a taste for the good life. I wonder what that means.

It is true that the Chancellor in his 1997 Budget abolished tax relief on dividends, but that was accompanied by a range of other policies designed to move us away from short-termism towards stability and encouraging long-term investment. Corporation tax was cut to its lowest ever rate at that time in the UK. The small companies tax rate was cut by 2 per cent., to 21 per cent. There was a doubling—we have not heard about this today—of capital allowances on plant and machinery for small and medium-sized firms so that if companies invested in 1997-98, they could set off against tax a half of their total investment.

In those decisions made in 1997, the Chancellor laid the foundation for sustained economic growth. That was the conclusion of the International Monetary Fund in the past few weeks in its article IV consultation with the UK, which stated:

"The Executive Directors welcomed the economy's continued economic performance, which they attributed in part to policy frameworks that are responsive to the requirements for sustained strong growth, low inflation, a stable value for sterling and continuing growth of London as a global financial Centre with sound institutions."

That is not indicative of an economy beset by weak infrastructure and short-term decisions, which is where we were 15 years ago. The blocks are in place for stability and long-term investment decisions.

However, it is true that more needs to be done. Many of my constituents, who come from a traditional manufacturing area with good occupational pensions, have pension funds in schemes such as Roxby and Expamet. They have saved all their working lives and feel let down by changes and cuts to their planned provision. To tackle the plight of my constituents and others, a consensus is needed between the House, the Government, companies and individuals to ensure that those pensioners who have saved all their working lives in occupational schemes secure the benefits for which they planned. However, the comments and interventions by Conservative Members show that we are a long way from that consensus.

A key reason for changes to pension provision has been the fluctuating performance of stock markets around the world over the past 15 years. That has been mentioned time and again. High returns in the 1980s prompted complacency and the feeling that the sun would shine for ever. That obviously was not the case.

Between 2000 and 2002, stock markets around the world experienced sharp falls—something like $8 trillion of assets were lost in the US alone in that period. The NASDAQ dropped to as low as 1,108.49, a 78.4 per cent. decline from its all-time high of March 2000, a result of the bursting of the dotcom bubble, and the Dow Jones lost 26 per cent. of its value between 1999 and 2002—you can tell that I am a chartered accountant, Mr. Deputy Speaker. Given the openness of the UK economy and the central position of London in the world's finance markets, it is inevitable that this country would feel the brunt. Between 1999 and 2002, the FTSE 100 fell by 43 per cent., knocking some £250 billion off the value of pension fund assets. Yet pension fund deficits have reduced markedly over the past few years, reflecting the stock market improvement in recent months and years. Last month, Deloitte, a firm that I used to work for, forecast that the total deficit for the final salary pension schemes of the UK top 100 companies is currently £21 billion, with 25 per cent. of schemes now having a surplus.

The first three months of 2007 have been a roller-coaster ride. In the last week of February, deficits rose by £20 billion in one week as world stock markets fell dramatically. However, a combination of a recovery in the stock markets and a fall in the price of bonds has reduced deficits to a five-year low, showing the close correlation between stock market performance and the health of pension funds. If the Conservative party were determined to secure a consensus on this subject, that close correlation would be recognised.

I began by saying that providing for retirement is one of the biggest problems facing this country. Difficulties and challenges are being prompted by an ageing population, an end to paternalism, social change, lower stock market performance and annual returns, and a wish for companies to transfer the risk of retirement away from themselves towards employees and the Government. There was an opportunity for Opposition Members to pledge consensus and seek to find appropriate ways of securing stability and reassurance for pensioners in the face of those massive global changes, but they failed to do that.

The use of terms such as "pension crisis" and the wording of today's Opposition motion, however brief it is, further undermine confidence in a pensions system that is still trying to recover from the likes of Maxwell, mis-selling and Equitable Life. As was pointed out by the hon. Member for Putney (Justine Greening), who is no longer in the Chamber, that puts people off. People are reluctant to save for their retirement through pension contributions, believing that it is not worth doing. That will do nothing to help those with occupational pensions who find themselves unfairly caught up in major global forces.

Today the Conservative party has ignored an opportunity to talk constructively about the long-term future of the country's economy and provision in retirement. Instead, it has focused on distorting history for their own narrow, short-term political advantage. No change there, then!

9 pm

Mr. Graham Stuart (Beverley and Holderness) (Con): It is a pleasure to join in the debate, which has been an interesting one, and to follow the hon. Member for Hartlepool (Mr. Wright). I have never served on a Committee with him, but I like him a great deal and admire him enormously as a hard-working constituency Member. [HON. MEMBERS: "But—"] But—*[Laughter.]*

The hon. Gentleman suggested that some form of party politics was being played. I think that holding the Chancellor to account on an issue that is of major importance to the future of the country and to so many people in it—not least those who have the least—as the handling of pensions is an entirely legitimate thing for the House to do, and that it is entirely legitimate for the Conservatives, as the party of opposition, to put that issue before the House and indeed the nation.

As Members have pointed out, this debate was triggered by the revelation of information whose emergence into the public domain the Chancellor resisted for years. I consider—with respect to the hon. Member for Hartlepool, and to other Labour Members—that two main charges have been levelled at the Chancellor and his handling of pensions so far. One concerns the impact of the pension tax raid on the long-term value of pensions; but I think the stronger concerns the fact it was done in an underhand way, with no openness or transparency. Today, 10 years on, we were treated to a speech from the Chancellor that again failed to be honest about the reality of what is going on. That, more than anything else—the lack of openness, transparency and honesty—is the reason for people's loss of confidence in the pensions system.

In his first Budget, the Chancellor started as he meant to go on. He was underhand, imposed extra burdens on hard-working people, and drove millions into dependency. He did that by his removal of the tax credit on dividends, with little explanation in his Budget speech.

One way of judging the decency of a society is to judge the way in which it treats older people. One way of judging the decency of a Government is to judge the way in which they support and encourage people to be financially independent in old age. Communities with a social conscience revere their elders, respecting the contributions that they have made for so many years. Those societies protect, look after and cherish those who no longer work. In Brown's Britain, however, far from being valued as independent citizens, older people are sucked into his labyrinthine world of credits, benefits and state dependency.

What does it say about the Chancellor that his legacy to Britain's elderly is to have helped to rip away the foundations of what a Labour Minister once called

"one of the strongest pension provisions in Europe"?

Terry Arthur of the Institute of Actuaries estimates that the Chancellor's tax raid has cost at least £100,000 million from pension funds, and that

"even £150 billion may still be a conservative estimate".

This raid has betrayed Britain's pensioners, and makes a mockery of what the Chancellor promised in 1996. I do not think it has yet been mentioned today that in 1996—when he was a wannabe Chancellor rather than the man who cannot get out of the post quickly enough—he said

"I can give this pledge—fairness to the pensioners under Labour."

Even given the Chancellor's rather stilted delivery, I think that that pledge was fairly clear. But is it fair that 20 per cent. of pensioners in the United Kingdom are living in poverty because of a state pension of just £84.25 a week and a humiliating means-testing system that many proud older people—as many as 1.5 million—simply refuse to enter?

Was it a sense of fairness that led the Chancellor to try to prevent *The Times* and its readers from knowing the advice that he received 10 years ago, or that led him to release the information in a parliamentary recess and while he was abroad—in Afghanistan? Is it fair that the poorest pensioners are the hardest hit? According to the released papers, Treasury advisers told the Chancellor that his tax change would

"lead to a reduction in pension benefits to the lower paid",

and that

"quite clearly any loss of pension could be difficult for someone with a small income to cope with".

That was the advice that the Chancellor was given, and he ignored it. I would be interested to learn how those with the least have been served by the Chancellor's tax raid.

Hugh Bayley: The hon. Gentleman asks whether it is fair to have a means test, but why did his party have a means test for pensioners? Also, is it fair that the means test that operated when his party was in power provided poor single pensioners with a weekly income of £68? Is it not fairer that under our system of pension credit that sum is now £117 a week?

Mr. Stuart: The problem with the means test is that too many people are means-tested, and no party has managed entirely to eradicate means-testing.

The link with earnings was broken in 1980. The Chancellor claimed today that he had brought it back. That was another of his little slips with the truth—he never quite gets it. He has not brought that link back; he has said that if it can be afforded it might be brought back in 2012. Ever since I have been involved in parliamentary politics, I have campaigned—as, I am glad to be able to say, has my party—to bring back that link, because it is important that we restore dignity to people in old age. We must minimise the number of people who are forced to rely on means-tested benefits. The means-tested benefit has been allowed to grow de facto with earnings and yet the basic state pension has risen merely in line with prices, so the number of people who have been drawn into means-tested benefits has increased. The predictions for the period to 2050 are truly horrifying. That is why the House needs to look ahead on a consensual, cross-party basis and find a better way of dealing with our pensions system than we have had in the past, particularly in the past 10 years when this Chancellor has failed. One of the purposes of this debate is that, by bringing the Chancellor's record to account, we can help outline the reality of the position in which we find ourselves today, and when that is properly observed and understood we can move forward on a cross-party basis and find a solution to our pension problems.

"Fairness" is the last word that Members or anyone else would wish to apply to the Chancellor's attitude to pensioners. That brings us on to the subject of the Chancellor's character. What sort of person takes advice from industry, independent experts and his own Treasury

[Mr. Graham Stuart]

specialists that suggests that the pension tax would cause great damage to the country's economy and the poorest pensioners and then goes ahead with it in any case? Perhaps only someone with breathtaking arrogance would do that. What sort of person would announce such a change in such an underhand way and seek to cover his tracks so assiduously? I will leave the House to decide on the answer to that for fear of breaching the rules on parliamentary language.

If we cannot expect fairness from our Prime Minister-in-waiting, what can we expect from him? Unfortunately, the answer to that is: more underhand behaviour. Members noted that the Treasury papers came out on 30 March when Parliament was in recess and the Chancellor was in Afghanistan. That chain of events might not have been quite as extreme as another example of a good day to bury bad news, but that clumsy cover-up is symptomatic of the manipulative relationship that the prospective Prime Minister has with Parliament and with pensioners.

Fairness and openness have been dismissed as qualities that we can expect from the Chancellor if he succeeds to higher office. He maintained today—as he has done since 1997—that the removal of tax credit from pensions has boosted investment and performance. The suggestion that taking money away from pension funds was somehow going to boost investment has been commented on by many Opposition Members. Many colleagues have referred to the figures, but it is worth giving the precise figures. When Labour came to power in 1997, business investment was 11 per cent. of GDP. Now, according to the 2006 figures from the Office for National Statistics, it is 9.1 per cent. That shoots that particular fox.

The other fox that has been set running—I do not suggest that it was done on any organised basis, as I am sure that many Labour Members have been sitting up half the night reading thick tomes on the subject of pensions—is the idea that the Conservatives were cutting that tax relief anyway and would have abolished it themselves. However, we have heard the most compelling evidence today from the former Chancellor, my right hon. and learned Friend the Member for Rushcliffe (Mr. Clarke), and from the former Financial Secretary, my right hon. Friend the Member for Charnwood (Mr. Dorrell), that Ministers in that Conservative Government considered the issues, listened to the representations from Treasury officials and others and concluded that it would damage pension funds and the economy, and that it would hurt those with least. The members of that Conservative Government decided not to abolish that 20 per cent. advance corporation tax or dividend tax relief—whatever it is called. That shoots the Chancellor's other fox.

We are debating the Chancellor's handling of occupational pensions. Let us look at what has happened to occupational pensions on the Chancellor's watch, because that would seem the most obvious thing to do, rather than only obsessing about the tax grab. The truth is that more than 60,000 occupational pension schemes have wound up or begun the process of winding up since Labour took office in 1997. Labour Members have suggested—in the peculiar Brownite way of picking dates that do not sound very natural—that the schemes were all collapsing anyway, but five sixths of the final salary schemes that have closed have done so since 2000. The idea that they were collapsing under the last Conservative Government is entirely false: it has happened on the Chancellor's watch. The pension schemes have collapsed, they have closed to new members. As my hon. Friend the Member for Putney (Justine Greening) so powerfully set out earlier, we have seen the opportunity of a secure old age through their pensions, hope for the future and confidence in those who govern them removed from young people.

Hugh Bayley: What is the hon. Gentleman's policy for reviving the fortunes of occupational pension schemes?

Mr. Stuart: If the hon. Gentleman had spent more time in his place during the debate, he would not keep repeating points that have already been made. The policies of Her Majesty's Opposition will be made clear before the next election. So many schemes have closed. The destruction has happened, and that may mean that when the next Conservative Government comes in 2009 or 2010 we may have to find alternative ways of promoting saving and encouraging the young people who have lost so much confidence and can see no positive future. However, it is above my pay grade to say exactly what we will do.

When we consider the record of this Chancellor and Government on occupational pensions, we see that 12.7 million UK workers, or 45 per cent., have no pension provision—a rise of 5 per cent. since 1997 or 2.1 million more people. More thoughtful Labour Members will find that a sobering thought. At a time when the economy has broadly done quite well—if not as well as the Chancellor likes to make out—and this country has grown richer and had a period of stability, thanks to the foundations laid by the last Conservative Government—*[Interruption.]* Ministers may scoff, but when they rest their heads on their pillows tonight, they cannot be proud of the fact that in that time—which has not been an economic disaster—2.1 million more people do not have occupational pensions. Far from growing, under this Chancellor private pension provision has suffered an underlying decline.

The Opposition have made a strong case against the Chancellor. We have used the evidence provided by many specialists to lay out the figures, but they are not precise: I have repeatedly asked Ministers to give us their estimate of the impact on pension funds of the abolition of dividend tax relief, but it has not been forthcoming. I should be delighted if the Secretary of State for Work and Pensions, when he winds up the debate, were to give us an honest assessment, but I expect that he will refuse to answer—just as the Government refused to give the papers to *The Times* until forced to do so.

We have made the case that pension funds have suffered a great loss as a result of the tax change. Although stock market fluctuations and various other factors have had an effect, we believe that the Chancellor, when he took away £100 billion or £150 billion from the pension funds, inflicted a mortal blow—to them, and to people's confidence in them.

An even more damaging charge against a man who would be king—I am sorry, I mean Prime Minister—is the fact that he never acts openly. For the Chancellor, transparency is an alien concept, and that is what upsets people the most. As many colleagues have said, Governments have to find tax revenue somewhere, but

to extract tax in an underhand way that puts at risk the security of people in old age is irresponsible and reprehensible, and renders the Chancellor unfit for higher office.

9.16 pm

Mr. Philip Dunne (Ludlow) (Con): It is always a great pleasure, and an increasingly frequent one, to follow my hon. Friend the Member for Beverley Holderness (Mr. Stuart). He spoke with his customary vigour, both in his main contribution and in his several robust interventions earlier.

This is a very important debate, for various reasons but not least because it will have an impact on a great many people outside the House. The hon. Member for Hartlepool (Mr. Wright) made a very thoughtful and welcome speech, in which he set out some of the demographic matters that had not been mentioned before. It is a fact that 18.5 per cent. of this country's population are over the age of 65, yet many people, until approaching retirement, have no real understanding of the significance of pension arrangements. Moreover, a great many of the people who have retired have suffered the shock of discovering that their pension schemes have closed.

As we have heard, more and more people find themselves in pension difficulty as each year goes by. I am especially worried about that, because so many people choose to live out their retirement days in my constituency: 26 per cent. of my constituents are over 65, and the proportion is expected to rise to 30 per cent. by the end of the decade. One reason I was especially interested to join the Work and Pensions Committee when I came to the House was that, during the last general election, a great many people raised their concerns with me about the pensions crisis developing under this Government. In my constituency, members of pensioner groups and the local senior citizens forums regularly ask me what can be done to put right the damage inflicted on pensions.

Generally speaking, people have lost confidence in their retirement prospects, but that is not entirely due to the decision to abolish dividend tax credit. I do not intend to argue that that was the sole reason, as the problem has several contributory factors—one of the most fundamental being that the savings ratio has halved over the past 10 years. This is an argument for which the Government take no responsibility, but it is a fact that savings have declined significantly partly because people do not believe that it is in their best interests to save for their retirement.

Returns from pensions have been cut, as we heard just a moment ago, with the decline in the number of defined benefit schemes. Only a third are now open to new members compared with the number in 1997. The income from final salary schemes is falling across the country. Defined contribution schemes, for all their attractions to the funders, are not expected to provide the same level of income in retirement as the final salary schemes that they replace.

Another major issue that is having a big impact on people's confidence in retirement has been the threat of means testing. There was a big discussion about that earlier, which I will not repeat. I recognise that a large part of the measures in the Pensions Bill is aimed at reining back the spread of means testing. I welcome that because otherwise, as Lord Turner's report demonstrated, 70 per cent. of the population would be on means-tested pension benefits.

This debate is important in that it has secured the presence of the Chancellor. My hon. Friend the shadow Chancellor made some important points to tease out of the Chancellor a glimmer of acknowledgement that some share of the responsibility for the problems that have arisen in the occupational pensions sector in the past 10 years could be attributed to him and what he did in the 1997 Budget.

The debate is relevant not only to the people in this Chamber and not just because the Chancellor has ambitions to succeed the Prime Minister. It is relevant to Labour Members, who have been able to see his reaction and whether he can say sorry, as he was asked to do by my hon. Friend the shadow Chancellor; whether he is able to show some element of contrition and responsibility for the action that he took. I regret to say that there was little evidence of that in his speech today.

The debate is also relevant following such a long period of denial of the fact that the 1997 decision had any impact on occupational schemes. It is evident from so much external commentary and comments in the debate today that the decision had a significant impact, the scale of which is up for discussion.

The Chancellor's contribution to the debate will have disappointed many not only on the Opposition Benches but on his own Benches, and most independent commentators. It will have been of considerable concern to my constituents and other people watching from outside the House. It was a disappointing speech from a potential Prime Minister. It was disappointing for the message that he had to give, first, that it was not a real problem, and, secondly, that if there was a problem, it was not of his making.

The Chancellor's mantra has been that under his stewardship there has been no return to boom and bust. He has mentioned it in every single pre-Budget report and Budget statement since he has had the job. But under his watch in the past 10 years, a large number of defined benefit schemes have gone bust, and two thirds of them have closed.

Some have questioned why we are raising the matter only now, 10 years after the event. It is perfectly obvious why: we are raising it on the first available opportunity after the evidence was revealed following much teeth pulling from within the Treasury just before the Easter recess. The Opposition are often criticised for not raising the issue regularly in the House and through the media. However, there have been some helpful contributions today, not least from the hon. Member for Birmingham, Erdington (Mr. Simon), who magnificently went through a year-by-year catalogue of the occasions on which this issue was raised by distinguished Members of this House, especially on the Opposition Benches.

The Chancellor has fought revealing the information doggedly for the past couple of years. He has issued a fog of denial, which has enveloped not just himself but most Labour Members. Few seem to have recognised what happened in 1997. We have heard some astonishing tales of denial, with the exception of two contributions from Labour Members, one from the right hon. Member for Birkenhead (Mr. Field), who referred to the double body blow—the first was an attempt to attack the shadow Chancellor but the second presumably related to the precise measure that the Chancellor introduced.

[Mr. Philip Dunne]

The other contribution was from the hon. Member for Coventry, North-West (Mr. Robinson). His speech was revealing. He attempted to paint a caricature of my right hon. and learned Friend the Member for Rushcliffe (Mr. Clarke) when he was Chancellor, but the hon. Gentleman's description could have been that of the present Chancellor. He talked about a Chancellor who was running up high debts, who had a poor forecasting record and indulged in pre-election spending booms. On the Conservative Benches, we recognise all those things as attributes of the present Chancellor. The hon. Gentleman's candid admission that the dividend tax credit was entirely a revenue-raising measure should percolate to other Labour Members.

I want to highlight two misunderstandings that emerged through the fog on the Labour Benches—I use the word "fog" to be charitable, but it may have been a deliberate attempt to spin Labour's side of the story. First, Labour Members tried to claim that before 1997 there were five Conservative cuts in dividend tax credit, which were analogous to the Chancellor's decision to abolish the credit. However, that claim does not recognise the fact that the first four cuts resulted from limiting the credit to the basic rate of income tax, which was successfully and successively cut by Conservative Chancellors during the 1980s and the early 1990s. That is not the same thing as abolition of the credit.

Secondly, several Members criticised pension holidays as a major contributor to the pension crisis. The hon. Member for Amber Valley (Judy Mallaber), who is not in the Chamber, claimed that pension holidays were forced on companies by measures introduced in a Conservative Budget in the mid-1980s. To put Labour Members straight, the purpose of those measures was to stop companies sheltering profits in their already well-funded pension schemes. They were legitimate measures to ensure that profits came into the corporation tax net. As Opposition Members have said, notably my right hon. Friend the Member for Wokingham (Mr. Redwood), the whole structure of trusteeship in the pension fund industry, with independent trustees and reporting actuaries, militates against assets being taken out of funds—other than in the Maxwell case, which was referred to earlier.

Many Labour Members are confused about the impact of the dividend tax cut on pension schemes. I urge them to go back to their constituencies, as I am sure some will do for the local elections, and talk to their councillors about what has happened to council tax as a result of the need to restore some of the unfunded deficits in council pension schemes. They will get a much better answer if they ask how much the dividend tax credit contributed to the situation.

In conclusion, there is a degree of consensus on the need to sort out the current pension crisis and on what needs to be done to sort out state pensions and to restore the savings ratio and personal responsibility. However, consensus is best achieved when analysis of the causes of the problem is shared, so it is disappointing that throughout the debate there has been no hint of contrition from the Chancellor or his supporters about the causes of the problem or any recognition that it was of his making.

9.28 pm

Mr. Philip Hammond (Runnymede and Weybridge) (Con): The question before the House is this: given what we know now about the circumstances of the 1997 tax raid—the advice that was received, the secrecy with which it was prepared, the concealment of the effects both during the election campaign and after the event—do we, in the words of the Leader of the Opposition's motion, have "no confidence" in the Chancellor's stewardship of occupational pensions, or do we, in the extraordinary words of the Government amendment, note and welcome "the acts of this Chancellor and Government to...remove the dividend tax credit"?

That is a pretty clear choice—one that millions of savers up and down the country will be watching very carefully.

What have we heard to help us to make up our minds this evening? My hon. Friend the shadow Chancellor set out the case and asked the Chancellor for a simple thing: he asked for an apology. But what did we get? We got an extraordinary rant from the Chancellor. Actually, it consisted of a speech with no interventions, followed by a series of interventions with no speech—punctuated with all sorts of accusations and assertions. He accused the Tories of not having introduced the Pension Protection Fund before 1997, but there was no need for such a fund before 1997. He told us that auto-enrolment will mean that all employees will have a pension at work, showing that he clearly does not understand the challenges facing the personal accounts agenda.

The Chancellor then told us that he is looking for long-term answers, but people in this country who believe that their pension is the longest-term issue for them will not understand that comment from a Chancellor who has shattered their confidence in their long-term savings. He told us that because of changes to corporation tax, employers could make higher contributions. That may or may not be the case, but the fact is that they did not make higher contributions. When confronted with the need to make good the deficits, they closed schemes instead, and there was no recognition at all from the Chancellor of the problems faced by the smaller companies, which often do not make profits and do not save corporation tax, that have been at the root cause of the problems faced by the 125,000 unfortunate people who have lost some or all of their pensions.

The Chancellor told the House that the problems of those pensioners were caused by their employers going bust, but he is quite wrong and obviously does not understand the position at all. Some of those employers have not gone bust and many others have gone bust without causing any problems to the pensions of their workers if their schemes were fully funded. The problem is the underfunding of the schemes, not the insolvency of the employers.

Perhaps most tellingly of all, we got no apology whatever from the Chancellor. Far from it. Indeed, we got the absolute opposite: with the Chancellor's clunking fist banging on the *Hansards* on the Dispatch Box, we were told that if given the chance, he would do it again. Thousands and millions of savers throughout Britain will draw their own conclusions about that statement tonight.

We heard a very good contribution from my right hon. and learned Friend the Member for Rushcliffe

(Mr. Clarke), who drew the House's attention to the extraordinary fact that the Chancellor, when in opposition, and my right hon. and learned Friend as Chancellor at the time, were considering precisely the same set of proposals and came to completely different conclusions. My right hon. and learned Friend was not prepared to take risks with the security in retirement of millions of ordinary people. He told us how just four sentences in the Chancellor's 1997 Budget concealed the largest tax-raising measure in it. Many of us will remember that Labour Members thought it was a tax cut. It took *The Times* of the next day to disabuse them of that.

Perhaps even more thoughtfully, my right hon. and learned Friend challenged the notion that successful and profitable companies should be allowed to keep all their profits and reinvest them in their own businesses. The Chancellor seems to think that that is the way to promote economic growth, but he should know that it leads to misallocation of capital resources. It should be the owners of capital who have the opportunity to decide where to invest it. Indeed, the Chancellor himself, in finally accepting the arguments for real estate investment trusts in the property sector, has acknowledged the truth of that point.

My right hon. Friend the Member for Wokingham (Mr. Redwood) drew attention to the interesting fact that the FRS 17 has been almost exactly the same size as the estimated cost of the Chancellor's tax grab. He generously described both the Chancellor and the Economic Secretary as having mounted a clever defence of their policies. I am not sure whether that view persisted, however, when the Chancellor answered my right hon. Friend's intervention as to whether he would be worse or better off if 20 per cent. of his income were taken away by saying that he thought that he would not be any worse off if 20 per cent. of his income were lost.

Then we heard from the hon. Member for Coventry, North-West (Mr. Robinson). We got a lecture on the skills necessary for opposition and a plea to be a bit kinder to the Chancellor. He made the extraordinary case that the mark of a serious Opposition is making policy in secret, locking it up during an election, concealing their tax raising plans, and then releasing them on an unsuspecting British public after that election is over. But at least we got from him a candid admission—not in the debate tonight, but in his book, which was quoted—that this was simply a revenue-raising measure. It was nothing to do with stimulating investment or promoting business. It was about hitting pensions—a soft touch. He was honest; it is a pity that he could not have been so at the time.

My right hon. Friend the Member for Hitchin and Harpenden (Mr. Lilley) made the key point that what matters is not simply the size of the pension funds, which the Chancellor quoted at the House, but the balance between their assets and liabilities. He drew attention to the real problem of trying to stimulate pensions saving in an environment of high levels of means-testing. That is a real difficulty for the personal accounts agenda, which the Chancellor appears not to recognise.

Then we had a contribution from the hon. Member for Birmingham, Erdington (Mr. Simon), who asked why we had raised this subject for debate now. Did we pluck it out of thin air? Apparently he has been on holiday for the last couple of weeks and is not aware of the dramatic release by the Chancellor on 30 March of the hitherto secret documents.

Until 1997, Britain had arguably the best pension provision in Europe and now it has arguably one of the worst. Part of the reason for that is the Chancellor's 1997 tax changes. Ministers deliberately concealed the impact of the annual tax raid, both before and after the event, and have consistently denied that wiping £100 billion or so off the value of pension funds has had any negative effect on pension provision. The Paymaster General, who was then the Financial Secretary, said in July 1997:

"our reforms will benefit pension funds."—[*Official Report*, 3 July 1997; Vol. 297, c. 508.]

The then Secretary of State for Trade and Industry told us that the reforms would be "good for pensioners." The Chancellor himself reassured the country, saying:

"We are not raiding pensions, that's just ridiculous".

But a decade later, with the benefit of these documents, we know the extent of the Chancellor's reckless disregard of the warnings that he received and his shameful gambling with the future retirement security of millions of ordinary people. We know that only because of the freedom of information request made by *The Times*. The Chancellor told us that he welcomed the information coming into the public domain and he claimed credit for introducing the Freedom of Information Act 2000. So why for two years has he spent our money fighting the release of the papers that *The Times* requested, saying that their release would damage the process of government?

Suddenly, when the damage to the Chancellor's own career progression seemed to be more at risk, the damage to the process of government faded into insignificance and out the papers came—on a Friday afternoon, after Parliament had risen for the Easter recess, when the Chancellor was safely abroad engaged in statesman-like posturing in Afghanistan. The Economic Secretary, whose hands are far from clean in this matter, was left to defend the indefensible. Tonight, we are faced with the even more ludicrous spectacle of the Chancellor's position being defended by the Secretary of State for Work and Pensions. I would repeat his comments on the Chancellor's fitness for the highest office, except that you have previously ruled that they are too unparliamentary to be quoted in the Chamber, Mr. Speaker.

The Chancellor knew from the outset that his position was untenable. That is why he resisted for two years releasing the papers and why he released them only when Parliament was in recess and when he had put 6,000 miles between himself and this place. Labour deceived the electorate in the 1997 election into believing that it was committed to no new taxes and the Government concealed the effect of the changes after they had implemented them.

When the whole story came out on 30 March, the Economic Secretary and the former Paymaster General engaged in a predictable series of ducking and weaving exercises in the Chancellor's absence. First, they said that this was all done on the advice of civil servants, but the documents released proved that that was not the case. They then said, "Actually, the CBI told us to do it, so that's all right," until up popped Lord Turner to say that that was completely wrong. Despite a few mumblings off in private, I have not heard any Minister say in

[Mr. Philip Hammond]

public that Lord Turner was lying, so if that is what the Government want us to believe, perhaps someone will jump up and say so.

The hon. Gentlemen then claimed that the whole package stimulated business investment, but business investment has fallen as a percentage of GDP—*[Interruption.]* Yes, it has. The Government then said, "The Tories did it," but there was a world of difference between the adjustments that my noble Friend Lord Lamont made to dividend tax credit and the wholesale abolition that the Chancellor undertook. I remind the Chancellor that my right hon. and learned Friend the Member for Rushcliffe had taken the decision that no further cuts in dividend tax credit were appropriate or possible.

The facts are that the pension tax raid was the Chancellor's decision, that it was taken against the advice of his civil servants, the CBI and the Prime Minister, and that it was not an adjustment of rates, but a carefully planned and executed raid that totally abolished dividend tax relief for pension funds. Even after taking the corporation tax changes into account, the raid resulted in a net gain to the Treasury of £3.5 billion. It did not deliver increased business investment, it did not boost productivity growth and it did not help any of the other fundamental drivers of prosperity in our economy.

I readily recognise that the Chancellor's tax grab was not the only factor affecting pensions, but it was the factor over which he had direct control. The end result is that Britain's gold standard pension system has been reduced to ruins. Some 60,000 schemes with 1 million members have wound up since 1997. Over the same decade on the Chancellor's watch, final salary schemes, except those in the public sector, have lurched into terminal decline—less than 10 per cent. of the private sector work force now have access to them. More than £100 billion has been wiped off the value of pension funds and more than £7 billion of annual cash flow is now being sucked into the Chancellor's coffers.

For the 125,000 people whose pension schemes have failed with insufficient funds to pay them what they are due, the crisis is not a future problem, but something that is real and immediate. The Chancellor has turned his back on those people, which was why my hon. Friend the Member for Tatton (Mr. Osborne) today outlined the measures that we will propose with cross-party support in the House—*[Interruption.]* The measures are supported in all parts of the House, except the Government Front Bench. They represent a consensus around the moral and pragmatic case for delivering proper benefits to that group of victims.

The truth is that the Chancellor thought that he could get away with it. He thought that as long as the dotcom bubble lasted, no one would notice £100 billion or so. He gambled with the future retirement security of millions of ordinary, hard-working people. When the bubble burst and he lost, they were left to pick up the tab—they will not forget that.

The debate is about the Chancellor, his judgment and his operating style. We have heard how he plotted his tax raid in secret, how he ignored the advice of everyone—colleagues, civil servants and the Prime Minister—how he dissembled about the effects of his 1997 announcement, and how he has tried to deny the consequences and suppress the evidence ever since. Finally, we have heard how he tried to bury bad news when he could no longer keep it hidden in the Treasury.

Tonight, the question and the motion on the Order Paper are about the Chancellor's handling of occupational pensions. However, he knows that the question on the lips of millions of pensioners and savers throughout Britain goes wider than that. The House has a choice: it can express its solidarity with the millions of people whose pensions have been affected, or it can turn its back on those people and vote for the Government's whitewash amendment, which actually praises the decision to scrap tax credits. We can reflect the huge concern across Britain about what has happened to our pensions, and about the Chancellor's role in that regard, or we can turn a deaf ear to the questions that are rightly being asked about the judgment and the style of the man who aspires to the highest office in the land.

9.45 pm

The Secretary of State for Work and Pensions (Mr. John Hutton): First, I congratulate all my hon. Friends, who made excellent speeches in the debate. I will come to their speeches in a second. We heard two interesting things from the Opposition Front-Bench spokesmen today. *[Interruption.]* No, they were interesting. I was here for all of the debate, and I counted two interesting things. The first was that, according to the hon. Member for Runnymede and Weybridge (Mr. Hammond), the Conservatives did not cut the dividend tax credit; they simply adjusted it. I think that we will keep a close eye on that type of rhetoric, and perhaps we will find that it applies more widely when we come to consider their record in government.

The more substantive point that the Conservatives made, which we Labour Members completely and totally reject, concerned the idea that my right hon. Friend, who has done a superb job as the Chancellor of the Exchequer, was, in any way, shape or form, not straight or honest about the changes that he made in the Budget in 1997. That is a charge that we completely and totally refute.

Mr. Lilley: Will the right hon. Gentleman give way?

Mr. Hutton: I will give way in a minute; I will refer to the right hon. Gentleman's contribution soon.

We heard excellent speeches from my right hon. Friend the Member for West Dunbartonshire (John McFall) and my hon. Friends the Members for Coventry, North-West (Mr. Robinson), for Birmingham, Erdington (Mr. Simon), for Caerphilly (Mr. David), for Amber Valley (Judy Mallaber), for Stourbridge (Lynda Waltho), for Wirral, West (Stephen Hesford) and for Hartlepool (Mr. Wright). My right hon. Friend the Member for West Dunbartonshire referred to the hypocrisy and hullabaloo around the issue, and in particular to the way in which the shadow Chancellor presented his so-called argument. He made the important point that in the Chamber, personal abuse and personal attacks are not really a substitute for a sound argument. There was no substance whatever to the remarks that the hon. Member for Tatton (Mr. Osborne) made today; that is absolutely clear.

My hon. Friends the Members for Birmingham, Erdington, for Caerphilly, for Amber Valley, for Stourbridge and for Wirral, West all argued in principle in favour of the changes that we made in the Budget of 1997. They did so with conviction, and their remarks were in contrast

to those made by Opposition Members. My hon. Friend the Member for Hartlepool made an excellent speech. I think that I am right in saying that he was the only accountant to speak today. *[Interruption.]* Well, there may have been other accountants, but my hon. Friend has my business any time that he wants to take it on.

The hon. Member for Twickenham (Dr. Cable), who spoke for the Liberal Democrats, suggested that the attacks made on the Chancellor by the Opposition were unfair, but said that he would vote with the Opposition anyway. That summarises in a nutshell the position that the Liberal Democrats usually end up taking. Of the speeches made by Conservative Members, I shall refer briefly to those made by the former Chancellor of the Exchequer, the right hon. and learned Member for Rushcliffe (Mr. Clarke), who I see is in the Chamber; the right hon. Member for Charnwood (Mr. Dorrell), who served with the former Chancellor in the Treasury; and the right hon. Member for Hitchin and Harpenden, who also has an interesting track record on the matters that we are discussing. He served in the Treasury at the time of cuts—I am sorry, adjustments—to the dividend tax credits. In addition—and this is probably a unique achievement—he was a Minister during the pensions mis-selling crisis. Not only that, he was the author of the disastrous reforms that the Conservative Government proposed to make to the basic state pension, which, we should remember, would have abolished personal tax relief for pensions. He asked me earlier to give way, and I am happy to do so now.

Mr. Lilley: The right hon. Gentleman said that he entirely repudiated any suggestion that the Chancellor had been less than forthcoming about his announcement when he made the Budget statement. Can he tell us where in the Budget statement the Chancellor indicated that the measure would take £5 billion out of pension funds, or even a penny?

Mr. Hutton: I will furnish the right hon. Gentleman with the details, but I think that he will find that figure in the Red Book. He should remember that that is part of the Budget process.

I always carefully follow the remarks of the right hon. Member for Charnwood because I have a lot of respect for him both as a Member and as a former Minister. However, I must correct one claim that he made, because it was not correct. He said that the dividend tax credit changes that my right hon. Friend the Chancellor introduced in 1997 broke the principle that pension contributions are exempt on investment and taxed on receipt. I remind him that my right hon. Friend's changes did not change any of the fundamental principles of the taxation of pensions. Contributions to pensions remain exempt from tax and, indeed, my right hon. Friend has introduced important simplifications to the tax regime for pensions. Investment returns in pension schemes remain exempt from taxation.

Mr. Dorrell: That is simply not right. Payments by companies of dividends come out of taxed income. Dividends received by pension funds are therefore taxed income. It was to avoid that double taxation of income received as dividends being taxed again when distributed as pensions that the original imputation system of corporation tax was established. It was precisely to avoid the double taxation that the Secretary of State says does not exist.

Mr. Hutton: No, I think that the right hon. Gentleman has conflated a number of different arguments. That was, however, a useful clarification of his speech— *[Interruption.]* It was, because it contradicted what he said in his speech, in which he made it clear that we had broken the principle of investments being exempt from taxation. *[Interruption.]*

Mr. Speaker: Order. Hon. Members must let the Secretary of State speak.

Hon. Members: We want the Chancellor to speak.

Mr. Speaker: Order. The Chancellor spoke earlier. It is important that hon. Members allow the Secretary of State to speak.

Mr. Hutton: I am grateful, Mr. Speaker. The problem—and it is a problem not just for the right hon. Member for Charnwood but for all the Opposition Members who spoke in the debate—is that the logic of his speech is that he would reverse the changes to dividend tax credit. That is the one policy that we all waited to hear about today, but we did not hear it. It was conspicuous that in the speeches of Opposition Members— *[Interruption.]* There is no point in their trying to barrack me and make their speeches again, as they had an opportunity, which they completely fluffed. It is evident to everyone watching the debate that the Tories have no policy to address the problem that they have spent the past six and a half hours describing in detail to the House.

Opposition Members have had plenty of time to make their position clear. We made those changes to the tax regime 10 years ago, and there have been two general elections in the intervening period. Just to remind them, we won those general elections because of the stewardship of my right hon. Friend the Chancellor and because of the way in which we have governed the country. After two general elections and 10 years of waiting, there is still no hint of a Tory policy and no commitment to reverse the changes about which they have complained. This has been one of the worst performances by the Opposition that I have witnessed in my time in this House.

According to Conservative Members—we heard this throughout their speeches—this Government supposedly inherited one of the best pension environments in the world in 1997, which explicitly underpinned most of what the right hon. and learned Member for Rushcliffe said in his speech. The only problem with that argument is that the facts tell a different story. In 1997, nearly 3 million pensioners were living in poverty. Many women were denied the opportunity to secure a full basic state pension in their own right, and carers were similarly mistreated by the system. It was no golden age of private pension schemes, either. The mis-selling of private pensions, which was overseen by the previous Government, many of whose members are still here today, was a national disgrace. Millions of workers had no access to occupational pensions. That was no utopia.

We need to be clear about one more thing, too. As my right hon. Friend the Chancellor has said, the shift from defined benefit schemes towards defined contribution schemes is not a UK phenomenon brought about by changes to corporation tax. Far from it—as the Chancellor and many Labour Members have made clear, the effects of demographic change have impacted on pension schemes and systems right across the globe. My argument today

[Mr. Hutton]

is that this Government have acted properly and responsibly in meeting the challenges that our pension system has faced since 1997.

Mr. Kenneth Clarke: I do not understand the point that the Secretary of State has just made about the situation in 1997, when, of course, everything was not perfect in the occupational pensions world. Does he accept that it was precisely because the three new Labour leaders believed that pension funds were in an impregnable financial position that they thought that the pension funds could stand a £5 billion a year loss without anybody having anything to worry about? There has been a move away from direct benefit pensions elsewhere, because other problems have occurred for pensions everywhere. In this country, the avalanche out of defined benefit schemes into other types of schemes, or none at all, grotesquely exceeds anything in any other jurisdiction.

Mr. Hutton: I am sorry, but I cannot remember what the right hon. and learned Gentleman was saying at the beginning of his intervention. The changes were part of a series of reforms to corporation tax that were designed to address what many people, including the Conservative party when it was in government, had identified as a distortion in the tax system. The Conservative Government made their five separate adjustments to dividend tax credits, but the point of my right hon. Friend's reforms was to make sure that we could then go further and cut corporation tax. They cut the dividend tax credit, but they never cut the main rate of corporation tax, which is the problem that the right hon. and learned Gentleman must address.

I have only two minutes left, and everyone will be glad to know that the remaining 12 pages of my speech will probably never be heard in this House. *[Interruption.]* Having read them, that is probably a good idea. In conclusion, the Opposition have made a lot of the process and also the policy behind the changes made by my right hon. Friend, but we have still not heard the Conservative response to any of those changes, and I have a very strong sense that we will never hear it.

Mr. Patrick McLoughlin (West Derbyshire) (Con) *rose in his place and claimed to move,* That the Question be now put.

Question, That the Question be now put, *put and agreed to.*

Question put accordingly, That the original words stand part of the Question:—

The House divided: Ayes 233, Noes 298.

Division No. 099] [9.59 pm

AYES

Afriyie, Adam
Ainsworth, Mr. Peter
Alexander, Danny
Amess, Mr. David
Atkinson, Mr. Peter
Bacon, Mr. Richard
Barker, Gregory
Baron, Mr. John
Barrett, John
Bath, rh Mr. Alan
Bellingham, Mr. Henry
Benyon, Mr. Richard
Beresford, Sir Paul
Binley, Mr. Brian
Blunt, Mr. Crispin
Bone, Mr. Peter
Bottomley, Peter
Brady, Mr. Graham
Brake, Tom
Brazier, Mr. Julian
Bread, Mr. Colin
Brokenshire, James
Browne, Mr. Jeremy
Browning, Angela
Bruce, rh Malcolm
Burns, Mr. Simon
Burrowes, Mr. David
Burstow, Mr. Paul
Burt, Alistair
Burt, Lorely
Cable, Dr. Vincent
Cameron, rh Mr. David
Campbell, rh Sir Menzies
Carmichael, Mr. Alistair
Carswell, Mr. Douglas
Cash, Mr. William
Clark, Greg
Clarke, rh Mr. Kenneth
Clifton-Brown, Mr. Geoffrey
Conway, Derek
Cormack, Sir Patrick
Cox, Mr. Geoffrey
Crabb, Mr. Stephen
Curry, rh Mr. David
Davey, Mr. Edward
Davies, David T.C. *(Monmouth)*
Davies, Philip
Davies, Mr. Quentin
Davis, rh David *(Haltemprice and Howden)*
Djanogly, Mr. Jonathan
Donaldson, Mr. Jeffrey M.
Dorrell, rh Mr. Stephen
Dorries, Mrs. Nadine
Duddridge, James
Duncan Smith, rh Mr. Iain
Dunne, Mr. Philip
Ellwood, Mr. Tobias
Fabricant, Michael
Fallon, Mr. Michael
Featherstone, Lynne
Field, Mr. Mark
Foster, Mr. Don
Fox, Dr. Liam
Francois, Mr. Mark
Fraser, Mr. Christopher
Gale, Mr. Roger
Garnier, Mr. Edward
Gauke, Mr. David
George, Andrew
Gibb, Mr. Nick
Gidley, Sandra
Gillan, Mrs. Cheryl
Goldsworthy, Julia
Goodman, Mr. Paul
Goodwill, Mr. Robert
Gove, Michael
Grayling, Chris
Green, Damian
Greening, Justine
Grieve, Mr. Dominic
Gummer, rh Mr. John
Hague, rh Mr. William
Hammond, Mr. Philip
Hammond, Stephen
Hands, Mr. Greg
Harper, Mr. Mark
Harris, Dr. Evan
Harvey, Nick
Hayes, Mr. John
Heald, Mr. Oliver
Heath, Mr. David
Heathcoat-Amory, rh Mr. David
Hemming, John
Hendry, Charles
Herbert, Nick
Hermon, Lady
Hoban, Mr. Mark
Hogg, rh Mr. Douglas
Hollobone, Mr. Philip
Holmes, Paul
Horam, Mr. John
Howard, rh Mr. Michael
Howarth, David
Howarth, Mr. Gerald
Hughes, Simon
Huhne, Chris
Hunt, Mr. Jeremy
Hunter, Mark
Hurd, Mr. Nick
Jack, rh Mr. Michael
Jackson, Mr. Stewart
Johnson, Mr. Boris
Jones, Mr. David
Kawczynski, Daniel
Keetch, Mr. Paul
Key, Robert
Kirkbride, Miss Julie
Knight, rh Mr. Greg
Kramer, Susan
Laing, Mrs. Eleanor
Lait, Mrs. Jacqui
Lamb, Norman
Lansley, Mr. Andrew
Laws, Mr. David
Leigh, Mr. Edward
Letwin, rh Mr. Oliver
Liddell-Grainger, Mr. Ian
Lidington, Mr. David
Lilley, rh Mr. Peter
Llwyd, Mr. Elfyn
Loughton, Tim
Luff, Peter
Mackay, rh Mr. Andrew
Maclean, rh David
Main, Anne
Maples, Mr. John
Mates, rh Mr. Michael
Maude, rh Mr. Francis
May, rh Mrs. Theresa
McIntosh, Miss Anne
McLoughlin, rh Mr. Patrick
Mercer, Patrick
Miller, Mrs. Maria
Milton, Anne
Mitchell, Mr. Andrew
Moore, Mr. Michael
Moss, Mr. Malcolm
Mulholland, Greg
Mundell, David
Murrison, Dr. Andrew
Neill, Robert
Newmark, Mr. Brooks
O'Brien, Mr. Stephen
Öpik, Lembit
Osborne, Mr. George
Ottaway, Richard
Paice, Mr. James
Paterson, Mr. Owen
Pelling, Mr. Andrew
Penning, Mike
Penrose, John
Pickles, Mr. Eric
Prisk, Mr. Mark
Pritchard, Mark
Pugh, Dr. John
Randall, Mr. John

Redwood, rh Mr. John
Rifkind, rh Sir Malcolm
Robathan, Mr. Andrew
Robertson, Hugh
Robertson, Mr. Laurence
Rogerson, Mr. Dan
Rosindell, Andrew
Ruffley, Mr. David
Russell, Bob
Sanders, Mr. Adrian
Scott, Mr. Lee
Selous, Andrew
Shapps, Grant
Shepherd, Mr. Richard
Simmonds, Mark
Simpson, Mr. Keith
Smith, Sir Robert
Spelman, Mrs. Caroline
Spicer, Sir Michael
Spink, Bob
Spring, Mr. Richard
Stanley, rh Sir John
Steen, Mr. Anthony
Streeter, Mr. Gary
Stuart, Mr. Graham
Stunell, Andrew
Swayne, Mr. Desmond
Swinson, Jo
Swire, Mr. Hugo
Syms, Mr. Robert
Tapsell, Sir Peter
Taylor, Mr. Ian
Taylor, Matthew
Teather, Sarah
Thurso, John
Tredinnick, David
Tyrie, Mr. Andrew
Vaizey, Mr. Edward
Vara, Mr. Shailesh
Viggers, Peter
Villiers, Mrs. Theresa
Walker, Mr. Charles
Wallace, Mr. Ben
Waterson, Mr. Nigel
Watkinson, Angela
Webb, Steve
Weir, Mr. Mike
Whittingdale, Mr. John
Widdecombe, rh Miss Ann
Wiggin, Bill
Willetts, Mr. David
Williams, Hywel
Williams, Mark
Williams, Mr. Roger
Williams, Stephen
Willis, Mr. Phil
Willott, Jenny
Wilson, Mr. Rob
Wilson, Sammy
Winterton, Ann
Winterton, Sir Nicholas
Wishart, Pete
Wright, Jeremy
Yeo, Mr. Tim
Young, rh Sir George
Younger-Ross, Richard

Tellers for the Ayes:
Mr. David Evennett and Mr. Mark Lancaster

NOES

Abbott, Ms Diane
Ainger, Nick
Ainsworth, rh Mr. Bob
Allen, Mr. Graham
Anderson, Mr. David
Anderson, Janet
Armstrong, rh Hilary
Atkins, Charlotte
Austin, Mr. Ian
Bailey, Mr. Adrian
Baird, Vera
Balls, Ed
Banks, Gordon
Barlow, Ms Celia
Barron, rh Mr. Kevin
Battle, rh John
Bayley, Hugh
Begg, Miss Anne
Bell, Sir Stuart
Benn, rh Hilary
Benton, Mr. Joe
Betts, Mr. Clive
Blackman-Woods, Dr. Roberta
Blears, rh Hazel
Blizzard, Mr. Bob
Blunkett, rh Mr. David
Bradshaw, Mr. Ben
Brennan, Kevin
Brown, rh Mr. Gordon
Brown, Lyn
Brown, rh Mr. Nicholas
Brown, Mr. Russell
Browne, rh Des
Bryant, Chris
Buck, Ms Karen
Burden, Richard
Burgon, Colin
Burnham, Andy
Butler, Ms Dawn
Byers, rh Mr. Stephen
Cairns, David
Campbell, Mr. Alan
Campbell, Mr. Ronnie
Caton, Mr. Martin
Cawsey, Mr. Ian
Challen, Colin
Chapman, Ben
Chaytor, Mr. David
Clapham, Mr. Michael
Clark, Ms Katy
Clarke, rh Mr. Charles
Clarke, rh Mr. Tom
Clelland, Mr. David
Clwyd, rh Ann
Coaker, Mr. Vernon
Colley, Ann
Cohen, Harry
Connarty, Michael
Cook, Frank
Cooper, Rosie
Corbyn, Jeremy
Creagh, Mary
Cryer, Mrs. Ann
Cummings, John
Cunningham, Mr. Jim
Cunningham, Tony
Darling, rh Mr. Alistair
David, Mr. Wayne
Davidson, Mr. Ian
Davies, Mr. Dai
Dean, Mrs. Janet
Denham, rh Mr. John
Devine, Mr. Jim
Dhanda, Mr. Parmjit
Dismore, Mr. Andrew
Dobbin, Jim
Dobson, rh Frank
Donohoe, Mr. Brian H.
Doran, Mr. Frank
Dowd, Jim
Drew, Mr. David
Dunwoody, Mrs. Gwyneth
Eagle, Angela
Eagle, Maria
Efford, Clive
Ellman, Mrs. Louise
Ennis, Jeff
Farrelly, Paul
Fisher, Mark
Fitzpatrick, Jim
Flello, Mr. Robert
Flint, Caroline
Follett, Barbara
Foster, Mr. Michael *(Worcester)*
Foster, Michael Jabez *(Hastings and Rye)*
Francis, Dr. Hywel
Gapes, Mike
Gardiner, Barry
Gerrard, Mr. Neil
Gibson, Dr. Ian
Godsiff, Mr. Roger
Goggins, Paul
Goodman, Helen
Griffiths, Nigel
Grogan, Mr. John
Gwynne, Andrew
Hain, rh Mr. Peter
Hall, Mr. Mike
Hall, Patrick
Hamilton, Mr. Fabian
Hanson, rh Mr. David
Harman, rh Ms Harriet
Harris, Mr. Tom
Healey, John
Hendrick, Mr. Mark
Hepburn, Mr. Stephen
Heppell, Mr. John
Hesford, Stephen
Hewitt, rh Ms Patricia
Hill, rh Keith
Hillier, Meg
Hodge, rh Margaret
Hodgson, Mrs. Sharon
Hood, Mr. Jimmy
Hoon, rh Mr. Geoffrey
Hopkins, Kelvin
Howarth, rh Mr. George
Howells, Dr. Kim
Hoyle, Mr. Lindsay
Hughes, rh Beverley
Humble, Mrs. Joan
Hutton, rh Mr. John
Iddon, Dr. Brian
Ingram, rh Mr. Adam
Iranca-Davies, Huw
Jackson, Glenda
James, Mrs. Siân C.
Jenkins, Mr. Brian
Johnson, rh Alan
Johnson, Ms Diana R.
Jones, Helen
Jones, Lynne
Jowell, rh Tessa
Joyce, Mr. Eric
Kaufman, rh Sir Gerald
Keeble, Ms Sally
Keeley, Barbara
Keen, Alan
Keen, Ann
Kelly, rh Ruth
Kemp, Mr. Fraser
Kennedy, rh Jane
Khan, Mr. Sadiq
Kidney, Mr. David
Kilfoyle, Mr. Peter
Knight, Jim
Kumar, Dr. Ashok
Ladyman, Dr. Stephen
Lammy, Mr. David
Lazarowicz, Mark
Lepper, David
Levitt, Tom
Lewis, Mr. Ivan
Linton, Martin
Love, Mr. Andrew
Lucas, Ian
Mackinlay, Andrew
Macleggart, Fiona
Mahmood, Mr. Khalid
Malik, Mr. Shahid
Mallaber, Judy
Mann, John
Marris, Rob
Marsden, Mr. Gordon
Martlew, Mr. Eric
McAvoy, rh Mr. Thomas
McCabe, Steve
McCarthy, Kerry
McCarthy-Fry, Sarah
McCartney, rh Mr. Ian
McDonagh, Siobhain
McDonnell, Dr. Alasdair
McDonnell, John
McFadden, Mr. Pat
McFall, rh John
McGovern, Mr. Jim
McGuire, Mrs. Anne
McIsaac, Shona
McKechin, Ann
McKenna, Rosemary
McNulty, Mr. Tony
Meacher, rh Mr. Michael
Merron, Gillian
Michael, rh Alun
Milburn, rh Mr. Alan
Miliband, rh David
Miliband, Edward
Mitchell, Mr. Austin
Moffat, Anne
Moffatt, Laura
Mole, Chris
Moon, Mrs. Madeleine
Morden, Jessica
Morgan, Julie
Morley, rh Mr. Elliot
Mountford, Kali
Mudie, Mr. George
Munn, Meg
Murphy, Mr. Denis
Murphy, Mr. Jim

Murphy, rh Mr. Paul
Naysmith, Dr. Doug
Norris, Dan
O'Brien, Mr. Mike
Oliver, Mr. Bill
Osborne, Sandra
Owen, Albert
Palmer, Dr. Nick
Pearson, Ian
Pickles, Mr. James
Pope, Mr. Greg
Pound, Stephen
Prentice, Mr. Gordon
Prescott, rh Mr. John
Primarolo, rh Dawn
Prosser, Gwyn
Purchase, Mr. Ken
Purnell, James
Rammell, Bill
Raynsford, rh Mr. Nick
Reed, Mr. Andy
Reed, Mr. Jamie
Reid, rh John
Riordan, Mrs. Linda
Robertson, John
Robinson, Mr. Geoffrey
Rooney, Mr. Terry
Ruane, Chris
Ruddock, Joan
Ryan, Joan
Salter, Martin
Seabeck, Alison
Shaw, Jonathan
Sheerman, Mr. Barry
Sheridan, Jim
Simon, Mr. Siôn
Simpson, Alan
Singh, Mr. Marsha
Skinner, Mr. Dennis
Slaughter, Mr. Andy
Smith, rh Mr. Andrew
Smith, Ms Angela C. *(Sheffield, Hillsborough)*
Smith, Angela E. *(Basildon)*
Smith, rh Jacqui
Snelgrove, Anne
Soulsby, Sir Peter
Southworth, Helen
Spellar, rh Mr. John
Starkey, Dr. Phyllis
Stewart, Ian
Steele, Dr. Howard
Strang, rh Dr. Gavin
Straw, rh Mr. Jack
Stringer, Graham
Stuart, Ms Gisela
Sutcliffe, Mr. Gerry
Tami, Mark
Taylor, Ms Dari
Taylor, David
Thomas, Mr. Gareth
Timms, rh Mr. Stephen
Tipping, Paddy
Todd, Mr. Mark
Touhig, rh Mr. Don
Trickett, Jon
Turner, Dr. Desmond
Turner, Mr. Neil
Twigg, Derek
Usher, Kitty
Walley, Joan
Watho, Lynda
Ward, Claire
Warsing, Mr. Robert N.
Watson, Mr. Tom
Watts, Mr. Dave
Whitehead, Dr. Alan
Wicks, Malcolm
Williams, rh Mr. Alan
Wills, Mr. Michael
Winnick, Mr. David
Winterton, rh Ms Rosie
Wood, Mike
Woodward, Mr. Shaun
Woolas, Mr. Phil
Wright, Mr. Anthony
Wright, David
Wright, Mr. Iain
Wright, Dr. Tony
Wyatt, Derek

Tellers for the Noes:
Mr. Frank Roy and Lia Blackman

Question accordingly negatived.

Question, That the proposed words be there added, *put forthwith, pursuant to Standing Order No. 31 (Questions on amendments)*:—

The House divided: Ayes 297, Noes 230.

Division No. 090] **[10.18**

AYES

Abbott, Ms Diane
Ainger, Nick
Ainsworth, rh Mr. Bob
Allen, Mr. Graham
Anderson, Mr. David
Anderson, Janet
Armstrong, rh Hilary
Atkins, Charlotte
Austin, Mr. Ian
Bailey, Mr. Adrian
Baird, Vera
Balls, Ed
Banks, Gordon
Barlow, Ms Celia
Barron, rh Mr. Kevin
Battle, rh John
Bayley, Hugh
Begg, Miss Anne
Bell, Sir Stuart
Benn, rh Hilary
Benton, Mr. Joe
Betts, Mr. Clive
Blackman-Woods, Dr. Roberta
Blears, rh Hazel
Blizzard, Mr. Bob
Blunkett, rh Mr. David
Bradshaw, Mr. Ben
Brennan, Kevin
Brown, rh Mr. Gordon
Brown, Lyn
Brown, rh Mr. Nicholas
Brown, Mr. Russell
Browne, rh Des
Bryant, Chris
Buck, Ms Karen
Burden, Richard
Burgon, Colin
Burnham, Andy
Butler, Ms Dawn
byers, rh Mr. Stephen
Cairns, David
Campbell, Mr. Alan
Campbell, Mr. Ronnie
Caton, Mr. Martin
Cawsey, Mr. Ian
Challen, Colin
Chapman, Ben
Chaytor, Mr. David
Clapham, Mr. Michael
Clark, Ms Katy
Clarke, rh Mr. Charles
Clarke, rh Mr. Tom
Clelland, Mr. David
Clwyd, rh Ann
Coaker, Mr. Vernon
Coffey, Ann
Cohen, Harry
Connarty, Michael
Cook, Frank
Cooper, Rosie
Corbyn, Jeremy
Creagh, Mary
Cruddas, Jon
Cryer, Mrs. Ann
Cummings, John
Cunningham, Mr. Jim
Cunningham, Tony
Darling, rh Mr. Alistair
David, Mr. Wayne
Davidson, Mr. Ian
Dean, Mrs. Janet
Denham, rh Mr. John
Devine, Mr. Jim
Dhanda, Mr. Parmjit
Dismore, Mr. Andrew
Dobbin, Jim
Dobson, rh Frank
Donohoe, Mr. Brian H.
Doran, Mr. Frank
Dowd, Jim
Drew, Mr. David
Durwoody, Mrs. Gwyneth
Eagle, Angela
Eagle, Maria
Efford, Clive
Ellman, Mrs. Louise
Ennis, Jeff
Farrelly, Paul
Fisher, Mark
Fitzpatrick, Jim
Flello, Mr. Robert
Flint, Caroline
Follett, Barbara
Foster, Mr. Michael *(Worcester)*
Foster, Michael Jabez *(Hastings and Rye)*
Francis, Dr. Hywel
Gapes, Mike
Gardiner, Barry
Gerrard, Mr. Neil
Gibson, Dr. Ian
Godsiff, Mr. Roger
Goggins, Paul
Goodman, Helen
Griffiths, Nigel
Grogan, Mr. John
Gwynne, Andrew
Hain, rh Mr. Peter
Hall, Mr. Mike
Hall, Patrick
Hamilton, Mr. Fabian
Hanson, rh Mr. David
Harman, rh Ms Harriet
Harris, Mr. Tom
Healey, John
Hendrick, Mr. Mark
Hepburn, Mr. Stephen
Heppell, Mr. John
Hesford, Stephen
Hewitt, rh Ms Patricia
Hill, rh Keith
Hillier, Meg
Hodge, rh Margaret
Hodgson, Mrs. Sharon
Hood, Mr. Jimmy
Hoon, rh Mr. Geoffrey
Hopkins, Kelvin
Howarth, rh Mr. George
Howells, Dr. Kim
Hoyle, Mr. Lindsay
Hughes, rh Beverley
Humble, Mrs. Joan
Hutton, rh Mr. John
Iddon, Dr. Brian
Ingram, rh Mr. Adam
Irranca-Davies, Huw
Jackson, Glenda
James, Mrs. Siân C.
Jenkins, Mr. Brian
Johnson, rh Alan
Johnson, Ms Diana R.
Jones, Helen
Jones, Lynne
Jowell, rh Tessa
Joyce, Mr. Eric
Kaufman, rh Sir Gerald
Keeble, Ms Sally
Keeley, Barbara
Keen, Alan
Keen, Ann
Kelly, rh Ruth
Kemp, Mr. Fraser
Kennedy, rh Jane
Khan, Mr. Sadiq
Kidney, Mr. David
Knight, Jim
Kumar, Dr. Ashok
Ladyman, Dr. Stephen
Lammy, Mr. David
Lazarowicz, Mark
Lepper, David
Levitt, Tom
Lewis, Mr. Ivan
Linton, Martin
Love, Mr. Andrew
Lucas, Ian
Mackinlay, Andrew
Mactaggart, Fiona
Mahmood, Mr. Khalid
Malik, Mr. Shahid
Mallaber, Judy

Mann, John
Marris, Rob
Marsden, Mr. Gordon
Martlew, Mr. Eric
McAvoy, rh Mr. Thomas
McCabe, Steve
McCarthy, Kerry
McCarthy-Fry, Sarah
McCartney, rh Mr. Ian
McDonagh, Siobhain
McDonnell, Dr. Alasdair
McDonnell, John
McFadden, Mr. Pat
McFall, rh John
McGuire, Mrs. Anne
McIsaac, Shona
McKechin, Ann
McKenna, Rosemary
McNulty, Mr. Tony
Meacher, rh Mr. Michael
Merron, Gillian
Michael, rh Alun
Milburn, rh Mr. Alan
Miliband, rh David
Miliband, Edward
Mitchell, Mr. Austin
Moffat, Anne
Moffatt, Laura
Mole, Chris
Moon, Mrs. Madeleine
Morden, Jessica
Morgan, Julie
Morley, rh Mr. Elliot
Mountford, Kali
Mudie, Mr. George
Munn, Meg
Murphy, Mr. Denis
Murphy, Mr. Jim
Murphy, rh Mr. Paul
Naysmith, Dr. Doug
Norris, Dan
O'Brien, Mr. Mike
Oiner, Mr. Bill
Osborne, Sandra
Owen, Albert
Palmer, Dr. Nick
Pearson, Ian
Plaskitt, Mr. James
Pope, Mr. Greg
Pound, Stephen
Prentice, Mr. Gordon
Prescott, rh Mr. John
Primarolo, rh Dawn
Prosser, Gwyn
Purchase, Mr. Kan
Purnell, James
Rammell, Bill
Raynsford, rh Mr. Nick
Reed, Mr. Andy
Reed, Mr. Jamie
Reid, rh John
Riordan, Mrs. Linda
Robertson, John
Robinson, Mr. Geoffrey
Rooney, Mr. Terry
Ruane, Chris
Ruddock, Joan
Ryan, Joan
Sailer, Martin
Seabeck, Alison
Shaw, Jonathan
Sheerman, Mr. Barry
Sheridan, Jim
Simon, Mr. Siôn
Simpson, Alan
Singh, Mr. Marsha
Skinner, Mr. Dennis
Slaughter, Mr. Andy
Smith, rh Mr. Andrew
Smith, Ms Angela C. *(Sheffield, Hillsborough)*
Smith, Angela E. *(Basildon)*
Smith, rh Jacqui
Snelgrove, Anne
Soulsby, Sir Peter
Southworth, Helen
Spellar, rh Mr. John
Starkey, Dr. Phyllis
Stewart, Ian
Stoate, Dr. Howard
Strang, rh Dr. Gavin
Straw, rh Mr. Jack
Stringer, Graham
Stuart, Ms Gisela
Sutcliffe, Mr. Gerry
Tami, Mark
Taylor, Ms Dari
Taylor, David
Thomas, Mr. Gareth
Timms, rh Mr. Stephen
Tipping, Paddy
Todd, Mr. Mark
Touhig, rh Mr. Don
Trickett, Jon
Turner, Dr. Desmond
Turner, Mr. Neil
Twigg, Derek
Uesher, Kitty
Walley, Joan
Waltho, Lynda
Ward, Claire
Wareing, Mr. Robert N.
Watson, Mr. Tom
Watts, Mr. Dave
Whitehead, Dr. Alan
Wicks, Malcolm
Williams, rh Mr. Alan
Wills, Mr. Michael
Winnick, Mr. David
Winterton, rh Ms Rosie
Wood, Mike
Woodward, Mr. Shaun
Woolas, Mr. Phil
Wright, Mr. Anthony
Wright, David
Wright, Mr. Iain
Wright, Dr. Tony
Wyatt, Derek

Tellers for the Ayes:
Liz Blackman and Mr. Frank Roy

NOES

Afriyie, Adam
Ainsworth, Mr. Peter
Alexander, Danny
Amess, Mr. David
Atkinson, Mr. Peter
Bacon, Mr. Richard
Barker, Gregory
Baron, Mr. John
Barrett, John
Beith, rh Mr. Alan
Bellingham, Mr. Henry
Benyon, Mr. Richard
Bercow, John
Beresford, Sir Paul
Binley, Mr. Brian
Blunt, Mr. Crispin
Bone, Mr. Peter
Brady, Mr. Graham
Brake, Tom
Brazier, Mr. Julian
Breed, Mr. Colin
Brokenshire, James
Browne, Mr. Jeremy
Browning, Angela
Bruce, rh Malcolm
Burns, Mr. Simon
Burrowes, Mr. David
Burstow, Mr. Paul
Burt, Alistair
Burt, Lorely
Cable, Dr. Vincent
Cameron, rh Mr. David
Carmichael, Mr. Alistair
Carswell, Mr. Douglas
Cash, Mr. William
Clark, Greg
Clarke, rh Mr. Kenneth
Clifton-Brown, Mr. Geoffrey
Conway, Derek
Cormack, Sir Patrick
Cox, Mr. Geoffrey
Crabb, Mr. Stephen
Davey, Mr. Edward
Davies, Mr. Dai
Davies, David T.C. *(Monmouth)*
Davies, Philip
Davies, Mr. Quentin
Davis, rh David *(Haltemprice and Howden)*
Djanogly, Mr. Jonathan
Donaldson, Mr. Jeffrey M.
Dorrell, rh Mr. Stephen
Dorries, Mrs. Nadine
Duddridge, James
Duncan Smith, rh Mr. Iain
Dunne, Mr. Philip
Ellwood, Mr. Tobias
Fabricant, Michael
Fallon, Mr. Michael
Featherstone, Lynne
Field, Mr. Mark
Foster, Mr. Don
Fox, Dr. Liam
Francois, Mr. Mark
Fraser, Mr. Christopher
Gale, Mr. Roger
Garnier, Mr. Edward
Gauke, Mr. David
George, Andrew
Gibb, Mr. Nick
Gidley, Sandra
Gillan, Mrs. Cheryl
Goldsworthy, Julia
Goodman, Mr. Paul
Goodwill, Mr. Robert
Gove, Michael
Grayling, Chris
Green, Damian
Greening, Justine
Grieve, Mr. Dominic
Gummer, rh Mr. John
Hague, rh Mr. William
Hammond, Mr. Philip
Hammond, Stephen
Hands, Mr. Greg
Harper, Mr. Mark
Harris, Dr. Evan
Harvey, Nick
Hayes, Mr. John
Heald, Mr. Oliver
Heath, Mr. David
Heathcoat-Amory, rh Mr. David
Hemming, John
Hendry, Charles
Herbert, Nick
Hermon, Lady
Hoban, Mr. Mark
Hogg, rh Mr. Douglas
Hollobone, Mr. Philip
Holmes, Paul
Horam, Mr. John
Howard, rh Mr. Michael
Howarth, David
Howarth, Mr. Gerald
Hughes, Simon
Huhne, Chris
Hunt, Mr. Jeremy
Hunter, Mark
Hurd, Mr. Nick
Jack, rh Mr. Michael
Jackson, Mr. Stewart
Johnson, Mr. Boris
Jones, Mr. David
Kawczynski, Daniel
Keetch, Mr. Paul
Key, Robert
Kirkbride, Miss Julie
Knight, rh Mr. Greg
Kramer, Susan
Laing, Mrs. Eleanor
Lait, Mrs. Jacqui
Lamb, Norman
Lansley, Mr. Andrew
Laws, Mr. David
Leigh, Mr. Edward
Letwin, rh Mr. Oliver
Liddell-Grainger, Mr. Ian
Lidington, Mr. David
Lilley, rh Mr. Peter
Lhwyd, Mr. Elfyn
Loughton, Tim
Luff, Peter
Mackay, rh Mr. Andrew
Maclean, rh David
Main, Anne
Maples, Mr. John
Mates, rh Mr. Michael
Maude, rh Mr. Francis
May, rh Mrs. Theresa
McIntosh, Miss Anne
McLoughlin, rh Mr. Patrick
Mercer, Patrick
Miller, Mrs. Maria
Milton, Anne
Mitchell, Mr. Andrew
Moore, Mr. Michael
Moss, Mr. Malcolm
Mulholland, Greg

Mundell, David
Murrison, Dr. Andrew
Neill, Robert
Newmark, Mr. Brooks
O'Brien, Mr. Stephen
Öpik, Lembit
Osborne, Mr. George
Ottaway, Richard
Paice, Mr. James
Paterson, Mr. Owen
Penning, Mike
Penrose, John
Pickles, Mr. Eric
Prisk, Mr. Mark
Pritchard, Mark
Pugh, Dr. John
Randall, Mr. John
Redwood, rh Mr. John
Rifkind, rh Sir Malcolm
Robathan, Mr. Andrew
Robertson, Hugh
Robertson, Mr. Laurence
Rogerson, Mr. Dan
Rosindell, Andrew
Ruffley, Mr. David
Russell, Bob
Sanders, Mr. Adrian
Scott, Mr. Lee
Selous, Andrew
Shapps, Grant
Shepherd, Mr. Richard
Simmonds, Mark
Simpson, Mr. Keith
Smith, Sir Robert
Spelman, Mrs. Caroline
Spicer, Sir Michael
Spink, Bob
Spring, Mr. Richard
Stanley, rh Sir John
Steen, Mr. Anthony
Streeter, Mr. Gary
Stuart, Mr. Graham
Stunell, Andrew
Swayne, Mr. Desmond
Swinson, Jo
Swire, Mr. Hugo
Syms, Mr. Robert
Tapsell, Sir Peter
Taylor, Mr. Ian
Taylor, Matthew
Teather, Sarah
Thurso, John
Tredinnick, David
Tyrie, Mr. Andrew
Vaizey, Mr. Edward
Vara, Mr. Shailesh
Viggers, Peter
Villiers, Mrs. Theresa
Walker, Mr. Charles
Wallace, Mr. Ben
Waterson, Mr. Nigel
Watkinson, Angela
Webb, Steve
Weir, Mr. Mike
Whittingdale, Mr. John
Widdecombe, rh Miss Ann
Wiggin, Bill
Willetts, Mr. David
Williams, Hywel
Williams, Mark
Williams, Mr. Roger
Williams, Stephen
Willis, Mr. Phil
Willott, Jenny
Wilson, Mr. Rob
Wilson, Sammy
Winterton, Ann
Winterton, Sir Nicholas
Wishart, Pete
Wright, Jeremy
Yeo, Mr. Tim
Young, rh Sir George
Younger-Ross, Richard

Tellers for the Noes:
Mr. David Evennett and
Mr. Mark Lancaster

Question accordingly agreed to.

MR. SPEAKER *forthwith declared the main Question, as amended, to be agreed to.*

Resolved,

That this House notes and welcomes the acts of this Chancellor and Government to tackle the legacy of pensions mis-selling, support occupational pensions through a Pension Protection Fund set up for the first time and a new Pensions Regulator, further support 125,000 people through the Financial Assistance Scheme whose occupational pensions were affected by employer insolvency, set out the long-term framework for pensions through the new Pensions Bill, including re-linking the uprating of the basic State Pension to average earnings, introduce a new scheme of low cost personal accounts and stakeholder pensions of which over three million have been created, remove the dividend tax credit, make reductions in corporation tax which have contributed to the 50 per cent. rise in business investment and helped the UK economy to grow in each of the last 39 quarters and introduce the winter fuel allowance, free television licences and the Pension Credit to provide an additional framework of support for today's pensioners.

PETITION

Pension Entitlement

10.31 pm

Alan Simpson (Nottingham, South) (Lab): After a long day debating pensions, it is appropriate to present a public petition on pension entitlements. The petition is signed by 4,231 people and states:

The Petition of residents of Nottingham and others,

Declares that there is a public duty to restore the pension entitlements of the 85,000 pensioners whose lifetime contributions disappeared in collapsed pension schemes. The Ombudsman's report, *Trusting in the Pension Promise*, concluded that successive Governments ignored warnings that the Minimum Funding Requirement did not adequately protect workers' pensions. The Petitioners believe that Government has to accept responsibility for ignoring these warnings and concealing them from the public.

The Petitioners therefore request that the House of Commons press the Government to introduce legislation restoring full pension entitlements to those who have lost their pensions.

The House will have a chance to do so tomorrow.

To lie upon the Table.

Financial Education

Motion made, and Question proposed, That this House do now adjourn.—*[Mr. Cawsey.]*

10.32 pm

Mr. Phil Willis (Harrogate and Knaresborough) (LD): I expect that you, Mr. Speaker, and I were fortunate when we were growing up some 50 years ago—when we were both teenagers—in that the need for financial education was limited. The only problem that my family had with finance was managing until the next pay day. Credit cards, individual savings accounts, overdrafts, student loans, annual percentage rates or even mortgages were as remote as they were irrelevant. I am glad to see that the hon. Member for Dewsbury (Mr. Malik) is in his place, as he is from Burnley, where I grew up.

Financial education, as taught by my father, consisted of the simple philosophy of Mr. Micawber:

"Annual income twenty pounds, annual expenditure nineteen nineteen and six, result happiness. Annual income twenty pounds, annual expenditure twenty pounds ought and six, result misery."

Today's young people face a more complex financial picture. They live in a country where last year 107,000 people became insolvent, 5,300 people a day went to Citizens Advice for debt advice and our combined consumer debt reached £1.3 trillion—more than our GDP.

It appears that as we have become more affluent we have abandoned not only the philosophy of Mr. Micawber, but our senses when it comes to finance. Right hon. and hon. Members will have dozens of examples of constituents who are in dire financial situations, often through an inability to budget or to understand financial products, and a failure to comprehend financial terminology. That is hardly surprising. An Institute of Financial Services School of Finance survey in 2004 revealed that 79 per cent. of people did not know what APR meant, 30 per cent. did not know what a standing order was, 20 per cent. could not understand the concept of inflation, and 50 per cent. did not know what 50 per cent. was.

Inevitably, that lack of financial knowledge is especially prevalent in the young. A Finance Society survey in January 2007 found that most youngsters thought that an ISA—an individual savings account—was an iPod accessory, and that winning the lottery was the best way to fund retirement.

I am sure that no one in the House would dispute that people need to be better educated financially, or that that education should start in our schools and colleges.

Mr. Adrian Bailey (West Bromwich, West) (Lab/Co-op): The hon. Gentleman has mentioned credit cards, but is he aware that a survey found that young people thought that the credit card with the highest APR was the best one to have?

Mr. Willis: The hon. Gentleman makes my point exactly—that young people's inability to understand simple terminology is a serious problem. To be fair, the Government's 2007 publication entitled "Financial Capability: the Government's long-term approach" said that all children and young people should

"have access to a planned and coherent programme of personal finance education, so that they leave school with the skills and confidence to manage their money well".

Most people would agree with that, but the reality is that financial education is a lottery for the vast majority of our young people. Until it is recognised that financial education is a key skill that should sit alongside literacy, numeracy and ICT as a stand-alone element in the national curriculum, it will remain a lottery, and the nation will continue to regard financial illiteracy as the norm.

Sadly, the Department for Education and Skills does not agree that a stand-alone element is needed. Indeed, on 17 February my hon. Friend the Member for Falmouth and Camborne (Julia Goldsworthy) asked the Minister for Schools whether he intended to bring forward proposals to introduce a compulsory study of financial literacy in the national curriculum. The Minister said that he had no such plans, and I want to ask him why. The Government have stated that they are already delivering personal financial education through personal, social and health education, enterprise education, citizenship education and, from 2010, GCSE functional mathematics. However, like many others interested in these matters, I remain unconvinced that those initiatives, either alone or combined, are sufficient to equip our young people with the skills needed to manage their finances. I shall explain why.

First, Ofsted says that many secondary schools are failing to teach PSHE at all, and that only a handful of the ones that do include personal finance. Even then, the amount of time devoted to the subject is minute. The Government are considering adding an element of economic well being—another "E"—to the PSHE course, yet that will not improve matters. The new programme will be known as PSHEE but, like the existing programme, it will be non-statutory and non-examinable. In other words, it will simply be optional.

What about enterprise education, which is supposed to ensure that all 14 to 16-year-olds have five days enterprise activity? I welcome wholeheartedly the commitment to work-related learning, but it is related only tenuously to personal finance skills. Again, the amount of time allocated specifically to personal finance education will be very limited and—crucially—will also be optional and non-examinable.

So what about the citizenship programme? The Government claim that that includes financial education, but once more there is little evidence that schools are offering any form of financial education in the citizenship programme. I welcome the fact that financial capability appears in the suggested syllabus, but many schools do not teach it at all. The citizenship programme may be compulsory, but financial education is not a compulsory part of it, as it clearly needs to be. Even the examinable GCSE short course in citizenship contains no questions even vaguely related to personal finance.

Earlier today, I double-checked this by reading the specimen exam papers from OCR and Edexcel, neither of which contains this year a single question relating to personal finance. That cannot be right. The Education and Skills Committee concluded last month in an excellent report on citizenship that it is poorly taught and "patchy at best". With ever-increasing pressure to deliver greater concentration on elements of identity, diversity and belonging, I fear that citizenship will fail to provide a sound vehicle to deliver core financial skills.

So what about functional maths? Ministers have stated that the new functional maths GCSE, to be introduced in 2010 will include elements of financial capability. In evidence to the Treasury Committee published in November 2006, the ifs School of Finance expressed its concerns that the standards for functional mathematics published

[Mr. Willis]

by the Qualifications and Curriculum Authority were inadequate. The Select Committee concluded:

"What is being masqueraded as financial capability is confined to recognising notes and coins and simple calculations using money."

That is not financial education. Regrettably, it would appear that this latest Government initiative offers little other than a tasty soundbite but no real substance. Indeed, if I could make one plea to the Minister tonight, it would be to move away from the idea that maths is a natural home for anything relating to personal finance. Financial capability is first and foremost about behaviours, not about numeracy.

Mr. Bailey: Does the hon. Gentleman agree that one of the problems is that we do not have a cohort of teachers trained to teach personal finance as a specific subject?

Mr. Willis: I certainly do agree. I will come on to that point in just a second.

Of course, in looking at all the Government's financial education policies in the round, I am concerned that there is little if any evaluation of financial education programmes in our schools. Unfortunately, time will not permit me to elaborate, but I wish to alert the Minister to concerns raised in the Government's own report "Financial education: a review of existing provision in the UK" published by the Department for Work and Pensions in 2005. The report stated:

"Our review found that little formal measurement of the quality of financial education teaching"—

a point that the hon. Gentleman made—

"is taking place through Ofsted or any other inspection mechanism. Formal measurement is likely to reduce further with the new Ofsted inspection regime starting in September 2005."

That is quite a damning comment.

Sprinkling personal finance across the curriculum has done little to improve financial capability and there is little evidence to suggest otherwise, so it is time for a different approach. Academic evidence from Tennyson and Nguyen published in 2001 and from the university of Manchester in 2006 suggested that a specifically designated course in which students know that its total aims relate to areas of financial management is more effective than courses that cover a wide range of areas.

The Manchester university report provides powerful evidence of the effect that financial education can have on behaviour and young people's lives. It found that the majority of young people taking a stand-alone financial educational qualification had made positive changes in the way in which they managed their money. Many changed to a different bank account; many looked for additional, non-traditional products such as mini cash ISAs and were fully equipped to handle their money when they went off to college or university. Ninety-five per cent. of students said that they were better able to manage their finances as a result of taking a dedicated stand-alone personal course.

A further benefit of stand-alone qualifications is that we know whether any learning has taken place and thus whether changes in financial behaviour have occurred as a result. I cannot emphasise enough to the Minister that it is essential that any actions to improve financial capability are measurable. The simplest, most cost-effective way of doing so, which is most informative in terms of the data produced, is to offer a course that requires accreditation. I accept that schools will say that it is yet more to fit into a crowded curriculum, yet more than 100 schools are already doing the equivalent of a GCSE course sponsored by ifs School of Finance. If they can do it, we need to be able to do it in the schools where students will benefit the most.

Almost every aspect of modern life in the UK involves some form of financial transaction, irrespective of our income, class, background or academic ability. Finance impinges on everything we do so it should be taught as a stand-alone component of the curriculum. I acknowledge that there are some excellent initiatives in financial education that deserve the highest praise. I fully accept that some schools are working within the Government's overall programme and delivering high quality. Initiatives such as the learning money matters programme funded by the Financial Services Authority, in which Personal Finance Education Group employees offer teachers support via e-mail, telephone and personal visits, are super.

I welcome those small steps, but it is really the role of the DFES to equip teachers with the skills and confidence to teach the subject by introducing a personal finance element in teacher training programmes. At present, there is no such element in any of those programmes. Maintaining the current approach and pursuing the path set by the Government for the next 10 years will not deliver the objective we seek—a financially literate society. I hope, however, that the Minister will at least reconsider functional maths in relation to personal finance. I hope that he will carefully consider the Select Committee report on citizenship in relation to financial education and that he will examine the possibility of incorporating an element of financial education in all teacher training programmes.

Finally, I make a simple plea to the Minister. Will he look again at the evidence that supports making financial education a compulsory part of the national curriculum? Will he talk to the FSA, the School of Finance, the Institute of Chartered Accountants, the Finance and Leasing Association and the Council of Mortgage Lenders? Look at the evidence, Minister, and make new plans.

10.46 pm

The Minister for Schools (Jim Knight): I congratulate the hon. Member for Harrogate and Knaresborough (Mr. Willis) on securing this debate and on bringing an important subject to the attention of the House. Clearly he and I, and my hon. Friend the Member for West Bromwich, West (Mr. Bailey), agree that schools and colleges have an important role to play in ensuring that young people go out into the workplace with the skills they need to plan and manage their finances.

Education has to prepare children and young people for the real world beyond the school gates, and financial literacy is a skill that every citizen needs to function effectively in society. As the hon. Gentleman said in his opening remarks, social, economic and demographic changes over the next few years will make that increasingly important. Young people in school or college today are likely to make several major career changes over their working lives. They will need constantly to develop their skills to stay ahead, through lifelong learning and more opportunities for flexible working. Meanwhile, increasing life expectancy means that people will need to plan for longer retirement. All that is alongside issues

people already need to understand, such as student loans, mortgages and pensions.

Many adults already struggle with those skills. About 15 million adults lack the numeracy skills to make appropriate decisions about saving; they find it difficult to make comparisons and weigh up different choices. With that in mind, my colleagues at the Treasury recently published a long-term strategy to develop financial capability for all, to which the hon. Gentleman referred. By coincidence I met Treasury colleagues today to discuss taking the strategy forward, with enterprise education.

Over the long term, we want to ensure that all children and young people can access a planned and coherent programme of personal finance education, so that they leave school with the skills and confidence to manage their money well. What does that mean in practice? What will schools and colleges need to have in place? What do the Government and their partners need to do to offer schools the right support and resources?

First, there is already considerable scope for schools to address those issues. The hon. Gentleman referred to some good examples, although he expressed impatience that they are not universal. There is scope not only within personal, social and health education, but also in citizenship—however flawed the hon. Gentleman may think it is—maths, business studies and careers and enterprise education. Within PSHE, pupils develop their financial skills through age-appropriate activities. Younger children are introduced to ideas such as saving and planning, whereas older pupils study more complex concepts, such as influences on saving and how to budget.

Within citizenship studies, older pupils must study broader financial issues such as how the economy functions. I accept that that is not directly personal finance, but it provides an important context in which to judge personal financial decisions.

The Government are spending £60 million each year until 2011 to help schools embed enterprise across the curriculum, helping young people to develop creativity, innovation and risk-management skills. The focus on enterprise will, I hope, help pupils to develop financial literacy and business understanding. Clearly, they are not the same thing, but there is a good relationship between the two. If young people are developing enterprises in schools, as many are, they are learning about budgetary processes and financial management for those small business that they are developing. They can then, in time, apply some of those principles to their own finances.

We think that we could do more to help young people develop their financial capability—hence our proposed changes, outlined within the Treasury document. For example, we will introduce a new child trust fund payment for seven-year-olds from 2009. We think that that is an important opportunity for children to start to think about finance, so we will explore ways of making the most of that with appropriate resources in schools.

The current review of the secondary curriculum provides an opportunity to consolidate financial capability within the curriculum for older pupils. The review is designed to reduce prescription and increase flexibility, offering the kind of personalised learning that we think is essential if we are to continue to drive up standards.

The proposed new curriculum, which is out for consultation until the end of this month, revises the PSHE curriculum, so pupils will study economic well-being as a discrete strand of work. Personal, social and health education will then become, as the hon. Member for Harrogate and Knaresborough said, PSHEE, standing for personal, social, health and economic education. That would include learning how to manage money, addressing concepts such as savings, investment and trade, and understanding financial terms relevant to pupils' everyday lives.

The development of functional maths is important: it will be an essential component of GCSE maths from 2010. I accept that it will not address behaviour, which should be addressed in another context, but no one will be able to pass GCSE maths without demonstrating that they are able to apply their theoretical knowledge of maths to real-life situations. For example, students may be asked to calculate interest repayments on a mortgage or think about the cost-effectiveness of various mobile phone tariffs. As those examples show, financial literacy is an important element of functional skills and students will need to demonstrate that they have a solid grasp of those issues as they study the fundamental subject of GCSE maths.

Functional maths—alongside literacy—will also be part of the new diplomas. Those enthused by concepts of financial literacy who want to develop their skills further may want to pursue the new diploma in finance and business administration, which will be available in some areas from September 2009 and will be an entitlement for all pupils from 2013. The financial services sector skills council will be leading the development of this diploma, ensuring the content will effectively prepare young people for careers in the sector or for further study.

Colleges in particular have a critical role to play in helping those adults whom I mentioned earlier who struggle to make sense of the financial world. As part of our overall skills for life strategy, the Basic Skills Agency has had £3 million of funding to invest in a financial literacy project. It has developed materials and learning programmes for use in FE colleges. York college, for example, has used those resources to embed financial literacy within different vocational courses.

It is also critical, as both hon. Members have mentioned, that teachers in schools and colleges have the support and training they need, so that they are confident in helping young people to develop their own skills and knowledge. There is a newly formed professional subject association for PSHE, which will support teachers to plan, deliver and evaluate better PSHE provision, including personal finance education.

We are updating the curriculum guidance for personal finance education this year. The Qualifications and Curriculum Authority has also recently published guidance for PSHE, which covers financial education, and from September, the functional mathematics element of the new diplomas will become part of the curriculum for trainee teachers of the relevant age group. We will also be examining whether more support is needed for PSHE teachers—perhaps, for example, by developing a new module in financial capability in their continuous professional development programme.

I must also mention, as the hon. Member for Harrogate and Knaresborough did, the excellent support made available by the Personal Finance Education Group, an educational charity primarily funded by the Financial Services Authority, whose learning money matters

[Jim Knight]

programme offers a one-stop-shop for schools to get advice on planning their provision for financial education. It aims to reach 4,000 secondary schools directly by 2010. Because of its significant expertise in this area, we have asked it to redevelop the guidance on teaching financial capability that I referred to before. Finally on this point, the new national centre for excellence in maths teaching will play an important role in supporting better teaching and sharing good practice in financial literacy in respect of functional maths.

I have talked about the range of activities that we are undertaking in this area, but I should comment on the principal point that the hon. Gentleman made about compulsion. We do not believe that it is necessary or desirable to make financial capability a separate statutory area of the curriculum. In fact, we do not think that making all elements of the PSHE statutory for secondary school pupils is necessary, although all are required to cover sex, drugs and, not rock and roll, but careers education. In essence, we are trying to reduce the level of prescription from Whitehall and offer more flexibility on the ground for schools.

Making the subject compulsory will not necessarily improve the way in which it is taught, and we think that that is the crucial factor that we need to focus on. We need to concentrate on improving delivery in the classroom. That means a focus on ensuring that teachers have the skills and confidence to teach those subjects effectively. We think that it is more important that we invest in the work force and ensure that the appropriate resources are available to them. Teachers themselves agree with that approach. An FSA survey of teachers showed that there is little support for personal finance to be made statutory and that what schools need is flexibility within the curriculum.

Moreover, PSHE and citizenship already covers some elements of financial literacy, and that will be enhanced by the proposed changes in the secondary curriculum review, which, as I have said, will free up time. I hope that freeing up time, particularly in key stage 3, will mean that schools will opt to develop further their enterprise and financial education, alongside other things such as learning outside the classroom and some of the other skills for life that can make school more engaging during those critical first three years of secondary school—where there is a secondary system, rather than a middle school system, in place. That will mean that pupils can continue to be engaged in those areas, but also in their academic learning, as they go on.

For similar reasons, we do not believe that it is appropriate to make it compulsory for every pupil to have a qualification demonstrating their financial capability. The qualifications are available to the schools that wish to provide them. Some may choose to use the time that they will have in key stage 3 for that purpose. But it is more important that young people acquire the relevant skills.

I hope that I have reassured the hon. Gentleman that I have listened to his argument. I will, of course, reflect on what he said. I hope that he is persuaded that the Government and I are determined that financial education must be part of our education system and that we are implementing changes to ensure that financial literacy is embedded at every stage. We might disagree about some of the practical measures to be taken, but the commitment is certainly there and we want to be judged on our success in delivering that commitment. I am confident that we are offering teachers the right support to teach those vital skills.

Question put and agreed to.

Adjourned accordingly at two minutes to Eleven o'clock.

House of Commons

Wednesday 18 April 2007

The House met at half-past Eleven o'clock

PRAYERS

[MR. SPEAKER *in the Chair*]

Oral Answers to Questions

DUCHY OF LANCASTER

The Chancellor of the Duchy of Lancaster was asked—

Internet Job Advertising

1. **Mr. John Spellar** (Warley) (Lab): What advice her Department is issuing across Government on the greater use of the internet for advertising job opportunities in Government and Government activities. [131494]

The Parliamentary Secretary, Cabinet Office (Mr. Pat McFadden): It is important that we make optimum use of the internet in job advertising and other areas to maximise value for money for the taxpayer while at the same time ensuring access to information about job opportunities in Government for the one third of the population who do not use the internet. All Departments are instructed to advertise vacancies on the civil service jobs website, at http://www.careers.civil-service.gov.uk/ and also, where appropriate, on the Jobcentre Plus website. We recognise that civil service spending in this area is a small part of total public sector spending, but we are committed to making better use of the internet and reducing expenditure on press advertising. To that end, we expect to reduce the £1.3 million estimated spending on senior jobs in the six largest spending Departments by up to 80 per cent. over the next few months.

Mr. Spellar: I am pleased by the Minister's recognition of the dramatic increase in the use of the internet. Can he get a sense of urgency into Departments so that they use the internet to a much greater extent, not only for job advertising but also for public notices about Government activity? Will he spread that practice to other publicly funded bodies, not least local government?

Mr. McFadden: I agree with my right hon. Friend that more could be done both nationally and locally, and my right hon. Friend the Chancellor of the Duchy of Lancaster and I will shortly be meeting the First Civil Service Commissioner and the Commissioner for Public Appointments to see what more can be done. Some moves are already being made to have more generic press advertising, with signposting to appropriate websites. Some aspects of local notices are governed by legislation, but our priority throughout will be to maximise value for money for the taxpayer, to make the best use of the technology available and ensure proper access for everyone to information about Government jobs.

Mr. Greg Hands (Hammersmith and Fulham) (Con): Literally thousands of job ads pour out by e-mail from the Government Communication Network, many of which are readvertisements for what seem to be challenging roles that are sometimes difficult to fill, such as the head of external communications at the Rural Payments Agency, who has the seemingly difficult role of

"improving customer communication and stakeholder engagement".

I also saw a vacancy for "communisation" at the Identity and Passport Service. I have to—

Mr. Speaker: Order. I call the Minister.

Mr. McFadden: I think the hon. Gentleman was trying to make a point about the type of job available. Our concern in this question is to ensure that whatever type of job is advertised we make proper use of the technology and that we also cater for those who do not have access to the internet. By combining both things we can improve value for money and still do the right job in advertising Government posts.

Mr. Gordon Prentice (Pendle) (Lab): Next week, Sir Alistair Graham stands down as chairman of the Committee on Standards in Public Life. Have we advertised for a replacement yet and if not, why not?

Mr. Brian H. Donohoe (Central Ayrshire) (Lab): Do you want a job?

Mr. McFadden: I shall endeavour to find out for my hon. Friend the Member for Pendle (Mr. Prentice) exactly what the position is with regard to that job. If he is interested, I am sure he will be a strong candidate.

Charities (Income Tax Cut)

2. **Sandra Gidley** (Romsey) (LD): What discussions she has had with the Chancellor of the Exchequer on the impact on charities of the 2 per cent. cut in the basic rate of income tax from April 2008. [131495]

The Parliamentary Secretary, Cabinet Office (Edward Miliband): My right hon. Friend the Chancellor and I have discussed the impact of the cut in the basic rate of income tax on gift aid and the need to build on the progress made since 1997, which has led to an increase in the resources going to charities through gift aid from £134 million to £750 million. The Charities Aid Foundation estimates that £700 million is potentially available from more tax-effective giving and we aim to come forward with measures at the time of the pre-Budget report, before the introduction of the basic rate tax cut next year.

Sandra Gidley: Bearing in mind the fact that charities will probably lose a total of £70 million, can the Minister clarify what some of the strategies will be

either for increasing the take-up of gift aid or reforming the system altogether so that it is simpler for people to use?

Edward Miliband: I agree that we need to do all we can to drive up tax-effective giving. Just in the last year for which figures are available, there was an increase of £125 million in the receipts to charities under gift aid. We want to take action on a number of fronts: first, by building on the improvements that have already been made in gift aid; secondly, by seeing how we can promote payroll giving, which is a very tax-effective form of giving; and, thirdly, by ensuring that there is greater awareness of how to give effectively—the Charities Aid Foundation has identified £700 million that could be available to charities and we want to do all we can to make that money available.

Anne Snelgrove (South Swindon) (Lab): Last week I was pleased to organise for Oxfam a breakfast meeting in my constituency with leading Swindon companies such as Nationwide, Zurich, npower and Barclays, all of which have worked hard on payroll giving. Does the Minister agree that payroll giving will increase giving to charities, and would he encourage MPs to join in?

Edward Miliband: I agree with my hon. Friend. I have recently taken advantage of being able to give through the payroll giving scheme and I have written to all Members of the House to encourage them and their employees to do so too. It is still the case that too few employees take advantage of payroll giving. We want to do all that we can to promote the scheme. As I say, I encourage Members of the House both to take up the scheme themselves and to promote it in their constituencies.

Danny Alexander (Inverness, Nairn, Badenoch and Strathspey) (LD): Charities in Scotland will lose around £7 million as a result of the change and will also be badly affected as the Minister's colleagues divert lottery funding away from good causes in Scotland and towards filling the Olympics deficit. What comfort can he give to charities such as Crossroads in my constituency, which are being hit hard by the changes at a UK level and also by unacceptable cuts at local authority level, so that they can continue to do their good work in supporting older people in the highlands and across Scotland?

Edward Miliband: The hon. Gentleman should join us in working on the different ways in which we can promote more tax-effective giving. We want to see improvements in gift aid. If he or the charity that he mentions have any suggestions, we would be interested to hear them. We want to find ways of promoting payroll giving and of raising awareness of how to give effectively. This is one of the occasions when there are greater resources available under gift aid if people give more effectively and charities encourage them to do so.

Sarah McCarthy-Fry (Portsmouth, North) (Lab/Co-op): I agree with the Minister that payroll giving is effective. Has he had any discussions with the professional accounting bodies or the professional human resources bodies to ensure that, particularly in small and medium-sized enterprises and other small organisations, the staff who organise the payroll are aware of the process and the HR staff are making employees aware of the scheme?

Edward Miliband: My hon. Friend raises an important point. It is particularly hard for people working in small and medium-sized enterprises to take advantage of payroll giving. In the past, we have made resources available to encourage payroll giving by small and medium-sized enterprises, but I will take up her suggestion and ensure that we have discussions with the bodies that she mentions.

Greg Clark (Tunbridge Wells) (Con): No one doubts the Minister's good intentions, but he will be judged on his record. Since his role was created, the Government have taken £100 million from charities to prop up the Olympics. They have reneged on their promise on full-cost recovery and now they are taking £70 million a year from gift aid. That is a pretty disappointing record. Was he consulted by the Chancellor in advance of the Budget, and did he object, or does meekness before the Chancellor run in the family?

Edward Miliband: I did talk to the Chancellor about the issue. I thought that the Conservative party used to be in favour of cutting the basic rate of income tax, but clearly it is not any more. We on this side of the House are in favour of cutting the basic rate of income tax to 20p. I would have thought that the hon. Gentleman would come to the Dispatch Box to congratulate us on our record on gift aid, because the amount of money going to charities has gone up from £124 million to £750 million. It is not just we on this side of the House who think that we have a good record on gift aid; the Leader of the Opposition has said that

"there have been some positive developments."

Third Sector Funding

3. **Andrew Gwynne** (Denton and Reddish) (Lab): What estimate she has made of Government funding allocated to the third sector between 1997 and 2001; and if she will make a statement. [131496]

The Parliamentary Secretary, Cabinet Office (Edward Miliband): Between 1997 and 2001, total public funding to the charitable sector increased from £5.5 billion to £7.5 billion, and it increased to over £10 billion in 2003-04, the latest year for which figures are available. For central Government, there has been a 96 per cent. real terms increase in funding since 1997.

Andrew Gwynne: I welcome that response. Does my hon. Friend agree that the £80 million announced in this year's Budget for small grants to community organisations is of particular importance to groups such as the Tame Valley Green committee in Dukinfield and the Friends of Reddish Baths, who will be able to continue to fight for improvements to their facilities locally, giving them a sense of ownership once those improvements are achieved?

Edward Miliband: I agree with my hon. Friend. In the consultations that we have been doing with small voluntary sector organisations around the country, one of the biggest things that has come through is the need

to have small amounts of money, which the smallest community groups can access to allow them to undertake one-off events and create a series of activities in constituencies around the country. I am extremely pleased that the Chancellor was able to announce an £80 million fund in the Budget and I hope that the organisations that my hon. Friend mentioned will be able to take advantage of that.

Philip Davies (Shipley) (Con): A number of years ago, the Treasury set up the Goodison review to try to encourage more funding to be given to good causes. There were a number of excellent recommendations, but none of them has been implemented. Can the Minister tell us when some of the Goodison review recommendations will be implemented?

Edward Miliband: I vaguely recall the Goodison review and will endeavour to investigate the matter further and write to the hon. Gentleman about it.

Ann Coffey (Stockport) (Lab): For small community organisations in my constituency, access to grants for capital projects and other activities is very important. However, they are often put off by the complexity of applying for grants. Will my hon. Friend assure me that for the new funding that he has announced, the application process will be as straightforward as possible? May I invite him to visit my constituency to see the very good work being done by community organisations?

Edward Miliband: I certainly accept my hon. Friend's offer to visit her constituency. She is completely right that the micro-grants scheme needs to be made to work as simply as possible. We are talking about small amounts of money that organisations will apply for, so there should be as little bureaucracy as possible, as too much bureaucracy puts off small organisations that rely on volunteers for their work. We will endeavour to achieve that.

DEPUTY PRIME MINISTER

The Deputy Prime Minister was asked—

Ministerial Visits

11. **Kali Mountford** (Colne Valley) (Lab): What visits he has undertaken while deputising for the Prime Minister on international issues; and if he will make a statement. [131484]

The Deputy Prime Minister (Mr. John Prescott): In addition to those visits I announced to the House on 7 March on behalf of the Prime Minister, I recently visited the Czech Republic and Malta to discuss with their leaderships the issue of climate change and other European matters. I held a number of bilateral meetings with the Prime Ministers and deputy Prime Ministers of both countries, and with the President of Malta. I addressed and debated the issue with an audience of politicians, some of them Cabinet members, academics and senior industry figures. I also gave a speech at the British Council's youth forum seminar on climate change.

Kali Mountford: I am very pleased to hear my right hon. Friend tell the House that he has visited Czechoslovakia—*[Interruption.]* I apologise to the House, I mean the Czech Republic—and Slovakia. I hope that my right hon. Friend, as well as debating the vitally important issue of climate change, also took the opportunity to discuss any innovative opportunities presented to our country—and particularly to John Lightfoot in my constituency, an innovative producer of air-sourced heat pumps that reduce CO_2 emissions. Will my right hon. Friend use his good offices to support innovators such as those in Yorkshire who—*[Interruption.]*

Mr. Speaker: Order.

The Deputy Prime Minister: The House will be aware that the Prime Minister of the Czech Republic is very sceptical about the science of climate change, but I must say that many of his Ministers—and, indeed, the deputy Prime Minister—are members of the Green party, clearly showing that the debate on climate change is well under way in the Czech Republic. My hon. Friend will know from my work as the China taskforce chairman that I am delivering a report in Beijing next week on the work being done on climate change. I will also be in Shanghai tomorrow to deliver a speech on those matters and I should like to apologise to the House for having to leave here immediately after my parliamentary time. I will, of course, be happy to mention the excellent work of Yorkshire Forward in promoting the industries of our great county.

Dr. Vincent Cable (Twickenham) (LD): I read the Deputy Prime Minister's speech on climate change—it was a very good speech—but how can he expect it to be taken seriously when the Government are cutting back on climate research at the Hadley centre and when carbon emissions in the UK have risen over the last 10 years while the share of environmental taxes in the economy has fallen? *[Interruption.]*

The Deputy Prime Minister: As has just been said from a sedentary position, as usual, this is another opportunity for the Liberals to do nothing about these matters except complain. The Government have fully supported the Hadley centre and everyone recognises the professional contribution that it has made to the debate on climate change. The hon. Gentleman should also bear in mind that during the 10 years of the Labour Government, there has been a 28 per cent. growth in our economy, an 8 per cent. cut in greenhouse gases with only a 1 per cent. increase in carbon. That is why my right hon. Friend the Secretary of State for the Environment, Food and Rural Affairs has made several proposals to be put before the House in a climate change Bill to deal with emissions. We are proud to put forward our record of achieving twice the target set for us at Kyoto.

European Policy

12. **Mark Pritchard** (The Wrekin) (Con): What recent steps he has taken to co-ordinate Government policy on European matters; and if he will make a statement. [131485]

The Deputy Prime Minister: I regularly discuss policy relating to Europe with ministerial colleagues. For example, earlier this year and shortly after their accession to the EU, I visited Romania and Bulgaria on behalf of the Prime Minister. I met the Presidents and Prime Ministers of both countries to discuss issues of bilateral and regional importance

Mark Pritchard: Does the Deputy Prime Minister agree with recent comments of Mr. Barroso, the President of the European Commission, who suggested that Europe should have a common migration policy? If he does, does he think that that will help or hinder good community relations in this country?

The Deputy Prime Minister: I have not read the comments of Mr. Barroso. [HON. MEMBERS: "Oh!"] Oh, shock, horror—no, I have not. But all these matters are important. I have common consultations in Europe and nationally. They were involved in some of my discussions abroad. It is an important issue, and we will work to find common agreement and consensus, to the benefit of all.

Mr. Siôn Simon (Birmingham, Erdington) (Lab): Has the Deputy Prime Minister consulted colleagues on whether a policy of little Englander isolationism and alliance with nobody but crackpots, fanatics and the Czechs might be the best thing for the United Kingdom?

The Deputy Prime Minister: My hon. Friend can say that, but I certainly cannot comment on it.

Mr. William Hague (Richmond, Yorks) (Con): Is it not time that the Prime Minister brought some coherence to the Government's European policy? Four years ago, the Prime Minister said that we needed a proper constitution for Europe; but on Monday, he said that we did not need a constitution but that we had to have a new treaty, which contradicted the Foreign Secretary, who said that the EU was coping just fine as it was, who was in turn contradicted by the Minister for Europe, who said that the current rules are unsustainable. Is it not time that the Deputy Prime Minister stepped in to sort out the chaos, and will he reiterate the pledge that there will be no bringing in of parts of the constitution through the backdoor?

The Deputy Prime Minister: The Prime Minister made it clear at his joint conference with the Dutch Prime Minister on Monday that his concern was obviously to secure some agreement on those matters in the European Council of Ministers when it meets in June and to make it clear that we are concerned about the administrative changes and that we would be supportive of them, but not of the constitutional changes.

Mr. Hague: As a member of the Government who held a referendum in the north-east, with a result that will never be forgotten in the north-east or the rest of the country, will the Deputy Prime Minister, in his final weeks in office, leave a legacy to democracy and join us in declaring that any new treaty that transfers powers from Britain to the European Union should be subject to a referendum of the British people?

The Deputy Prime Minister: The Prime Minister has always made it clear in regard to constitutional change that we have promised that we would hold a referendum. That is a matter of the judgment to be exercised at the next summit meeting, and that is the important decision. It has been confirmed by the Prime Minister, and no doubt, the House will have a chance to debate those issues once the summit comes to its conclusion in June.

Departmental Expenditure

13. **Mr. David Amess** (Southend, West) (Con): What plans he has to reduce his departmental expenditure in line with Whitehall efficiency savings targets. [131486]

The Deputy Prime Minister: This Government are committed to improving the delivery of public services and ensuring maximum value for money for the taxpayer. The 2004 spending review set a target for achieving annual efficiency gains of £21 billion by 2007-08. Against that ambition, Departments and local authorities already reported annual efficiency gains worth over £15 billion by the end of 2006. That will, in fact, lead to £26 billion a year for front-line services by 2010-11. My Department is, of course, subject to the same efficiency targets as other Departments.

Mr. Amess: With inflation, interest rates, debt and unemployment all on the rise, that is exactly what the right hon. Gentleman is doing with the British taxpayer's money. Will he explain to the House how his Department's budget was increased by a third in March, already having been increased last November, in spite of the fact that he has lost most of ministerial responsibilities?

The Deputy Prime Minister: The hon. Gentleman uses propaganda by saying that unemployment is increasing in this country. There are now over 2 million more people in work, which is something that we are quite proud of. He talks about an increase in my Department's expenditure, but that was an auditor's requirement, not extra departmental expenditure, as I explained to the House last time I answered questions. The hon. Gentleman seems to be concerned about Government efficiency, but he was proud to advocate the poll tax, which was neither fair to ordinary people, nor efficient for the Government. If he was so proud of the poll tax and the Tory Government, he should have fought the 1997 election on that Government's record in Basildon, instead of doing a chicken run down to Southend to save his skin.

Modern Slavery

14. **Laura Moffatt** (Crawley) (Lab): What steps the Government are taking to develop international initiatives to abolish modern forms of slavery. [131487]

The Deputy Prime Minister: I would like to begin by recording my thanks to you, Mr. Speaker, for allowing the House to hold a very successful full-day Adjournment debate on Tuesday 20 March to mark the bicentenary of the abolition of the slave trade Act. As was agreed by all participants in the Adjournment debate, slavery is still with us in its modern forms. On 23 March, the Government were proud to sign the Council of Europe convention on action against trafficking in human beings to tackle this appalling modern-day form of slavery. The Home Secretary has published an action plan on what the UK will be doing. We will be working towards ratification and we are co-operating closely with our international partners to take forward this work. I recently visited Geneva, where I held discussions with a number of UN and other international organisations on how we may do more.

Laura Moffatt: Does my right hon. Friend agree that alongside the important debates on the bicentenary of the abolition of the slave trade, the best way in which the House could mark that would be to eliminate modern-day slavery? Will he give the House details of his talks with the United Nations and, especially, countries to which modern-day slaves are exported, on ensuring that we eliminate this filthy trade?

The Deputy Prime Minister: I agree greatly with what my hon. Friend says. It was the unanimous opinion of hon. Members on both sides of the House that more should be done about modern-day slavery. Indeed, as I mentioned, I have held discussions with UN bodies about the matter. Hopefully, we will be able to do more. The ratification of the Council of Europe convention will be an important step forward. I welcome the fact that Kofi Annan will address the House on 8 May. From the discussions that I have had with him, I know that he has always felt that the UN could be more effective in deploying the policy. I hope that he will be able to say something about the matter when he addresses the House—*[Interruption.]*

Mr. Speaker: Order. May I ask the House to come to order? It is being unfair to hon. Members.

John Bercow (Buckingham) (Con): Does the right hon. Gentleman accept that one often-neglected modern form of slavery is the use of child soldiers? Given that the Government of Burma, a brutal military dictatorship, use such soldiers on a scale that is proportionately greater than in any other country of the world, will the Deputy Prime Minister consider launching an international initiative to bring that appalling practice to an end?

The Deputy Prime Minister: I very much agree with every word that the hon. Gentleman says about that. When I have addressed meetings of the Association of South East Asian Nations on behalf of the Prime Minister, we have discussed Burma's membership and the terrible circumstances of child soldiers. We are doing everything that we can to do end that deplorable practice.

Mrs. Claire Curtis-Thomas (Crosby) (Lab): I was delighted to meet my right hon. Friend in Sierra Leone recently. He will be aware that British companies intend to develop there world-class library and literacy facilities to the environmental standards that he introduced in this country. Will he do all that he can to ensure that we support such initiatives?

The Deputy Prime Minister: Again, I congratulate my hon. Friend on the work that she has done in regard to Sierra Leone, especially on effectively getting community facilities and buildings established there. I was pleased to meet her and several officials recently to encourage her to take part in the development of Equiano centres. The project gives various cities and towns in Sierra Leone that enjoy the same name as some of the towns in this country the opportunity to develop Equiano community centres. Using the name Equiano—perhaps more so than Wilberforce—gives us the chance to recall the contribution made by black people to getting rid of the horror of the slave traffic.

Ministerial Meetings

15. **Anne Main** (St. Albans) (Con): What meetings he has had with just the Prime Minister and Chancellor of the Exchequer in his ministerial role in the last 12 months. [131488]

The Deputy Prime Minister: I have held regular meetings with the Prime Minister, the Chancellor and other Cabinet colleagues on a wide range of issues. Sadly, even the Prime Minister, the Chancellor and I do not have enough time to discuss all the achievements of this Labour Government, although we do discuss the programme of future Labour Governments.

Anne Main: I thank the Deputy Prime Minister for that reply, but does he share my concern and that of the British taxpayer that this is turning out to be a rather expensive dating agency between himself, the Chancellor and the Prime Minister?

The Deputy Prime Minister: Discussions between the Prime Minister, the Chancellor, myself and other Cabinet members are one of the responsibilities I have in my job, and I am delighted to play some part in producing a very successful record for the 10 years of this Government.

PRIME MINISTER

The Prime Minister was asked—

Engagements

1. [131469] **Angela Watkinson** (Upminster) (Con): If he will list his official engagements for Wednesday 18th April.

The Prime Minister (Mr. Tony Blair): Before listing my engagements, I know that the whole House will again wish to join me in sending our profound condolences to the families and friends of those of our service personnel who were killed in action in Iraq and Afghanistan during the Easter recess. They were: Kingsman Danny Wilson of the 2nd Battalion, the

Duke of Lancaster's Regiment; Rifleman Aaron Lincoln of the 2nd Battalion, The Rifles; Second Lieutenant Joanna Yorke Dyer of the Intelligence Corps; Corporal Kris O'Neill and Private Eleanor Dlugosz, both of the Royal Army Medical Corps; Kingsman Adam Smith of the 2nd Battalion, the Duke of Lancaster's Regiment; and Private Chris Gray of the 1st Battalion, Royal Anglican Regiment.

In addition, I know that the House will wish to send our condolences to the families and friends of Colour Sergeant Mark Powell of the Parachute Regiment and Sergeant Mark McLaren of the Royal Air Force, who were killed in the incident involving a collision between two Puma helicopters in Iraq at the weekend.

All those service personnel and, indeed, those still serving have shown heroism, dedication and the most professional commitment to their country. Britain owes them a deep debt of gratitude.

This morning, I had meetings with ministerial colleagues and others. In addition to my duties in the House, I will have further such meetings later today.

Angela Watkinson: The Prime Minister's 10-year drug strategy is coming up for renewal and the independent UK Drug Policy Commission has reported that it is not working. One third of crime, much of it acquisitive and drugs related, is committed by 13 to 19-year-olds, who believe that cannabis is not only legal, but harmless. Will the Prime Minister now reverse his disastrous decision to downgrade cannabis and restore it as a class B drug?

The Prime Minister: I have to correct the hon. Lady. In fact, the UK Drug Policy Commission has not found that there has been no progress in drug policy; on the contrary, the commission believes that there has been progress, but there remains much more to do. According to the most recent British crime survey, drug misuse is down some 16 per cent. since 1998, drug use among young adults is down 21 per cent., and class A drug use remains relatively stable for the first time in a long time, as the commission points out. In addition, we have doubled the amount of money for the treatment of people on drugs. I appreciate that we have a very great deal more to do, but it is simply not the case that we are not making the investment or the changes that are necessary. As for tougher sentences for those who peddle drugs, many of those were contained in the Criminal Justice Act 2003, which the hon. Lady voted against.

2. [131470] **Mrs. Joan Humble** (Blackpool, North and Fleetwood) (Lab): The Prime Minister will be well aware of the strength of feeling in Blackpool about the casino advisory panel's recommendation. Will he take into account the opinions strongly expressed both in this House and in the other place that the new super-casino should be located in an area where the social impact will be minimised and the regeneration potential maximised?

The Prime Minister: I know that my hon. Friend has campaigned very hard indeed on this issue. I am entirely sympathetic to the concerns that Blackpool has expressed. It is a pity that we ended up with Manchester being the site for the super-casino—although I think that it is perfectly justified there—and Blackpool unable to make the regeneration plans that it wants to make. As we have said, we shall consult carefully and come back with proposals after 3 May, which we have to do because of purdah. As a House, we need to look carefully and sensibly at the issue and recognise that in a world of online betting and huge opportunities for people to bet, casinos—especially when they bring regeneration with them—are not something that is against the proper norms of society, but something that can, in places such as Blackpool and Manchester, bring in much needed private investment and regeneration that will help to provide jobs and high living standards for people.

Mr. David Cameron (Witney) (Con): I join the Prime Minister in paying tribute to the nine servicemen and women killed in Iraq and Afghanistan since we last had Prime Minister's questions. They died serving their country, and that is a reminder of what we owe them and their families for the service that they gave.

There are 125,000 people who have paid into company pension schemes who have seen them collapse, and who have been left with little or nothing—

Mr. Ken Purchase (Wolverhampton, North-East) (Lab/Co-op): Get the money back off those who stole it—the gaffers.

Mr. Cameron: I hope that hon. Members who are going to retire on fat pensions will actually listen, because many of the people concerned are getting nothing. We are all dealing with such constituency cases, and some of them are heartbreaking. The Budget changes were welcome, but they did not help those who have already retired, and they did not speed up the payments. Today, we can help those people, and I ask the Prime Minister in a genuinely cross-party way—*[Interruption.]* Yes. We have tabled amendments to the Pensions Bill, and they are signed by MPs from across the House, including his own former Pensions Minister. Will the Prime Minister look urgently and positively at those constructive proposals?

The Prime Minister: Let me just correct the right hon. Gentleman on one point: we most certainly have been listening to people on this subject. After all, there was no financial assistance scheme—absolutely none—in place for all the years of the last Conservative Government, when, as a result of pension mis-selling, people were in real difficulties as regards their pensions; so with respect we most certainly are listening to the plight of people. In addition, of course, we have put some £12 billion a year extra into support for pensioners.

It is however precisely because we have listened that, in the Budget, the Chancellor upped the scheme to, I think, £8 billion; that is what it is going to cost over the years to come. It lifts it up to 80 per cent. support, and 125,000 people will benefit. The problem with going still further is that we do not know that we can afford to make that commitment to people. For precisely that reason, and because people have raised the issue of whether there are unclaimed assets that could be used, my right hon. Friend the Secretary of State for Work

and Pensions has announced a review of that. We will look at it carefully and we will see whether it is possible to do more, but we do not believe that it is responsible to make a commitment now to pensioners to pay them even more when we have not got the ability at the moment to up that figure from £8 billion.

Mr. Cameron: I am grateful for the Prime Minister's answer. The problem with the Budget changes is that they do not help people who have already reached retirement age. Many Members will have cases, as I do, of people who have reached retirement age, some of whom are dying, and who are not going to get their money; some of them are having to go on working. That is the problem that we have to address. Does the Prime Minister understand that so far only about 1,000 people have actually been helped? The financial assistance scheme is not working. Will he not look at a Treasury loan? That is how we dealt with the mess that was left by the Maxwell scheme. Surely he agrees that only 1,000 people helped so far is not good enough? As I say, some of the people are in great hardship. Surely we should act now, so that at least they can get some of the pension for which they worked and saved so hard.

The Prime Minister: It is, of course, precisely because we want to do what we can to help people responsibly that we have introduced these new proposals, the Pension Protection Fund and a host of other measures designed to support people, but I am afraid that the position, very simply, is this: we cannot make that additional commitment unless we are sure that the finances are there to fund it; otherwise we will be saying to people, "Yes, we can give you this additional payment," when we cannot be sure until the review is published that we are able to make that commitment. As for taking out some unspecified loan from the Treasury, we do not believe that that is a proper way to deal with the issue, because it leaves us with a financial liability that we cannot be sure we can meet. The issue between us is not who wants to help people more, because, as I say, we have already introduced the first ever system of help for people in those circumstances. However, we need to be sure that we can actually fulfil a commitment that we make to people, since it would be the cruellest thing to tell them that we can make that commitment and can bail them out, if it may actually transpire that we cannot.

Mr. Cameron: The Prime Minister says that the amount is unspecified, but it is not. We know that the first-year cost is £30 million, which would help the people who have hit retirement age with nothing, as only 1,000 of them are being helped. May I ask the Prime Minister something specific? We welcome the fact that there is review, but can it be a cross-party review, because we have a great contribution to make, and when does he expect it to report? The Prime Minister's former pension adviser, Ros Altmann, said:

> "Suddenly we are on the verge of a breakthrough, which could give these people the pension they've earned. All it needs is for enough Labour MPs to have the courage to back it".

He listened to her advice in the past. Why will he not listen again now?

The Prime Minister: I understand that the review will report in the summer. No, we cannot make it a cross-party review as such, but we are perfectly happy to listen any ideas put forward by Opposition parties or, indeed, by anyone else. If I can come back to the nub of the issue, when the right hon. Gentleman says that it is only a £30 million cost in the first year, that is correct, but it then builds up over time, so our worry is that we would end up with an unfunded commitment that runs into hundreds of millions of pounds. If we accepted the amendments today, I think that I am right in saying the full cost would be £2.48 billion. We simply cannot responsibly make such a commitment until we know whether we can fund it. That, with the greatest respect, is the difference between being in opposition and being in government.

Dr. Alasdair McDonnell (Belfast, South) (SDLP): Is the Prime Minister aware of the major disruption that will occur in NHS hospitals in Northern Ireland and in parts of Britain, too, on 1 August next, following the introduction of the hospital doctor training programme known as modernising medical careers? Will he advise the Secretary of State for Health to postpone the programme for a year until the administrative problems are sorted out?

The Prime Minister: Yes, we are aware of those problems, which is precisely why the review was announced, as we want to make sure that this happens in a better way for next year. I understand entirely both the complexities of the system that has been introduced and the need to make sure that it accords properly with the needs of the health care system in Northern Ireland and elsewhere. I would point out, however, that as a result of the measures that we have taken in Northern Ireland and elsewhere in the United Kingdom, there has been a huge increase in the number of junior doctors, a 70 per cent. increase, I think, in the number of training places and, of course, pay has gone up in real terms by 30 per cent.

Sir Menzies Campbell (North-East Fife) (LD): I join the Prime Minister in his expressions of sympathy and condolence. This is a bleak and sombre day. He will be aware that nurses' leaders are threatening strike action in relation to the Chancellor's pay offer. Can he explain why nurses in England and Wales are not getting their full increase up front?

The Prime Minister: For the reasons that the Chancellor gave. To make sure that we deal with the overall issue of pay in the economy, it is important that we stage the awards. However, on average, as I understand it, there will be an over 4 per cent. increase for nurses. May I point out to the right hon. and learned Gentleman that when we came to office, pay was just over £12,000 for nurses starting out in their profession? It is now almost £20,000, so there has been a huge real-terms increase in nurses' pay over the past 10 years. Incidentally, there has been an 85,000 increase in the number of nurses, too. I entirely understand why staging an award is never popular, but in this instance it is necessary.

Sir Menzies Campbell: It is not just pay that is at issue in the national health service. Newly qualified nurses cannot get jobs; nursing assistants will be hit by the Chancellor's abolition of the 10p tax rate; and

junior doctors are up in arms. Is it any wonder that the Government have lost the confidence of health care workers and of their patients?

The Prime Minister: If we look back over the past 10 years, we can see that the publication, for example, in the past few weeks of the annual winter report on the NHS was instructive. The right hon. and learned Gentleman will know that in the last years of the Conservative Government—even, indeed, in the first years of this Government—every single winter there was a winter crisis. There has not been one for several years, because of the extra investment and the extra capacity. [HON. MEMBERS: "Warmer winters?"] No. If we look at waiting times, investment in the national health service, the treatment of cancer and cardiac disease, and accident and emergency departments, the truth is that the patient is getting a better deal in the national health service today, precisely because of the investment and reform that we have put in.

Q3. [131471] **Mr. Lee Scott** (Ilford, North) (Con): Will the Prime Minister please join me in sending condolences to the family of Eden Galvani-Skeete, a beautiful six-year-old girl who burned to death in Turkey last summer, and assist the family in getting justice from the Turkish authorities and ensuring that those responsible are brought to trial?

The Prime Minister: I am sure that the whole House will want to join the hon. Gentleman in sending our condolences to Eden's family. I understand that the deputy head of mission and British vice-consul at our embassy called the Minister at the Turkish Ministry of Tourism on 8 February to raise our concern about the general safety of British nationals in such unsupervised shows. The Turkish authorities have started legal proceedings against some members of staff at the hotel complex. The next hearing is scheduled for 8 May. Consular staff in London have remained in contact with the Galvani-Skeete family and are keeping them updated with any news from the court case in Turkey. We will continue to do that up to and all the way through the proceedings.

North-West Leicestershire

Q4. [131472] **David Taylor** (North-West Leicestershire) (Lab/Co-op): When he next plans to visit North-West Leicestershire on official business.

The Prime Minister: I have no current plans to do so.

David Taylor (North-West Leicestershire) (Lab/Co-op): Last Sunday, on the BBC politics programme, the Prime Minister gave an excellent summary of the myriad benefits delivered by our Government's domestic policies since 1997, but I was alarmed by his assertion that all English secondary schools should soon become academies or trust schools. If he comes to North-West Leicestershire before late June, will he meet the governors of Ibstock community college to tell us why an excellent, accessible, genuinely comprehensive school should pursue this policy path and risk distancing ourselves from the local community or being taken over for a knock-down price by the richest local bidder?

The Prime Minister: I thank my hon. Friend for his kind words about our record on education. It is true, for example, that when we came to power there were only just over 80 secondary schools in the whole country with 70 per cent. of pupils getting five good GCSEs; the figure is now more than 600. The reason why I believe that in future most secondary schools, or all secondary schools, will become trust or academy schools—it is a choice, of course—is that they benefit from these partnerships. In doing so, academy and trust schools remain with a fully comprehensive intake. Indeed, academy schools have a higher percentage of pupils taking free school meals than the average secondary school. We have increased results dramatically since 1997 partly because of the ability to have partnerships with outside bodies. Specialist schools were the first step in that. At the time, people said that they would spell the end of the comprehensive system; they did not. Of course, my hon. Friend has four excellent specialist schools in his own constituency.

Mr. David Cameron (Witney) (Con): When it comes to who should be the next Prime Minister, the Environment Secretary has now ruled himself out, so will the Prime Minister now explicitly endorse the Chancellor?

The Prime Minister: I am afraid that once again I have to disappoint the right hon. Gentleman and others, because I will make my statement at the time I decide to stand down. However, I would say that after yesterday's debate, and the absolute and comprehensive drubbing that the Chancellor gave the Tory Front Bench, he should be rather more worried about the leadership potential on his side of the House.

Mr. Cameron: If the Prime Minister thinks the Chancellor did such a good job, why did not he turn up and vote for him? Was he too busy? I am not asking the Prime Minister to say anything new. Before the coup last year, he said:

"I'm absolutely happy that Gordon will be my successor."

Why cannot he repeat those words now?

The Prime Minister: For the very reasons that I have just given. What the right hon. Gentleman, and the Conservative party, will have learned from yesterday's debate is that when it comes to serious policy on the economy, on health, on education and on law and order, we have the serious answers to the serious questions, and he is not at the races.

Mr. Cameron: The interesting thing is that the Prime Minister will not endorse the Chancellor. We know why we do not want the Chancellor—he has complicated the tax system and virtually bankrupted the pensions system, he is impossible to work with and he never says sorry. That is why we do not want him—what does the Prime Minister think is wrong with him?

The Prime Minister: Let me tell the right hon. Gentleman what is right with the Chancellor. The right hon. Gentleman has some experience of the economy, has he not? He had something to do with the British economy once, back in 1992, did he not? He was the

special adviser to the Chancellor of the time—we remember Black Wednesday.

The Chancellor has delivered the strongest economic growth that this country has ever seen, interest rates that are half what they were under the previous Conservative Government, the highest employment, the lowest unemployment for years and rising living standards. What has the right hon. Gentleman delivered for the British economy? A bit part on Black Wednesday.

Hon. Members: More!

Mr. Speaker: Order.

Gordon Banks (Ochil and South Perthshire) (Lab): The council tax in Scotland raises just over £2 billion. Increasing income tax by 3p in the pound would raise £1 billion. That would leave a shortfall of more than £1 billion. Does my right hon. Friend agree that introducing such a scheme would lead to massive cuts in public services or tax hikes in unforeseen areas?

The Prime Minister: The policy, which we will not adopt, of replacing the council tax in Scotland with a rise of 3p in the pound in the basic rate of income tax means that—apart from the shortfall in the money, which would leave public services short of several hundred million pounds—a two-earner couple in a household, or, even worse, a three-earner household, would be hit heavily by a local income tax. That is why it is such a bad idea and why I believe that people will reject that policy on 3 May.

Engagements

Q5. [131473] **Norman Baker** (Lewes) (LD): Under this Government, millions of innocent people have been added to the DNA database, which is the largest in the world. People are locked up without trial for 28 days—the Prime Minister wanted 90 days. Free speech outside Parliament has been banned, children are routinely fingerprinted in schools and there are plans to curb trial by jury and force ID cards on us. Yet, last year, the Prime Minister said:

"I don't want to live in a police state or a Big Brother society or put any of our essential freedoms in jeopardy."

Is it not time the Prime Minister showed some consistency between what he says and what he does?

The Prime Minister: I gather from that rant that the hon. Gentleman is not entirely in favour of my position on those issues. I caught at least part of it, about the DNA database. Let me explain why it is an important policy for the country and for fighting crime. As a result of the DNA database, we can now match samples, sometimes several hundred and even several thousand a month. Consequently, we are solving murders, rapes and some of the most serious burglaries and assaults. It is essential to use new technology, such as CCTV and other things, to ensure that we make our country safer. The idea that, by doing that—and thereby, for example, solving some of the unsolved murders from years ago—we are creating a police state shows how far the Liberal Democrats are out of touch with reality.

Q6. [131474] **Ben Chapman** (Wirral, South) (Lab): With the ever-increasing rise in house values, the prospect of further interest rate increases and the Halifax telling us that it is difficult for key workers to find homes in some of our towns, will the Prime Minister assure me that the Government are doing all that they can to ensure that key workers, young people and first-time buyers can get on the property ladder without incurring punitive and potentially dangerous levels of borrowing?

The Prime Minister: My hon. Friend raises a crucial issue for the country. It is interesting that his constituency in the Wirral shows that it is not simply a problem of London and the south-east. We have to do three things: invest more in social housing, which we are doing; improve the availability of shared equity schemes, since I think that they will be of great help, especially to young couples buying their first home; but also make available land for development. The simple truth is that, unless we are prepared to make more land available for development and build the homes that people need, prices will be even higher. It is obvious that many young couples are finding it a tremendous struggle to get their feet on the first rungs of the housing ladder, but we cannot solve that unless we are prepared to make the difficult decisions about housing supply.

Rev. Ian Paisley (North Antrim) (DUP): May I associate myself and my Friends on these Benches with the remarks already made from both Front Benches about those who have given their lives for our freedom? May I also ask the Prime Minister whether he is going to come to the opening of the new Assembly to mark the new regime that is going to come into order on 8 May? That is a firm date that is not going to be changed, because the people of Ulster—not any of his Ministers—have set it in stone. Although it will be the birthday of his hard-working Home Secretary, I am not asking him to come and celebrate that in Northern Ireland. I am asking him to join the Northern Ireland people to mark the fact that that part of the United Kingdom is going to have a Government in the same way as Wales and Scotland have. It is his duty as Prime Minister to be there, after all the work that he has done on this matter.

The Prime Minister: It is not absolutely universal, in my experience, that people actually want me to visit that particular part of the country, but I thank the right hon. Gentleman very kindly for his invitation. Certainly, we have it well in mind.

7. [131475] **Kitty Ussher** (Burnley) (Lab): Will the Prime Minister join me in paying tribute to the nurses, doctors and other health professionals in my constituency whose hard work and dedication have contributed to a 37 per cent. fall in mortality rates from heart disease since 1997? Assuming that he agrees with me that that is also due to the sustained rise in investment in the NHS, will he guarantee today not to threaten that investment by an irresponsible policy of sharing the proceeds of economic growth between tax cuts and public spending?

The Prime Minister: The point that my hon. Friend makes is correct, in the sense that the winter report that I mentioned a moment ago shows that the number of cancelled operations has gone down in the past few years by about 30 per cent., and that the rates have hugely improved for people being seen quickly for cancer treatment and in accident and emergency departments. It is also true—this is something that even the Conservatives apparently do not realise any more—that we need to make changes and reforms in the way that the health service works. The report published today by Professor Darzi shows clearly that, as a result of the changes in the NHS, we are moving towards a system in which more care is done in the community and in which the number of day cases has risen by about 1.5 million a year. People can now often get day-case surgery when previously they would have had to spend days in hospital. We are therefore having to change the health care system; that is inevitable. If we manage to carry on making these improvements, by the end of next year the constituents of my hon. Friend and others will have a maximum wait of 18 weeks for diagnostic, out-patient and in-patient treatment, with an average wait of eight weeks. That will be a fundamental change from what we inherited in 1997, when people often had to wait 18 months or more just on the in-patient list.

Simon Hughes (North Southwark and Bermondsey) (LD): Following the Prime Minister's last answer on housing, is he aware that official figures show that, over the 10 years of this Labour Government, average earnings across Britain have gone up by 41 per cent., while average house prices have gone up 169 per cent.—more than four times as much? Is not the truth that, for the millions of people in terrible housing debt, and for those who are not even able to get on to the housing ladder at all, one fundamental thing has not changed—

Mr. Speaker: Order.

The Prime Minister: It is correct to say that living standards have gone up, and that house prices have gone up significantly. I agree with that, but the answer, as I said a moment ago, is that we must be prepared to release more land for development and to do more brownfield development, which this Government are doing. With the greatest respect to the hon. Gentleman and to the Liberal Democrats, we cannot have a situation in which the Liberal Democrats say that there should be more housing, while locally opposing every development that is proposed. In the end, they, like the Conservatives, have to understand that if the Government want to deal with these problems, hard decisions have to be taken, and the truth is that we take them.

9. [131477] **Fiona Mactaggart** (Slough) (Lab): What is the Prime Minister's response to the campaign by speeding motorists against the £15 surcharge on court fines that has been imposed on them to finance services for victims of crime?

The Prime Minister: That surcharge is paying for a whole range of victim and witness services. It is providing some £3 million for witness care units, and some £3 million for independent domestic violence advisers. If victims feel more comfortable about giving evidence in court, they will be more likely to secure the convictions of those who are guilty. One reason why we have significantly lowered levels of domestic violence is the fact that we are giving more support to people who need to bring such cases to court. The surcharge, although controversial at the time of its imposition, is yet another example of a difficult decision that was fully justified.

Mr. Elfyn Llwyd (Meirionnydd Nant Conwy) (PC): Is the Prime Minister aware of the widespread hospital closures throughout Wales? Is he also aware that the British Medical Association in Wales has called for an independent review of the working of the Barnett formula to establish whether Wales is being short-changed, as many of us believe it is?

While the Prime Minister ponders that, may I echo what was said by the right hon. Member for North Antrim (Rev. Ian Paisley) and warmly invite him to visit Wales as many times as he can between now and 3 May? His presence there will dramatically affect voting patterns.

The Prime Minister: The hon. Gentleman says that we have been cutting NHS investment in Wales. Actually, we have increased NHS investment in Wales enormously. Ten new hospital schemes are coming to Wales, and waiting times have shortened. People receive vastly improved treatment and receive it faster, and they receive it precisely because of the investment that a strong economy has allowed us to deliver. The truth of the matter is that the policies of the hon. Gentleman's party—well, the leader of the Welsh Nationalist party wants to form a coalition with the Tories, does he not? *[Interruption.]*

Mr. Llwyd *indicated dissent.*

The Prime Minister: Yes! I remember now! The hon. Gentleman wants to join in a ragbag coalition with the Tories. Well, if he thinks the people of Wales believe that the Tories are better than us at running the national health service, it is he who will be worried on 3 May.

Post Mortems (Nuclear Industry)

12.32 pm

The Secretary of State for Trade and Industry (Mr. Alistair Darling): With your permission, Mr Speaker, I shall make a short statement on the examination of tissue taken from some individuals who had worked in the nuclear industry and who died between November 1962 and August 1991. Having regard to the feelings of the families of those concerned and because it is in the public interest, I want to provide the House with the information available from British Nuclear Fuels Ltd, which operates the Sellafield site where the examinations were carried out. I shall then set out how I intend to proceed with the matter.

Most of the employees concerned worked at Sellafield, but one individual worked at the Capenhurst nuclear site in Cheshire, and had transferred from Sellafield. There are data, but not medical records, at Sellafield relating to an employee at the Springfields nuclear site in Lancashire and to a further six who worked at Aldermaston. BNFL, which holds the relevant medical records, tells me that to date it has been able to identify 65 cases in which tissue was taken from individuals and analysed for the radionuclide content of organs.

It is important to tell the House about the limited nature of the records that are held by BNFL. They are medical records, which show what analysis was done on organs removed following post mortem examination. Because they are medical records that dealt with the analysis carried out at Sellafield, they do not provide an audit trail that would show in every case who asked for such an examination, under what authority and for what purpose; nor do they disclose whether the appropriate consent from the next of kin was received. Some records contain more information than others, but at this stage it is simply not clear what procedures were followed in every case.

From the information that I have, I can tell the House that 23 such requests for further examination and analysis were made following a coroner's inquest. A further 33 requests appear to follow a coroner's post mortem. Three requests were made associated with legal proceedings, and one request was made by an individual prior to death. Therefore, it is assumed that in the majority of these cases requests were made to help establish the cause of death in the normal way. In many cases, that would be part of the coroner's inquiry, but we cannot be sure of that because there is not an audit trail to establish that as a fact. A further single request was made following a biopsy of a living individual. In respect of a further four cases, I understand that the records do not record by what mechanism the request for the analysis was made. Clearly, it is important to establish why these requests were made and for what purpose. It is also clear that the data obtained from these examinations have been used in other studies that were subsequently published. One of the questions that therefore arise is whether it was appropriate to use the data gathered for that purpose.

It follows from what I have said that the records held by BNFL do not disclose whether the next of kin knew of the examinations and analysis. That needs to be established. Most cases appear to have followed a coroner's request. It is therefore possible that in some cases there was such knowledge, but it is not at all clear that even if the next of kin had known about the analysis they would have been aware that the data gathered were then to be used as part of a wider research study. However, it will be necessary to examine the coroner's records to find out what exactly the position was.

BNFL tells me that it believes that the tissue would have been destroyed as part of the analytical process. It also believes that although there was storage of the tissue prior to the examination, any tissue that remained would have been destroyed. Certainly BNFL tells me that no such tissue exists today. However, it is not certain at this stage what procedures were followed.

The House will appreciate that some of these cases go back 45 years. It is simply not possible, therefore, to be sure whether procedures were carried out properly. As I have said, the information held by BNFL is necessarily limited and a fuller investigation is therefore necessary. I believe that it is necessary to establish why these examinations were carried out and whether the next of kin were informed and consented to the analysis. It is also necessary to establish whether any of the examinations were carried out following the correct and proper procedures, and whether the data obtained were used appropriately and with the necessary consents.

The families and the public will want to know the answers to all those questions. I have therefore asked Michael Redfern, QC, who conducted the Royal Liverpool Children's NHS Trust—Alder Hey—inquiry to investigate this matter. I have asked him to establish the facts, and to report to me. I will publish the full terms of reference shortly.

This is clearly a difficult situation, covering events that took place up to 45 years ago. None the less, we owe it to the families, as well as to the public, to find out what happened and why.

Charles Hendry (Wealden) (Con): I thank the Secretary of State for allowing me advance sight of the statement and for notifying both the shadow Secretary of State—who is abroad and sends his apologies to the House—and me of this issue as soon as he became aware of it yesterday.

All Members are shocked and incredulous at what appears to have happened. I join the Secretary of State in expressing our deep sympathy for all the families involved and our wish to see the full facts established as quickly as possible. I therefore welcome his decision to set up an immediate inquiry under Michael Redfern, QC, who has exceptional expertise and authority in this area. That is the right way forward to alleviate the great distress that will be felt today by all the families potentially involved.

I recognise that the Secretary of State's knowledge of this matter is very recent and that it has been hard for him to establish many of the facts so far, but I hope that he might be able to give some greater detail to the House. At present, many families of former workers at Sellafield and other nuclear locations will be profoundly concerned to know whether their loved

[Charles Hendry]

ones had body parts removed without their knowledge. When does the Secretary of State expect to be in a position to inform families whether their relatives were among the 65 cases established so far?

British Nuclear Group has confirmed that files exist for 65 cases, but will the inquiry cover all past employees at Sellafield who died before this practice was stopped in 1992, to ensure that there are not other cases beyond the 65 that British Nuclear Group already knows about? Is it the Secretary of State's understanding that any such post-mortem tests related particularly to those who might have been affected by the fire in pile 1 at Windscale in October 1957? Or does the information that he has received suggest that it might have been a much more general practice?

The Secretary of State has told us that those involved worked at Sellafield, Capenhurst, Springfields and Aldermaston. Will the inquiry establish whether other nuclear sites might have been involved, and is it his understanding that the issue related purely to civil nuclear personnel, or might military personnel working with our military nuclear programme have been involved?

As the Secretary of State will know, rule 9 of the coroners rules allows coroners to retain material relevant to the cause of death. Clearly, coroners would not have had the power to allow material to be retained for more general research, and we agree with the Secretary of State that it is paramount that we establish precisely why tissues and organs were retained, to see whether that was entirely legal. Have there been any previous expressions of concern by families about what might have happened? Will the inquiry establish what legal advice was given to British Nuclear Fuels at the time about the legality of removing any body parts? Furthermore, will the inquiry publish the outcome of any research that was carried out on whether there may have been a link between the deaths of those involved and their exposure to radioactivity?

Will Mr. Redfern establish whether all activity complied with the Human Tissue Act 1961, which provided for inquiries to be made whether the deceased or any surviving relative objected to the retention of organs or tissue? Will he also establish what contact took place between British Nuclear Fuels and the Retained Organs Commission, set up in 2002 after Mr Redfern's earlier inquiry, or subsequently with the Human Tissue Authority, to ensure that all legal obligations were fully complied with?

Crucially, will the Secretary of State confirm to the House that the inquiry will establish who made the decision to stop the practice and when that decision was made? Will it also establish why the families were not informed when the decision to end the practice was made or whether it was decided simply to try to brush the issue under the carpet? At this stage, does he consider that the inquiry could lead to criminal investigations?

Finally, on the broader issue, like the Secretary of State, I have visited nuclear plants and I have seen first hand the priority that they attach to safety. The Government want a new fleet of nuclear power stations to be built. Does he accept that public acceptance for that will be undermined if people do not see this issue resolved openly and transparently, and will he therefore emphasise to Mr. Redfern the importance of this inquiry being both thorough and as quick as possible?

Mr. Darling: I am grateful to the hon. Gentleman for the way in which he put his questions. For the sake of clarity, I think that I told the hon. Gentleman and his colleague that it was last Friday when I became aware of the issue. The difficulty in getting information is as I set out. BNFL's medical records deal simply with the examinations. There is no audit trail from the time of the post mortem that indicates who in each case asked for further analysis to be carried out or, at the other end, what happened as a result of the further consideration of the findings.

The hon. Gentleman asked several questions. I agree with him that it is essential that we have an open process. That is why I have asked Michael Redfern to conduct this investigation as thoroughly as possible. I do not intend to put any constraints on what he considers. He needs to examine all the matters that he thinks are relevant.

In relation to some of the specific points raised, the hon. Gentleman referred to "this practice". From what I have been able to discern, I do not think that it was a routine practice. What happened was that from time to time the coroner—in the majority of cases—would ask for further analysis to be carried out. I do not know whether he decided to do that because of something that he was concerned about, or whether he was asked to do it on behalf of the family concerned. If we look at the distribution of the 65 cases over what was a very long period, we realise that it cannot be said to be a practice. Certainly, as I understand it, it was not done routinely. However, one of the issues that Mr. Redfern will wish to consider is why the decisions were taken, and then he will draw the appropriate conclusions.

I cannot give the hon. Member for Wealden (Charles Hendry) any information on whether any of the people concerned were involved in, or associated with, the 1957 incident, nor can I say whether any of them were military personnel; no doubt Mr. Redfern will want to investigate that.

The hon. Member for Wealden asked about the research. There has been quite a lot, although I understand that it has been more concerned with the methodology used to calculate radioactivity in organs than with these specific cases. However, it is important to note that the records for the individuals involved are confidential. As a result, I do not know—and neither does BNFL—what conclusions were reached for each person.

The final point raised by the hon. Member for Wealden is very important and sensitive. The company, work force representatives and Michael Redfern are urgently considering how to approach the families concerned to explain what happened. The House will appreciate that in some cases the immediate next of kin are, sadly, no longer alive. However, there will be surviving family members: contacting them must be handled sensitively and, as I have told the company today, quickly. The surviving next of kin will be concerned about what happened, and the right thing to do is to explain to them exactly what we know and what we are doing to find the answers to those questions that are not yet resolved.

Harry Cohen (Leyton and Wanstead) (Lab): Are any of the body parts radioactive, and is it possible that BNFL has been involved in a cover-up? I remind the House that Ronnie Kray was buried without his brain. Should not the Government take a wider look at the Dr. Frankenstein practice of storing body parts?

Mr. Darling: I have no evidence to back up what my hon. Friend says. As I said in my statement, BNFL has said that it was inevitable that some of the human tissue that it was asked to analyse would have been stored prior to examination. As I understand the matter, that tissue would then have been destroyed in the analytical process.

The use of body parts that I have described this afternoon has been known about for about 20 years, as research has been carried out using data derived from the examinations. However, Mr. Redfern will face the problem that attitudes have changed, as has the relevant legislation. The practices of the 1960s and 1970s would not be acceptable today, and the Alder Hey inquiry that he carried out addressed some of the same issues. What is paramount, however, is that the families of the people who died and whose organs were examined know what happened. I am determined that they will.

Susan Kramer (Richmond Park) (LD): I join others in expressing my deep sympathy to the families affected by what went on, and to those who fear that they might be so affected. I am sure that the whole House understands the anxiety that they must be feeling. I also thank the Secretary of State for his attempt to let me know last night about the statement that he has made: if I was elusive, it was because I was in the House.

I very much welcome the inquiry that the Secretary of State has announced. Although I recognise that he had no information about the matter until last Friday, and that the events about which we have heard took place quite a few years ago, I reiterate that we believe that it is very important that citizens are respected in death as they are in life. The ghastly nature of the events that have been described means that it is important to establish that body parts should not be used for research without the appropriate permissions.

However, I want to ask the Secretary of State a number of questions. He talked about the difficulty of accessing information and coroners' records. When the events that have been described took place, a Government authority, the Central Electricity Generating Board, managed our nuclear power plants. Were the CEGB records fully transferred to BNFL, or have some of them stayed in the Government's possession, perhaps even in the archives of the Department of Trade and Industry? Has he researched that angle, as the information contained in them would clearly be vital?

As the Secretary of State said, the Alder Hey investigation took place a few years ago, so it is beyond belief that other organisations, especially those associated with Government in any way, shape or form, should not have seen that event as a trigger for their own investigations into practices that might have operated in their organisation. Will the right hon. Gentleman ask the inquiry to explore why the decisions and events at Alder Hey did not lead to disclosure of the series of events in this case some years ago? That leads to the obvious question that if BNFL did not use that opportunity to examine its records, which other organisations failed to do so, too?

The hon. Member for Wealden (Charles Hendry), who spoke for the Conservatives, mentioned the other nuclear facilities that may have been involved and the possibility that the practice extended to military as well as civilian personnel, which we believe ought to fall within the remit of the investigation. Will the Secretary of State emphasise that point?

There are particular concerns that there may have been far more extensive practice at the Atomic Weapons Establishment at Aldermaston and Burghfield than has been revealed by the cases that have surfaced so far, so the question in everybody's mind is whether the 65 cases are the tip of an iceberg or are they—

Mr. Speaker: Order. May I point out to the hon. Lady that she has taken more than three minutes?

Mr. Darling: Perhaps I can deal with the points that the hon. Member for Richmond Park (Susan Kramer) has made. It is more likely that the UK Atomic Energy Authority held the records rather than the Central Electricity Generating Board, but one of the things that Mr. Redfern will want to look at is whose responsibility it was. As I said in my statement and in reply to the hon. Member for Wealden, it is important to remember that the analysis was undertaken at Sellafield because that is where the expertise was. In many cases, the analysis was being undertaken either at the request—it would appear—of a coroner as part of his wider inquiry or, in a smaller number of cases, as part of legal proceedings. It is not clear whether the families concerned knew whether further analysis was being performed in those cases, but it is clear that the main inquiry was being conducted by a third party; in other words, not BNFL or its predecessors.

In relation to the hon. Lady's call for a wider inquiry, I want Mr. Redfern to find out what happened in this set of cases. If we go wider, we shall not get the answers that the families want in anything like a reasonable time scale. On her point about research, analysis of the tissues was carried out—often, it would appear, at the request of a coroner—to find the cause of death, and that point is fairly well known. As I understand it, the research was derived from the data found, and a lot of it involved looking at the methodology used to calculate the effect of radioactive material. I understand that the research has been fairly well published, although that is not to say that the families concerned would have known about it—a point I made earlier. Mr. Redfern will look at what should have happened with regard to the law prevailing at the time and so on. The law is quite different now and is much tighter, thanks to legislation published two years ago following Alder Hey, but those issues need to be examined.

Dr. Ian Gibson (Norwich, North) (Lab): Although I welcome the alacrity with which my right hon. Friend has moved, will he consider extending the remit of the inquiry to the nuclear submarine industry, where there

[Dr. Ian Gibson]

is a long history of people being affected? Given the relevance of our nuclear developments at present, we ought to cover our tracks there, too, before we proceed.

Mr. Darling: No, I do not agree. I want to get to the bottom of what happened in this case—that is what the families want and there is a public interest in finding out. My hon. Friend refers to something far wider and there have been a lot of studies on such general matters, but this inquiry needs to look at what happened in these cases.

Peter Luff (Mid-Worcestershire) (Con): Does the Secretary of State agree that the difficult issue with which he has dealt so appropriately and sensitively today could be seen as just the latest manifestation of the nuclear industry's past reputation for a dangerous combination of unbridled optimism, alarming scientific naivety and obsessive cold war secrecy? Bearing in mind the new consultation that the right hon. Gentleman is conducting into the future of nuclear power and, indeed, tomorrow's debate on the subject in Westminster Hall, does he agree that the nuclear industry has everything to gain from the maximum possible openness on this and every other issue?

Mr. Darling: Yes, I do. I have said on numerous occasions that the industry could help itself enormously by being open. If there are problems, let us discuss them. If things went on the past, let us hear about them—subject, of course, to observing sensitivities and the confidentiality to which families are entitled. It is far better to be open about these things. As far as we understand, the practice stopped in the early 1990s and it was not until the company was approached to see whether it would allow the data gathered to be used for further general research that people focused on what had happened. People's attitudes now are quite different from the 1960s, when—the hon. Gentleman is right—the whole history of the nuclear industry was that given the choice between being open or secretive it was secretive. That has to change, and I hope the inquiry will help the process along.

Mr. Jamie Reed (Copeland) (Lab): I thank my right hon. Friend for the thorough and swift way in which he expedited the investigation once he became aware of the facts as we understand them at the moment. When he establishes the terms of reference for the investigation by Michael Redfern QC, will he ensure that as the facts emerge the families of those affected are the first to be informed? There is already some wilfully misleading reportage in the media today, but that must not be allowed to distress the families further.

Mr. Darling: My hon. Friend is well aware of the difficulties. I agree that we need to make sure that we handle things sensitively. Michael Redfern clearly has experience of doing that from his last inquiry and he will want to do everything he can to make sure that the families are not distressed further. One of the things in which he will want to be involved at an early stage is how the families are approached, so that we can explain what is happening now as well as giving them as much information as possible about what happened to their next of kin in the past.

John Thurso (Caithness, Sutherland and Easter Ross) (LD): It will come as no surprise to the Secretary of State to hear that I have already received representations from constituents regarding Dounreay. Is he able to give any reassurance about Dounreay, or any other UKAEA site, and if not—as may be the case—does he agree that the matter should be looked at as part of the inquiry?

Mr. Darling: I have given as much detail as I possess about where the individuals worked. I have no information to suggest that any of them worked at Dounreay. If someone had died in Caithness and there had been further investigation, I am not sure that further analysis would necessarily have been carried out at Sellafield, but I have no information about that. As I said earlier, it is important that we have a fair idea about this problem and I want Mr. Redfern to concentrate on that. I do not want the inquiry to become so wide that we cannot reach conclusions from which we can learn. If it comes to light that anyone working at Dounreay or any other establishment was affected, that information will certainly be part of Mr. Redfern's considerations.

Mr. David Drew (Stroud) (Lab/Co-op): On that note, will my right hon. Friend accept that those of us with nuclear stations, or former nuclear stations, in our constituencies would like reassurance that the practice did not apply at those facilities? Will he, at the very least, press BNFL—now the British Nuclear Group—to make a quick investigation to put our minds and the minds of our constituents at rest, so that we know what we are dealing with?

Mr. Darling: The investigation needs to centre on the post mortem investigations and further analysis carried out at Sellafield. That is what we are talking about. In respect of the deaths of people working in other parts of the industry, it is not possible to say whether the coroner, the families or anyone else asked for further analysis to be carried out elsewhere. That would be a different body of work. I am keen to resolve the questions that have arisen about examinations carried out at Sellafield; we need to know why and on what authority and whether the families were told. We then need to learn from whatever conclusions Mr. Redfern draws.

Mr. Mike Weir (Angus) (SNP): I welcome the Secretary of State's swift action in setting up the inquiry under Michael Redfern. However, to follow up the question from the hon. Member for Caithness, Sutherland and Easter Ross (John Thurso), it is important that we do not get into a situation in which a drip, drip of cases come out from other nuclear installations—if there are such cases. The Secretary of State will be aware that there is no coroners' system in Scotland. There is a different system for unexplained or sudden deaths—such deaths are presumably why the coroners were looking into these matters. Will he assure us that, should there be any indication that any Scottish installation or anyone resident in Scotland has

been involved in this matter, there will be a full investigation with the relevant Departments in Scotland to ascertain what information is held in the Scottish system?

Mr. Darling: The hon. Gentleman is right to the extent that a sudden death is a matter for the procurator fiscal. I suppose this point follows on from the point that was just made by my hon. Friend the Member for Stroud (Mr. Drew). There could be cases where someone has died and the procurator fiscal, or coroner in England, or members of the family, have asked for further analysis. That could have been carried out anywhere in the country, but not at Sellafield. I am not sure whether it would be a practical proposition to find out whether—and how often—that has happened over the past 45 years.

We know from the information that we have now that in the 65 cases to date, those involved were subject to further examination at the Sellafield site. We also know that the data that were obtained from those examinations have been used in subsequent research. That is something quite distinct and we know that much about it. We need to find out more. As I said to the hon. Member for Caithness, Sutherland and Easter Ross (John Thurso), if further information comes to light that is relevant to the consideration that I have asked Mr. Redfern to look at, of course he will look at it.

Dr. Alasdair McDonnell (Belfast, South) (SDLP): I thank the Secretary of State for the speed with which he has tackled the problem and come to the House with the information at his disposal. I welcome the inquiry and share the sympathy for the families and the deep concerns about the great distress that the matter will cause them. I hope that the inquiry is comprehensive enough to alleviate the distress and the concerns of the families. Where I am coming from, I see the problem for British Nuclear Fuels Ltd. and for the Government as a very different problem from that perceived by the public. There is a Frankenstein implication when it comes to people and nuclear radiation.

I would like to persuade the Secretary of State, if at all possible, not just to include in the inquiry the whys and wherefores of the unauthorised retention of tissue, but to spend a small amount of time on what medical information was gleaned from the biopsies and what other research was established. People's minds are uneasy about this matter. It has serious implications for those of us across the Irish sea, where there appear to be significant pockets of cancer created by nuclear spills at Sellafield. *[Interruption.]* People may say that that is not true, but it is true. They should talk to some of the people with whom I live. The coastal areas of Antrim and Down are contaminated at times. People in Northern Ireland have concerns, and they will approach me with those concerns.

Mr. Darling: The hon. Gentleman is one of a small number of hon. Members who have spoken today who are asking for something that seems more akin to a general inquiry into the nuclear industry, and I will not agree to that because it is not right in the context of this inquiry. I have asked Michael Redfern to look at the matter, primarily because I am greatly aware of the sensitivities in relation to the individual families and because it is in the public interest to find out what happened. What was published is freely available, but I will arrange to put in the House Library those publications that I understand derived from the research. I will endeavour to do that in the next day or so.

Dr. Richard Taylor (Wyre Forest) (Ind): May I add a historical perspective? It is sadly needed. Anybody who worked or trained as a doctor in the '60s and '70s knows that the standard of obtaining consent for post-mortems was abysmally low. In hospitals, it was left to the most junior houseman to ask. No detail was mentioned. It was also well known among members of the medical profession that it was automatic to retain certain amounts of body tissue for examination afterwards. In the '60s and '70s, and until the desperate Alder Hey disaster, it was not recognised that that should form a separate request. In 2007, it is probably hard to recognise that, but we have to be realistic about what the standards were at the time. Regrettably, it is probably still necessary—another hon. Member drew attention to this fact—to remove a whole brain if one has to examine it, because it cannot be fixed in the short period of time during the post-mortem. Obviously, that is now asked for specifically.

Mr. Darling: The hon. Gentleman makes a good point. I said earlier that it is difficult to judge those who were responsible for these matters in the 1960s by today's standards, because the mores, law and practice are different. However, the question has arisen and the relatives are entitled to know what happened. They may be distressed by what happened and they may strongly disapprove of it, but they are entitled to know. I hope that the inquiry will help us to establish what happened. I entirely agree that it is difficult to judge people who were working 40 years ago by the standards that we might apply today.

Peter Bottomley (Worthing, West) (Con): The Secretary of State rightly said that people need to know, where possible. I put it to him that he should consult the Health and Safety Executive and the royal colleges on the terms of reference. Even though the inquiry may be limited, its implications for research for medical purposes, and for our safety and the analysis of risk, will matter. If people are not able to reuse data in the future, we may find that that has implications—as in the past, when we did not pick up on the dangers of asbestosis or pneumoconiosis or other things that have killed many more people than any possible deaths attributed to the nuclear industry. He should take great care in not letting the matter go beyond his proper purpose into some way of saying that nuclear is uniquely dangerous, when we know that it is not.

Mr. Darling: As I told the House, what is important, first and foremost, is to find out what happened. In my short statement, I quite deliberately avoided widening the inquiry into matters that, frankly, would be difficult to resolve within anything like a reasonable time. I understand the point that the hon. Gentleman makes about the repercussions. One of the reasons why I asked Michael Redfern to look at this matter is

[Mr. Darling]

precisely that he has some experience, following the Alder Hey inquiry, and he will be well aware of the fact that his recommendations led to a change in the law just a couple of years ago. In relation to the final point: yes, the workers were employed in the nuclear industry, but we need to get these things into perspective. The nuclear industry has had its problems in the past, but it would be a big mistake to draw any conclusions from what we know today or to develop that into a wider criticism of the whole nuclear industry per se.

Dr. Evan Harris (Oxford, West and Abingdon) (LD): This is a serious matter and an inquiry is justified, but we have to be aware of the unforeseen and damaging consequences of the fallout from the Alder Hey inquiry, with the impact on hospital interest post-mortems and recruitment and capacity in the pathology profession. Will the Secretary of State endeavour to ensure that the comments made reflect the value of properly consented post-mortem examinations and the fact that the storage of tissue, properly consented, is not a Dr. Frankenstein practice, but a vital part of diagnosis, research and training? Finally, will he ensure that doctors are not demonised when they are acting in good faith by the standards of the time?

Mr. Darling: I largely agree with the hon. Gentleman. It is important to reiterate the value of post-mortem examination and further analysis, because only by that can we learn for the future. Many people working in medicine and science could not do their work if they were unable to carry out that research—and most members of the public understand that. The law now is, broadly, that the next of kin have to consent, though there is an obvious exception in respect of coroners. The position now is, of course, different from 40 years ago. As I said to the hon. Member for Wyre Forest (Dr. Taylor), it would be wrong to judge people who were operating in the 1960s by the laws and standards of 2007, as that would be unfair. I agree that it is important to recognise the value of these further investigations. I reiterate that what I want to find out and what the families—and the public—want to know is what happened in this particular case. We should be very careful about drawing premature conclusions for which there is no evidence one way or another. We should address the issue in a measured and balanced way, with all the sensitivity that the situation requires.

Childcare Provision (Wales)

1.11 pm

Chris Bryant (Rhondda) (Lab): I beg to move,

That leave be given to bring in a Bill to make further provision in relation to child care facilities in Wales, and for connected purposes.

There are people who believe that poverty is a fact of life, and there are people who believe that many should live in poverty because that is the way of the world. I profoundly disagree, as I believe that poverty is not some mysterious dispensation that descends from heaven on some families and not on others. I also believe that one of the first duties of Government is to try to tackle the inequalities between rich and poor, between rich countries and poor countries and between rich areas and poor areas of a country. It is particularly important to tackle the inequity that is child poverty.

I believe that the single best means that Governments have of tackling child poverty is to enable parents—whether they be lone parents or happily married or cohabiting couples—to work. I think so for two main reasons. First, work brings money into the household, and what better way is there to tackle poverty than by ensuring that money is available in the household? I am glad that the Government have done so much over recent years—through child tax credits, working tax credits and the national minimum wage—to make sure that work pays. Secondly, it is also important for parents to be able to work because it gives them the social contact that is essential for their families to flourish.

The statistics clearly support my case. International figures for child poverty and parents in work show a remarkable correlation. The country with the lowest level of child poverty is Sweden, with only 4.2 per cent. of children growing up in child poverty. What is the number of women with children in work in that country? It is 76.6 per cent.—70 per cent. of women with children under three and 80 per cent. with children over three. That shows a clear correlation because Sweden is the country with the highest proportion of mothers in work and the lowest proportion of children living in poverty.

In the United States of America, on the other hand, merely 58 per cent. of women with children are in work and 21.9 per cent. of children grow up in poverty. Sadly, Britain is closer to the American level than to the Swedish level, with 57 per cent. of women with children in work and 15.4 per cent. of children growing up in poverty. When the Government came to power, we were at the bottom—the absolute bottom—of the league for child poverty in Europe. I believe that that was because there was systematic ignorance and deliberate carelessness about child poverty on the part of previous generations of Governments. I am glad that we have managed to lift ourselves from the bottom of the league, but we are still only half way up. That is why I want us to tackle, with increased energy, the issue of child care provision, particularly in Wales.

I am proud of some things that the Government have done. I am proud of Sure Start and how its rolling out made it possible for many parents to get into work. I am proud of the additional 23,000 child care places introduced in Wales over the past eight years. I am

proud of the £12.5 million of European Union structural funds that have been secured to spend on child care in Wales. I am proud, particularly in respect of the Rhondda, of Flying Start—the new scheme now coming on track, whereby significant extra resources of health visitors are being provided. As well as making a difference on child care, we need to ensure that parents with health problems have the support that they need to get into work. Also important are free part-time child care for the poorest members of our community and tackling deprivation in the poorest wards in my constituency. I am proud of all of that.

Very significant problems remain, however. There is still not enough child care available. Quite simply, there are not enough places for everyone who wants to go to work to place their child in proper child care. There are many reasons for that. One is that child care is not greatly valued in society, which is why it is still not valued highly as a career. Many of the people working in child care are on the national minimum wage. At a time of relatively high levels of employment and relatively low levels of unemployment, alternative careers are available, which has made it difficult to recruit people to work in child care.

There is also a significant problem with buildings. Should we not have a sense of shame about the fact that very few Members could cite a single child care building that was expressly built for that purpose? In other countries, many thousands of buildings were expressly built for that purpose, yet we end up using buildings that were built in the 19th century for completely different purposes.

The cost of child care is still prohibitive for many parents, which makes it difficult for them to make the choice to work. There is still a lack of flexibility. Many child care facilities insist that parents have to use them for a full week rather than just two days. Parents say that they want only part-time child care and if they cannot have it, they cannot decide to go into work. We need to meet more accurately the pattern of work by which people live their lives. That often means making provision close to home and close to places of work. Many people in the Rhondda who may work in Cardiff, Newport, Swansea or elsewhere need very flexible arrangements if they are to take the opportunity of going into work.

We also need to make it possible to cope with crises. Many lone parents who have courageously gone off benefits and into work with excitement and glee are able to cope with the expected crises of the year, such as school holidays, because members of their extended family may be able to help. What is really difficult for them to cope with, however, is the unexpected crisis, when a child or parent is ill. That is why the new idea espoused by the Welsh Assembly Government, to which Labour is committed in its manifesto for Wales, is so important. I refer to the idea of having mobile mammas who will be able to provide the crisis support for child care at the moments when lone parents really need it. It will make a dramatic difference in the years to come.

Sometimes child care provision does not feel as inclusive of every young parent as it might. One young parent told me that it was great going along to many of the new facilities and everyone was very welcoming, but it sometimes felt like a gathering of the middle classes. Everyone was chatting away about how to cultivate organic pears, but they did not seem to have a proper understanding of how child care might fit their particular personal needs. We need to go much further in making child care available, particularly to those who have gone forward with teenage pregnancies.

Two very important principles are relevant. First, there should be no compulsion. We should not be forcing every single parent to put their child into child care and go into work, but we certainly should make it possible for every single parent to have that option. Also, child care should not mean just warehousing. Some people have been concerned about recent reports suggesting that children who have grown up in child care that effectively places babies in a row and leaves them there for several hours turn out to have more social problems later in life than others who did not go through that.

The role of the mother will always be vital in bringing up a child, and child care should not be an alternative to the role of the mother. It is vital that every child learn the difference between a frown and a smile from one person, and the primary person in that role will always be the mother. But it is important, too, that we give opportunities for people to go into work. It is absolutely vital that we get this right. We should not have a stop-start approach to child care; there should not be a new idea every two or three years, because we must introduce a generational change.

I wholly support the Welsh Assembly's idea of mobile mammas, because that will make it much easier for young mums in particular to cope with crises. It is important that we investigate whether we should have a universal right to child care, as parents enjoy in Sweden. It is important that we have a recruitment campaign to ensure that more people have access to child care. Finally, there are 1,420 lone parents on benefit in the Rhondda. We must not fail them, and we must not fail their children either.

Question put and agreed to.

Bill ordered to be brought in by Chris Bryant, Jessica Morden, Julie Morgan, Mrs. Moon, Chris Ruane, Ian Lucas, Albert Owen, Alun Michael and Mr. David.

Childcare Provision (Wales)

Chris Bryant accordingly presented a Bill to make further provision in relation to childcare facilities in Wales; and for connected purposes: And the same was read the First time; and ordered to be read a Second time on Friday 19 October, and to be printed [Bill 91].

Pensions Bill (Programme) (No. 2)

Motion made, and Question put forthwith, pursuant to Standing Order No. 83A(6) (Programme motions).

That the Order of 16th January 2007 (Pensions Bill (Programme)) be varied as follows:

1. Paragraphs 4 and 5 of the Order shall be omitted.

2. Proceedings on consideration shall be taken in the order shown in the first column of the following Table.

3. The proceedings shall (so far as not previously concluded) be brought to a conclusion at the times specified in the second column of the Table.

TABLE

Proceedings	*Time for Conclusion of Proceedings*
New Clauses and amendments relating to the Financial Assistance Scheme.	Two and a half hours after the commencement of proceedings on the motion for this Order.
New Clauses and amendments relating to Part 3.	Four hours after the commencement of proceedings on the motion for this Order 6.00 pm.
Remaining proceedings on consideration	

4. Proceedings on Third Reading shall (so far as not previously concluded) be brought to a conclusion at 7.00 p.m.—*[James Purnell.]*

Question agreed to.

Orders of the Day

Pensions Bill

[Relevant documents: The Fourth Report of the Work and Pensions Committee, Session 2005-06, on Pension Reform, HC 1068, and the Government's response thereto, Cm 6956.]

As amended in the Public Bill Committee, considered.

New Clause 38

FINANCIAL ASSISTANCE SCHEME: INCREASED LEVELS OF PAYMENTS

'(1) Section 286 of the Pensions Act 2004 (c. 35) (financial assistance scheme for members of certain pension schemes) is amended as follows.

(2) After subsection (1) insert—

"(1A) The Secretary of State must, in particular, make provision for securing that (subject to any relevant restriction) the aggregate amount of—

(a) any annual payment payable to a qualifying member of such a scheme, and

(b) the member's actual pension (if any),

is not less than 80% of the member's expected pension, irrespective of the date of his attaining normal retirement age (or the date when he would have attained that age if he dies before attaining it).

(1B) A "relevant restriction" means any provision of the regulations which—

(a) operates to restrict the amount of an annual payment by means of a cap on the product of the calculation of a specified fraction of the member's expected pension, or

(b) provides for an annual payment not to be payable where the member's actual pension exceeds any specified amount."

(3) In subsection (2), before the definition of "qualifying member" insert—

""actual pension" and "expected pension", in relation to a qualifying member of a qualifying pension scheme, mean the amounts which, in accordance with regulations under subsection (1), are to be taken into account as the member's actual pension and expected pension, respectively, in determining the amount of any annual payment payable to the member;

"annual payment" has the meaning given by regulations under subsection (1);"."

(4) Subsections (5) and (6) below apply where the scheme manager has determined that an initial payment may be made under the FAS regulations to or in respect of a qualifying member of a qualifying pension scheme, and they so apply whether the determination—

(a) has been made, or

(b) relates to a period beginning,

before or after the passing of this Act.

(5) Subject to any relevant restriction, the amount of any such initial payment payable to the member is to be—

(a) the amount of the member's expected pension multiplied by 0.8, less

(b) the amount of the member's interim pension (if any),

irrespective of the date of the member attaining normal retirement age (or the date when he would have attained that age if he dies before attaining it).

(6) The amount of any such initial payment payable to the survivor of the member is to be—

(a) whichever is the smaller of—

(i) one-half of the product of the calculation in subsection (5)(a), or

(ii) one-half of the product of that calculation as reduced by virtue of any relevant restriction,

less

(b) the amount of the interim pension payable to the survivor (if any),

irrespective of the date of the member attaining normal retirement age (or the date when he would have attained that age if he dies before attaining it).

(7) In subsections (5) and (6) "relevant restriction" means any provision of the FAS regulations which—

(a) operates to restrict the amount of an initial payment by means of a cap on the product of the calculation of a specified fraction of the member's expected pension, or

(b) provides for an initial payment not to be payable where the member's interim pension exceeds any specified amount;

but for the purposes of those subsections any such specified fraction is to be taken to be 0.8.

(8) Any provision of the FAS regulations which is inconsistent with subsection (5) or (6) is of no effect to the extent of the inconsistency.

(9) The Secretary of State may by regulations—

(a) amend subsection (5) so as to substitute for the fraction for the time being specified there such fraction as is specified in the regulations, and

(b) make a corresponding amendment in subsection (7).

(10) No regulations may be made under subsection (9) unless a draft of the regulations has been laid before and approved by a resolution of each House of Parliament.

(11) In this section—

"expected pension" and "interim pension", in relation to a qualifying member of a qualifying pension scheme, mean the amounts which, in accordance with the FAS regulations, are to be taken into account as the member's expected pension and interim pension, respectively, in determining the amount of any initial payment payable to, or in respect of, the member;

"the FAS regulations" means regulations under section 286(1) of the Pensions Act 2004 (c. 35);

"initial payment" has the meaning given by the FAS regulations;

"interim pension", in relation to the survivor of a qualifying member of a qualifying pension scheme, means the amount which, in accordance with the FAS regulations, is to be taken into account as the interim pension payable to the survivor in determining the amount of any initial payment payable to the survivor;

"qualifying member", "qualifying pension scheme" and "scheme manager" have the same meaning as in section 286 of the Pensions Act 2004 (c. 35);

"survivor" has the meaning given by the FAS regulations'.—*[James Purnell.]*

Brought up, and read the First time.

1.22 pm

The Minister for Pensions Reform (James Purnell): I beg to move, That the clause be read a Second time.

Mr. Speaker: With this it will be convenient to discuss the following:

Amendment (a), in line 9, leave out from 'than' to end of line 11 and insert

'the amount that would be paid in the same circumstances in payments made in accordance with the pension compensation provisions set out in Schedule 7, save that references to "the Board" shall be read as references to the Scheme Manager defined in subsection (3).'.

New clause 11—*Financial Assistance Scheme*—

'(1) The Secretary of State shall commission an independent review of the Financial Assistance Scheme having regard (among other things) to—

(a) the efficiency and cost effectiveness of its administration;

(b) whether it could be more effective if administered by the staff of the Pension Protection Fund;

(c) whether it is adequately financed;

(d) what other sources of finance could be made available, including but not limited to unclaimed assets;

(e) whether it should be engaged in the purchase of bulk annuities.

(2) The Secretary of State shall publish the findings of such review within six months of this Act coming into force.'.

New clause 24—*Financial Assistance Scheme (No. 2)*—

'(1) The Pensions Act 2004 (c. 35) is amended as follows.

(2) In section 286 (financial assistance for members etc.) insert after subsection (3)—

"(3A) Regulations under subsection (1) must provide that the payments to be made to or in respect of qualifying members shall be of the same amount, and shall be paid in the same circumstances, as payments made in accordance with the pension compensation provisions set out in Schedule 7, save that references to "the Board" shall be read as references to the scheme manager defined in subsection (3).".'.

New clause 25—*Financial Assistance Scheme: eligibility where employers remain solvent*—

'(1) The Pensions Act 2004 (c. 35) is amended as follows.

(2) In section 286 (financial assistance for members etc.) insert after subsection (2)—

"(2A) Conditions prescribed under paragraph (c) in the definition of "qualifying pension scheme" in subsection (2) shall not exclude schemes which have been wound up in the absence of an insolvency event as referred to in Part 2.".'.

New clause 26—*Financial Assistance Scheme (No. 3)*—

'(1) Section 286 (financial assistance for members etc.) of the Pensions Act 2004 (c. 35) is amended as follows.

(2) After subsection (1) insert—

"(1A) The regulations must provide, save for any necessary changes, that each person who would have had an entitlement to payment as compensation under Schedule 7 (Pension Protection Provisions), if each qualifying pension scheme had been an eligible scheme for which the Board had assumed responsibility as specified in paragraph 1 of that Schedule, is given an equivalent entitlement to payment."

(3) Omit subsections (6) and (7).'.

New clause 27—*Financial Assistance Scheme (No. 4)*—

'(1) Section 286 (financial assistance for members etc.) of the Pensions Act 2004 (c.35) is amended as follows.

(2) After subsection (4) there is inserted—

"(4A) The regulations must provide (subject to any changes which the Secretary of State may consider necessary) that each person who would have been entitled to compensation under Schedule 7 (pension compensation provisions) is given an equivalent entitlement to such compensation, whether or not each qualifying pension scheme has been an eligible scheme for which the Board had assumed responsibility as specified in paragraph 1 of that Schedule.".'.

New clause 39—*Amendments to Financial Assistance Scheme Regulations 2005 (No. 1)*—

'(1) The Financial Assistance Scheme Regulations 2005 (S.I. 2005/1986) are amended as follows.

(2) In regulation 5(1) for "Secretary of State" substitute "Board of the Pension Protection Fund ("the Board")".

(3) In regulation 5(2)(a) leave out from "Secretary of State" to end of sub-paragraph and insert "the Board".

(4) In regulation 5, sub-paragraph 2(b) is omitted.'.

New clause 40—*Amendment to the Financial Assistance Scheme Regulations 2005 (S.I. 2005/1986) (No. 2)*—

'(1) The Financial Assistance Scheme Regulations 2005 (S.I. 2005/1986) are amended as follows.

(2) In regulation 9, paragraph (c) is omitted.

(3) Regulations 11 to 13 are omitted.'.

New clause 41—*Pensions Protection Lifeboat Fund*—

'(1) There shall be established as soon as reasonably practicable a Pension Protection Lifeboat Fund ("the Lifeboat Fund") which shall be administered by the Board of the Pension Protection Fund ("the Board").

(2) The purpose of the Lifeboat Fund shall be to make supplementary payments to persons who are qualifying members of qualifying schemes as defined by the Financial Assistance Scheme Regulations 2005 (S.I. 2006/1986) (or who would be qualifying members if the qualifying age for the Financial Assistance Scheme were set at the level of the qualifying scheme retirement age), in addition to the sums payable in any event under those regulations.

(3) The supplementary payments made to any person in accordance with subsection (2) shall equal the amount that, taken together with any amounts payable to that person under the Financial Assistance Scheme and amounts payable to that person as scheme benefits under the qualifying pension scheme in respect of which he is a qualifying member of the Financial Assistance Scheme (or would be a qualifying member if the qualifying age for the Financial Assistance Scheme were set at the level of the qualifying scheme retirement age), is the amount that would be payable to that person if that qualifying pension scheme was accepted into the Pension Protection Fund.

(4) The Secretary of State shall make such loans to the Lifeboat Fund as are necessary to allow the discharge of its functions and in particular its obligation to make supplementary payments under subsection (2).

(5) The Secretary of State shall make such loans from time to time having regard to—

(a) requests for such loans received from the Board;

(b) the amount of assets transferred or to be transferred to the Lifeboat Fund under the Scheme (as defined in section [Transfer of unclaimed assets] ("the Scheme"));

(c) the level of any claims on the Lifeboat Fund in respect of assets transferred to it under the Scheme.

(6) Loans made in accordance with this section must be repaid to the Secretary of State as soon as, in the reasonable opinion of the Board, it is prudent to do so having regard to—

(a) the obligations of the Lifeboat Fund;

(b) the amount of assets transferred or to be transferred to the Lifeboat Fund under the Scheme; and

(c) the level of claims on the Lifeboat Fund in respect of assets transferred to it under the Scheme.

(7) Loans made under this section shall be interest free.

(8) The assets of the Lifeboat Fund shall be held separately from the assets of any other fund under the control of the Board.

(9) The Secretary of State may by regulations make further provision in connection with the Lifeboat Fund.

(10) A statutory instrument containing regulations under this section is subject to annulment in pursuance of a resolution of either House of Parliament.'.

New clause 42—*Pensions Unclaimed Assets Recovery Agency*—

'(1) There shall be a body called the Pensions Unclaimed Assets Recovery Agency ("the Agency").

(2) The Agency must be established no later than three months after the passing of this Act.

(3) The Agency shall consist of not fewer than six nor more than twelve members to be appointed by the Secretary of State, and the Secretary of State shall appoint one member to be the chairman, and another member to be a deputy chairman, of the Agency.

(4) In appointing a person to be a member of the Agency, the Secretary of State shall have regard to the desirability of appointing persons who have knowledge of, or experience relating to, matters relevant to the functions of the Agency.

(5) A member of the Agency may hold office for such a period as the Secretary of State may determine, but not exceeding—

(a) six years, in the case of the chairman, and

(b) four years, in the case of other members.

(6) The Secretary of State may make payments to the members of the Agency by way of remuneration and make payments to them in respect of expenses incurred by them in the performance of their duties.

(7) The Secretary of State may also defray any other expenses of the Agency.'.

New clause 43—*Functions of the Pensions Unclaimed Assets Recovery Agency*—

The functions of the Agency are—

(a) to obtain such information about such classes of unclaimed assets as may be prescribed by the Secretary of State by regulations;

(b) to provide the Secretary of State with that information and any other related information held by the Agency which the Secretary of State may from time to time require;

(c) to administer the scheme to be established by virtue of section [Transfer of unclaimed assets].'.

New clause 44—*Pensions Unclaimed Assets Recovery Agency: provision of information*—

'(1) Subject to subsection (2) below, the Agency may, by notice, require any person to supply it, within a specified period or at a specified time or times, such specified information as the Agency considers it needs for the purposes of carrying out its functions under section [Function of the Pensions Unclaimed Assets Recovery Agency].

(2) This section does not authorise any requirement in relation to information to be imposed on any person unless that person carries on a business in the United Kingdom; but a requirement may be imposed under this section on a person in relation to information in the possession or control of a connected person or undertaking outside the United Kingdom.

(3) Any person who, when required to do so under this section, fails without reasonable excuse to supply any information, shall be liable on summary conviction—

(a) to a fine not exceeding level 5 on the standard scale; and

(b) in the case of a continuing offence, to an additional fine not exceeding £200 for every day during which the offence continues.

(4) Any person who knowingly or recklessly supplies any information which is false or misleading shall be liable—

(a) on conviction on indictment, to imprisonment for a term not exceeding two years, or to a fine, or both; and

(b) on summary conviction, to a fine not exceeding the statutory maximum.'.

New clause 45—*Transfer of unclaimed assets—*

'(1) The Secretary of State shall by regulations, not later than twelve months after the passing of this Act, establish a scheme ("the Scheme") for the transfer of such unclaimed assets as the regulations shall prescribe to the Lifeboat Fund.

(2) Regulations made under this subsection shall provide for—

(a) a definition of those unclaimed assets to which the Scheme applies, including the extent to which the Scheme is applicable to assets whose ownership is known, or can be determined;

(b) the transfer to the Lifeboat Fund of a prescribed proportion of such unclaimed assets as the regulations shall prescribe, and the manner and timing of such transfers;

(c) the transfer to the Lifeboat Fund of liability for any claim in respect of assets transferred under the Scheme to the Lifeboat Fund;

(d) penalties to be imposed on any person holding assets prescribed under subsections (1) or (2)(b) who fails to transfer them or such proportion of them as is prescribed in accordance with the Scheme.

(3) The power to make regulations under this section is exercisable by statutory instrument.

(4) A statutory instrument containing regulations under this section is subject to annulment in pursuance of a resolution of either House of Parliament.'.

New clause 46—*Purchase of annuities—*

'The Secretary of State shall, as soon as is reasonably practicable, by regulations require the trustees of qualifying schemes as defined by the Financial Assistance Scheme Regulations 2005 which have not yet completed winding-up to desist from purchasing (except where, on or before 18th April 2007, they have entered into a binding contractual commitment so to do) or making binding commitments to purchase, annuities on behalf of scheme members, for a period of nine months from 18th April 2007.'.

New clause 47—*Duty to make on-account payments—*

'(1) Pursuant to his powers under section 286(3)(d) of the Pensions Act 2004, the Secretary of State shall as soon as is reasonably practicable make regulations requiring trustees of qualifying pension schemes to make on-account payments to qualifying members, or persons who would be qualifying members if the qualifying age for the Financial Assistance Scheme were set at the level of the qualifying scheme retirement age.

(2) The Secretary of State may make such loans to trustees of qualifying schemes as appear to him to be expedient to enable them to make such on-account payments where adequate scheme assets appear to him not to be available to them and regulations may prescribe for the recovery of such loans upon completion of wind-up of a qualifying scheme.

(3) Regulations made under subsection (1) above shall provide that on-account payments shall equal the amounts that would be payable if the qualifying scheme was accepted into the Pension Protection Fund.

(4) The regulations shall provide for payment to trustees of a qualifying pension scheme of payments due to a qualifying member of that pension scheme (or a person who would be a qualifying member if the qualifying age for the Financial Assistance Scheme were set at the level of the qualifying scheme retirement age) by the Financial Assistance Scheme or by the Lifeboat Fund (as defined in section [Transfer of unclaimed assets]) in respect of periods for which on-account payments to that member have been made in accordance with subsection (1).'.

Government amendments Nos. 19, 20 and 21.

Amendment No. 14, in schedule 7, page 69, line 38, at end add—

'PART 7

FINANCIAL ASSISTANCE SCHEME

Citation	Extent of repeal
Pensions Act 2004 (c. 35)	Section 286(6) and (7)

Amendment No. 17, in title, line 4, after 'Authority;', insert

'to establish the Pension Protection Lifeboat Fund;'.

Amendment No. 18, in title, line 4, after 'Authority;', insert

'to make provision for the transfer of a proportion of unclaimed assets to the Pension Protection Lifeboat Fund;'.

Amendment No. 22, in title, line 4, after 'Authority;', insert

'to make provision about the establishment and functions of, and to confer powers on, the Pensions Unclaimed Assets Recovery Agency;'.

James Purnell: New clause 38 deals with the important issue of failed company pensions and the financial assistance scheme. In my speech, I want to set out three things: first, how the scheme will now guarantee 80 per cent. of expected core pensions to all 125,000 people affected, in contrast to the Opposition, who said that they would not put any more taxpayers' money into the scheme; secondly, how a review, led by industry experts, will look at topping up that 80 per cent., looking in particular at pooling assets; but thirdly, how we should wait for the outcome of that review, rather than voting for the Conservative amendments, which have already been condemned by the Association of British Insurers.

Many Members in the Chamber today have constituents who lost their pensions because their companies went into insolvency with the scheme underfunded. I have met dozens of people who have been affected. I think of Willie Riggins, Bill Adams and Bob Duncan—people who worked all their lives and whose pension was taken away through no fault of their own. Members on both sides of the House have experience of that and have great sympathy for people in that situation. That is exactly why, in the Pensions Act 2004, we introduced the financial assistance scheme, and why we put in place the Pension Protection Fund, to ensure that today's workers do not face the same threat again.

Mr. Mike Weir (Angus) (SNP): Will the Secretary of State give way?

James Purnell: I am not the Secretary of State, but I am happy to give way.

Mr. Weir: Apologies—I am getting ahead of myself. The Minister talks about the financial assistance scheme. Changes are welcome, but many people's schemes have been wound up when the company is not insolvent, and the scheme does nothing to help them. Has he given any consideration to what help, if any, can be given to those people?

James Purnell: I am just getting into my stride, but I will come to that at the end. The issue throughout has been whether we could make a clear difference between companies that were affected before the financial

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assistance scheme came into place and companies that are still trading today. We would not want to open up a loophole—I am sure that the hon. Gentleman would not want to do so—whereby perfectly healthy companies could dump their scheme on the taxpayer, but I will come to that issue later.

Given that sympathy, the Government have always sought a satisfactory solution for those who have suffered, but there has always been a debate about the level of that assistance. As the ombudsman herself made clear,

"it was the sole responsibility of Government or that the taxpayer should pick up the tab was not what I said... I did not say, 'Write a blank cheque', but organise a remedy".

The Government have organised a remedy, but let us be clear about why have we had to do so. As the European Court of Justice found during our proceedings in Committee, the then Tory Government failed to implement the 1980 insolvency directive and to protect people's pensions. As the judicial review found, the 1996 leaflet published by the then Tory Government was misleading and maladministrative. In 1995, when the Labour party in opposition proposed creating a pensions lifeboat, the now shadow Foreign Secretary, then the Pensions Minister, opposed it, and this Labour Government had to introduce the PPF.

The hon. Member for Runnymede and Weybridge (Mr. Hammond) said during his winding-up speech yesterday that there was no need to introduce a pension lifeboat in 1995. If he and the Conservative party had taken our advice, there would be no need to introduce one now, and we needed to wait for a Labour Government to do so. The Government had previously defended that Tory record, but those court cases have made it clear that those actions were wrong, and we have therefore reconsidered the level of the financial assistance scheme.

By contrast, the Conservative Front Benchers have always resisted putting more taxpayers' money into FAS. The hon. Member for Eastbourne (Mr. Waterson) said in the House that

"at no stage have the official Opposition ever committed taxpayers' money to this issue above and beyond what the Government have already committed."—[*Official Report*, 27 June 2006; Vol. 448, c. 175.]

We look forward to finding out whether they will support the money that we are putting in, but there is a very clear difference for people between the Conservative amendments, which would try to find money by taking it from one set of pensioners and giving it to another, and our amendments, which will guarantee money from the taxpayer to get to at least 80 per cent. of people.

Mr. Philip Hammond (Runnymede and Weybridge) (Con): Perhaps I should just make it clear to the House that Conservative Members will support new clause 38, and that our amendments are not an alternative to that new clause; they assume the acceptance of new clause 38, which will essentially implement the commitments that the Chancellor and the Secretary of State for Work and Pensions made at Budget time and build upon them.

James Purnell: We will be grateful for that support, but the House will notice a pattern in Conservative policy making: not to make any policy, and when we come up with a policy, to back it. The Conservatives said that they would not put in any more taxpayers' money; now that we have done so, they are saying that they want to. The problem with the hon. Gentleman's policy is that, even before it has been debated in the House, the Association of British Insurers has been condemning it as another raid on pension funds. So the Tory party was yesterday complaining about a raid on pension funds, and today it is having a row with the ABI about one that it is proposing. The Conservatives need to decide which way they are facing.

Mr. David Laws (Yeovil) (LD): Is there not a pattern in Government policy making as well: three times, the Government have been dragged perhaps not kicking and scheming, but kicking and screaming into providing some pension compensation, first with the financial assistance scheme and then with two increases in its size? Given the amount that is now being put in and the feeling of concern and injustice, why on earth cannot the Government go the final step today to deliver what most hon. Members on both sides of the House want: fair compensation at PPF level, with the other changes that are in the cross-party amendments?

James Purnell: Again, I will turn to that in my speech slightly later on, but I want to contest what the hon. Gentleman has just said. We could have just looked at the outcome of those court cases and continued to defend them. That would have benefited only a very small number of people. The ECJ made it very clear that it thought that damages would not be payable, so the case would have affected only people who went into insolvency after the case. Similarly, the judicial review only asked us to reconsider the decision. Given that the courts had made it clear that the Conservative Government's decisions that we have defended had been wrong, we decided that it was time to come up with a scheme that would provide at least 80 per cent. and to listen to the suggestions that the hon. Gentleman, other Opposition Front Benchers, the ombudsman and my honourable colleagues have been making and set up a review. That is the right way to proceed, but I will turn to his precise point later in my speech.

Mr. Philip Hammond: The Minister again mentions the review. It is important that we clarify the situation because hon. Members will have heard the Prime Minister talking about the review. The Minister has carefully talked about the review considering pooling assets, but the Prime Minister said that it will consider the use of unclaimed assets. Will the Minister confirm that the Prime Minister made a mistake?

1.30 pm

James Purnell: No, the Prime Minister did not make a mistake. The hon. Gentleman knows very well the terms of reference, which say that we will consider all suggestions that people put forward—we look forward to his submission. All that we are saying is that this needs to be based on proper work by experts, rather than amendments that, with great respect, the hon. Gentleman does not know are workable.

Mr. Frank Field (Birkenhead) (Lab): May I take the Minister back to what the ABI said? If it was saying that Members on either side of the House wanted to transfer the unclaimed assets of pensioners, they could not have misunderstood the position more severely. We have been saying that we should use the unclaimed assets of banks and building societies, which are separate from any unclaimed assets of pensioners and from unclaimed moneys that insurance companies hold that have clear owners—either policyholders or shareholders.

James Purnell: We will be happy to read any submission that my right hon. Friend makes to the review. However, this debate shows exactly the need for that review. Rather than accepting amendments that people do not know are workable, it is right to hold a review involving experts, such as lawyers, people from the insurance industry and scheme administrators, who can come forward with proposals that will be workable and properly thought through.

Mark Pritchard (The Wrekin) (Con): Given that Conservative Members are happy to support Government new clause 38, are there any Conservative new clauses before the House today that Labour Members would accept equally graciously?

James Purnell: The right thing to do is to look at the outcome of the review.

Mark Pritchard: The logic of what the Minister says is that he is happy to accept only Government new clauses ahead of the review and that any new clauses that we have tabled cannot be accepted until after the review.

James Purnell: The problem with the Conservative amendments is that they could expose the Government to compensation if annuity rates were to fall. They could expose the Government to moral hazard if people started to manipulate the rules. They could also expose the Government to legal challenge, including in the European Court of Justice. The last thing that the House should do is to raise pensioners' expectations on the basis of amendments that have been hastily drawn up for this debate. Instead, we should have a proper review.

Mr. Clive Betts (Sheffield, Attercliffe) (Lab): I want to return to an issue that was raised before. I know that the Minister said that he would address it later in his speech, but I hope that this is the right time to make this point. I have visited him with pensioners from my constituency who worked for the firm Tinsley Bridge, which is still in existence. Given that the firm is not in liquidation, its workers cannot at present be covered by the financial assistance scheme. However, the firm is not in liquidation only because the pension scheme decided not to pursue from the company the full amount due to it. The pension scheme has thus been wound up, so the workers in the scheme cannot join the PPF. The company's pensioners and future pensioners are thus caught in a situation in which they cannot be part of the PPF or receive any help from the FAS. About 8,000 people in the country are affected in such a way. Can my hon. Friend give us any assurance that those workers will now be included in the FAS?

James Purnell: I was going to come on to this point later, but I will deal with it now because I have been asked about it twice. My hon. Friend has campaigned on the matter long and persuasively and brought a delegation to see me. The Public Administration Committee has raised the matter, too. We have always been clear that we wanted to ensure that we did not create a loophole, as I said to the hon. Member for Angus (Mr. Weir).

I am delighted to be able to tell my hon. Friend the Member for Sheffield, Attercliffe (Mr. Betts) that we can announce today that we will further extend the FAS to cover members of schemes that began winding up between 1 January 1997 and 5 April 2005—I believe that that covers the Tinsley Bridge scheme—when a compromise agreement is in place and when enforcing the debt against the employer would have forced the employer into insolvency. We estimate that that will benefit an additional 8,000 members of some 15 schemes.

Mr. Betts: May I put on record my thanks and those of my constituents, the workers at Tinsley Bridge and those at all the other firms? A lot of people woke up this morning worrying about their future because they thought that their pensions would be either non-existent, or greatly reduced. My hon. Friend's statement has certainly given those people a lot of cause for cheer.

James Purnell: I thank my hon. Friend for his comments. I hope that hon. Members will thus think that it would be inappropriate to press new clauses 25 and 40 to a Division. Those measures would bring into the FAS any failed scheme, regardless of the solvency position of the employer.

Dr. Tony Wright (Cannock Chase) (Lab) *rose—*

Mr. William Cash (Stone) (Con): Will the Minister give way?

James Purnell: Does the hon. Member for Stone (Mr. Cash) wish to intervene on this point?

Mr. Cash: The Minister has met—

Mr. Deputy Speaker (Sir Michael Lord): Order. We cannot have the Minister partially giving way. I think that he has allowed the hon. Member for Stone (Mr. Cash) to intervene.

Mr. Cash: The Minister was good enough to meet Mr. Richard Nicholl and me to discuss amendments that are adequately covered by the excellent new clause 25, which was tabled by the hon. Member for Cannock Chase (Dr. Wright), who also wishes to intervene at this stage. Would the Minister be good enough to confirm that the arrangements proposed in new clause 25 would come into effect under the proposals that he has announced in response to the questions raised by the hon. Member for Sheffield, Attercliffe (Mr. Betts)?

James Purnell: I will have to write to the hon. Gentleman to set out the situation for the precise scheme to which he refers. We are trying to create a separation between schemes that decided to put in

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place a compromise agreement before the introduction of the FAS and schemes that did not do so. The danger of creating a procedure as set out in new clause 25 is that perfectly viable companies could dump their pension commitments on the taxpayer, which would not be right.

Dr. Tony Wright: I am pleased by what my hon. Friend has said, but I do not understand the basis on which he argues that he therefore could not accept new clause 25. The new clause refers explicitly to schemes that are eligible for assistance under section 286 of the Pensions Act 2004. That measure specifies that its provisions apply only to schemes that were in the process of winding up before the specified date on which schemes became eligible for the PPF. His argument that the new clause would open the door to problems thus simply cannot be true.

James Purnell: I am advised that new clause 25 would open the door to a wider range of schemes. When people talk about solvent employers, I believe that they are talking about the category that we have identified today. We have no intention of doing anything other than delivering for those schemes. I hope that my hon. Friend will be reassured by what I have said. If he makes a speech, I will try to intervene on him to confirm the exact situation.

Several hon. Members *rose—*

James Purnell: I think that I should make some progress because we have been debating the group for 15 minutes.

I am delighted that the Government have committed more money, as the Chancellor announced in the Budget on 21 March. The scheme was going to benefit 45,000 people; now it will benefit all 125,000 affected, in addition to members of the solvent schemes that I have just mentioned. The scheme was going to benefit people up to £12,000 per year, but it will now benefit people up to £26,000 a year. It was going to taper down to 50 per cent. and then to nothing for people who were not covered. Now it will be at 80 per cent. for everyone, and an extra 100,000 people will get more benefit. In all, we are allocating a further £5.6 billion in cash terms. The original amount committed to the FAS in 2004 was £400 million in cash. We then extended that figure to £2.3 billion. With this further extension, we have reached £8 billion in cash, or £1.9 billon in net present value. That represents a significant commitment to helping the people whom we are aiming to address through our measure, which I hope that the House will welcome.

Alan Simpson (Nottingham, South) (Lab): I appreciate the Minister's clarification about the increase in overall funds. However, the last figures on payouts from the FAS that I received suggested that the amounts were not in the region of billions. So far, £12 million has been allocated to 1,000 of the 10,000 eligible pensioners. Of that £12 million, £4 million has gone to the pensioners, while £8 million has been spent on administration. Can the Minister give us any indication of how we can address this incredible delay during which the vast majority of pensioners have received nothing?

James Purnell: I am afraid that there is a misunderstanding about the task that the financial assistance scheme has had to undertake, which the PPF or whoever else was tasked with running it would have had to undertake. The FAS has had to go through hundreds of schemes to see whether they are eligible; it has had to set up a new IT system; and it has had to get data from the trustees about exactly what people are entitled to and compare that with FAS. That is why there has been a significant up-front cost. That work is now largely complete, and we are paying everybody whom we are in a position to pay. Everybody who has asked for initial payments is being paid. There is no delay in FAS; the delay is in requests for initial payments. We need schemes to come forward and ask for those. I will return to that matter later in my speech.

Mr. Hammond: Because people outside may not understand what the Minister has just said, will he clarify that he is talking about the trustees having asked for payments to be made? This is not a question of individual potential recipients having failed to ask for payments.

James Purnell: That is absolutely right; it is the trustees who we are encouraging to ask for payments. I have written to a number of them, which has helped in certain cases. I encourage all Members of the House who are aware of schemes in which there are delays to contact the trustees. Some are very good and some have been too slow. The right way to seek to get more money for people is to encourage the trustees to apply for initial payments.

I want to pay tribute to Community and Amicus for their tireless work at the forefront of the campaign on this issue. They have been joined in that by many Members in the House, including my hon. Friends the Members for Aberdeen, South (Miss Begg), for Ayr, Carrick and Cumnock (Sandra Osborne), for Jarrow (Mr. Hepburn), for Cardiff, North (Julie Morgan), for Sittingbourne and Sheppey (Derek Wyatt), for Aberavon (Dr. Francis), for St. Helens, North (Mr. Watts) and for Vale of Glamorgan (John Smith), and my right hon. Friends the Members for Cardiff, South and Penarth (Alun Michael) and for Islwyn (Mr. Touhig). That list shows the strength of feeling in the House about this policy. We believe that 80 per cent. of the funding is the right amount for the public purse to bear.

New clauses 24, 26 and 27 all call for the taxpayer to fund FAS assistance at the same level as the pension protection fund, which would essentially be 90 per cent. with some limited indexation. What is the Tory position on the new clauses? We look forward to finding out later. We have a clue, however. The hon. Member for Runnymede and Weybridge has obviously been pestering the shadow Chancellor for more money. We had evidence of that in yesterday's debate, when it emerged that the shadow Chancellor had said that

"there are lots of Conservatives who come up to me and say we've really got to put more money into pensions".

Presumably, he was referring to his Front-Bench colleagues. Unfortunately, the hon. Member for Runnymede and Weybridge has been slightly disappointed because the shadow Chancellor is obviously feeling under such pressure that he had to say publicly, at the Conservative party conference, that

"part of the test of whether we are ready for government is whether we can resist those additional draws on public expenditure."

If the Conservatives vote for these new clauses, they will be failing that test. They will be making an unfunded commitment to an additional £2.7 billion. If they vote for the new clauses, they will be tearing another hole in their already tattered reputation for fiscal discipline.

Let me be clear: the Conservatives' proposal for a lifeboat fund is just another uncosted policy. They propose to make a loan from the Treasury. What is a loan from the Treasury other than public expenditure? It is a bit like going to a bank and saying, "Give me a mortgage. I am going to find someone round the corner to pay it back." It is a public spending commitment, and if the Conservatives vote for it that is exactly what they will be making. *[Interruption.]* Oh, it is a costed public spending commitment—costed, but not funded. That is the problem with the Conservatives' policy. They make commitments, but they have absolutely no idea of how to fund them.

Mr. Henry Bellingham (North-West Norfolk) (Con): I thank the Minister, who is obviously in a combative mood, for giving way. He implied that our new clauses and amendments were put together on the back of a fag packet over the weekend. Is he not aware that Ros Altmann, the pensions expert who has advised the Government, supports them? She has made it clear that she believes that they are workable and affordable, and that the Government should accept them.

James Purnell: I have great respect for Ros Altmann, but as far as I know she never worked as an adviser to No. 10 or No. 11, as is often said. We are happy to look at her suggestions as well as others made by Conservative Front Benchers. My point is that the Conservatives are starting to emulate the hon. Member for Yeovil (Mr. Laws) in making policy proposals that they have no idea how to fund. No wonder they are reputedly trying to lure him to their Front Bench; they are obviously learning from his example. We believe that there is a better approach.

1.45 pm

Mr. Laws: We are very entertained by these parts of the Minister's speech, but before he wraps up his comments—we never know when he is going to sit down—will he explain the point that he left unresolved earlier? What is the difference between the proposal that he makes today, for the first time, to the hon. Member for Sheffield, Attercliffe (Mr. Betts) and that in new clauses 25 and 40? What would be the problem with accepting those new clauses? How many people who would be included in that proposal are left out of the one that he is making? Surely we need to know that before we vote.

James Purnell: Healthy, solvent employers may have wound up their scheme when employer debt was set at the minimum funding requirement. Such employers should have made good their pensions promise—they were funded at the MFR—so new clause 25, which would allow those schemes in, is inappropriately wide. That is a consequence of the drafting of the new clause rather than any difference of policy. People were asking for the scheme to cover 6,000 pensioners in solvent companies; we are actually covering 8,000. The House is getting slightly over-excited about a point on which there is not a difference.

Mr. Hammond: The Minister has given a very technical answer to the question asked by the hon. Member for Yeovil (Mr. Laws). How many additional scheme members would get through the gateway if new clause 25, rather than the Minister's proposals, were accepted?

James Purnell: The whole point is that people do not know—[HON. MEMBERS: "Ah!"] We can quantify the people who have compromise agreements because we know exactly who they are. They are people for whom the ombudsman and Members of the House have been campaigning. We have done exactly what people have asked us to.

Dr. Tony Wright: This is important so we must be clear about it. Is the Minister saying that he accepts the substance of new clause 25, reflecting the announcement that he has made this afternoon, but he thinks that it is technically deficient—although I am advised that that is not the case—so he will incorporate it in the Bill at a later stage, to remedy its technical deficiency?

James Purnell: I am saying that we have the same intention and that we will make proposals to make sure that what we have said is exactly what happens. I am happy to meet my hon. Friend to discuss the matter, but I am pretty sure that he will be happy with what we have done because our intention is the same.

We believe that 80 per cent. is the right amount from the taxpayer, but we are not saying that that is all that should be considered. The taxpayer should fund up to 80 per cent. but there should then be a review of alternative sources of funding that have been suggested. The taxpayer does not fund the 90 per cent. level provided by the PPF. There is no taxpayer money at all in the PPF. There will now be nearly £2 billion of taxpayers' money in net present value terms in FAS. In contrast, the PPF is funded entirely by the levy payments of member companies, which are paying to insure themselves against future possible insolvency. We therefore think that the balance that we are striking of nearly £2 billion of public money in FAS and no public money in the PPF, with a review to look at what more could be done, is the right one for the taxpayer and for the people involved.

Mr. Laws: Can the Minister tell the House what would be the additional net present value cost of granting the PPF level of benefits after the offsets for tax and lower means-tested benefit payments?

James Purnell: Yes, if the hon. Gentleman can tell me what tax and benefit policy will be for the next 50 years. So far there is very little interaction between FAS payments and pension credits. Very few of the current recipients get pension credits, so that will not reduce the cost significantly. The difference for the payments that I set out earlier is the additional £2.7 billion, which in net present value terms is about £600 million, or an increase of a third in the current scheme.

Mr. Frank Field: The Minister has talked about an additional £2 billion going into the fund. Where is that money? I cannot find it anywhere in the Department's accounts. Has anyone received it? Is it a fund with pension trustees who are accountable for its expenditure or is it something that maybe, at some stage, a Government will pay?

James Purnell: That is a very good point. There is a misunderstanding about this. People think that the sum is a pot of money that has been put into the scheme; it is not. It is a guarantee from the Government to pay at least 80 per cent. We have estimates of how much that will cost, but it could cost more than £8 billion—for example, if people in the schemes live longer. However, the Government are giving that guarantee, which is not available elsewhere, so it is significantly worth while to the people involved.

The right thing to do is to carry out a further review. We are doing precisely what is suggested in new clause 11 and holding a review, which will be led by Andrew Young, directing actuary at the Government Actuary's Department, who helped to set up the PPF and who therefore has real expertise in this area. He will be advised by a panel of leading external experts. The review will provide an initial view in the summer and will then report by the end of the year. I can make it clear today that any extra funding that the review identifies will be put into topping up the financial assistance scheme beyond 80 per cent.

The review will be able to consider the suggestions made by the Opposition today. However, I say with all due respect that the Opposition have no idea whether the amendments that they have tabled would work. As I said before, if we compelled people to stop annuitising and they lost out, we could be open to compensation claims, and if annuity rates fell, we could be open to compensation claims. The Opposition have no idea whether their amendments would override scheme rules. The amendments cannot be guaranteed to work, so it would not be appropriate to move forward without the proper review.

Counter-intuitively, the Tories like picking rows with business these days, but in a pretty spectacular example, the Association of British Insurers has come out—even before the amendments are debated—and described the Opposition proposals as

"robbing Peter to pay Paul"

and another raid on pension funds.

Mr. Philip Hammond rose—

James Purnell: I see that the hon. Gentleman wants to continue his row with the ABI and get himself into even deeper trouble.

Mr. Hammond: I have had a discussion with the ABI this morning to find out what its concern is, and I have been able to allay that concern, which was about trust-based defined benefit schemes. We recognise that there are no unclaimed assets available in such schemes.

James Purnell: The hon. Gentleman has just shown again why we cannot accept the amendments. He has no idea what they are about and people outside are confused. Every time he intervenes, the policy changes. That is precisely why we need to have a proper review by experts before deciding what to do.

Mr. Hammond: If the Minister wants to talk about the new clauses, he should read them. They give the Secretary of State the power to specify the classes of unclaimed assets; they say nothing about the specific classes involved. The hon. Gentleman simply cannot say that we do not know what we are talking about.

James Purnell: The hon. Gentleman has contradicted the answer that he just gave. He said that the amendments were about only one class of assets, but now says that they can be about any class of assets. Today, he has shown why what we should be doing is waiting for pensions experts to complete their review, rather than accepting his amendments.

Our key concern should be getting as much money as possible to people. In Prime Minister's questions, the Leader of the Opposition said that we should be doing more for people who are retired today, and we agree entirely. That is why the Government amendment will increase the amount that people get in initial payments from 60 per cent. to 80 per cent. That means more money for more people immediately.

That brings me to new clause 47, whose purposes appear to be twofold: first, to transfer the delivery of the financial assistance scheme to pension schemes; and, secondly, to provide that funds for those payments should be provided by FAS or by the lifeboat, whether by loan or by retrospective repayment. The problem with the new clause is that scheme administrators, who are expert in what they do, would have to learn a new set of skills that FAS is currently delivering. We would be ignoring the expertise that exists in FAS—a single centralised unit, which has assessed hundreds of schemes—and instead asking hundreds of scheme administrators to learn those skills. Those scheme administrators would then come to us saying that they should be paid for having done so.

Instead of increasing the cost to pension schemes, thus depleting the amount available to members, and slowing the process of making payments to people, we should be working with scheme administrators so that they provide the information that we need to make initial payments to people which, as I have just announced, will increase from 60 per cent. to 80 per cent. Government new clause 38 is the only amendment that will enable us to give more people more money immediately, and I urge hon. Members to support it.

Mike Penning (Hemel Hempstead) (Con): The Minister is being extremely generous in giving way. If scheme administrators are happy to take on the role—they cannot do worse than the FAS, which has

spent £9 million administering £3 million paid to pensioners—it is logical to let them get on with it. If they want it, let them do it; they cannot do worse than the existing scheme.

James Purnell: They do not want it. I have spoken to them and they do not want it. They are already incredibly busy winding up schemes. If the Opposition's new clause was accepted, they would have to learn a new set of skills. The priority is to get them to apply for initial payments and to wind up their schemes as quickly as possible. Loading the operation of a Government scheme on them would risk delaying the payments and increasing the costs.

Mike Penning: It would not delay them more.

James Purnell: It would cause further delay. The expertise exists and the schemes have been assessed. The skills necessary to assess how much people should get from FAS would have to be learned by scheme administrators.

Mike Penning: Is the Minister honestly telling the House and all those pensioners here today for the debate that spending £9 million to give £3 million to pensioners is a great success?

James Purnell: The hon. Gentleman obviously did not listen to my speech. At the start of the PPF process, the scheme and what is owed has to be assessed; thereafter, the process of paying people is quite easy. FAS has made good progress in doing that and we are now in a position to pay people when they apply for initial payments. That is what needs to happen.

The Government amendment will guarantee that FAS members will get at least 80 per cent. of their core pension, but through the review we are making a firm commitment to consider other sources of funding. We understand the aspiration of Community and Amicus to achieve PPF-level pensions for their members, but there is still no certainty about the funds available in the failed pension schemes, and until the review is completed it is not possible to give a guarantee, which is what the Tory Front Bench team is trying to do. However, we will consult Community and Amicus throughout the process to ensure that the funds that are available are applied to supplementing FAS to get nearer to 90 per cent. The review will report publicly the initial recommendations by the summer and a series of consultations with Community and Amicus and related organisations will begin immediately.

Mr. Laws: The Minister mentions the unions' aspiration, but is he saying that although the Government's aspiration is to deliver PPF levels of benefit, the Government's position is that pensioners who have lost their pension should take the risk in the mean time that the Government are not successful in delivering the necessary money?

James Purnell: I am saying that it would be deeply irresponsible to do as the Opposition are doing, which is promising to deliver more money on the basis of a scheme that they do not know will work and without a proper review. The right thing to do is for the Government to pay at least 80 per cent. and we have now provided £8 billion. The Conservatives said that they would never put in more taxpayers' money, but we have now done so. I urge my colleagues to support the Government amendments.

Mr. Philip Hammond: The background to this matter is well known and well rehearsed. We are dealing with a finite group—future pension scheme failures will not increase its size—comprising 125,000 people, some of whom are terminally ill and some of whom have had to come out of retirement and start work again. There are some heartbreaking stories, and I am sure that hon. Members on both sides of the House will relate some of those stories during the debate. Fairness demands that the people in that group are treated similarly to those whose schemes failed after April 2005, whether their employers were solvent or not. Fairness is not alone: the ombudsman, the Public Administration Committee, the European Court of Justice and the High Court have all expressed the same sentiment.

It is fair to say that a consensus has emerged both within the House and among the pressure groups outside that a settlement around PPF levels of benefits, although it is less than some people hoped for, would be a fair and reasonable outcome. However, the Government are still appealing the ombudsman report and resisting the finding of maladministration. I repeat what I have said several times before: there will not be a legal solution to the problem; there will have to be a political solution. There is a huge amount of good will on both sides of the House when it comes to trying to solve the problem.

2 pm

As the Minister said, the Government have promised a review to consider the use of scheme assets, and we welcome that, but the review must not stand in the way of the search for an immediate solution. Our proposal will provide that immediate solution, while accommodating the review that the Government have announced, and the additional assets that may come out of that review. I pay tribute to the Select Committee on Public Administration and the hon. Member for Cannock Chase (Dr. Wright) for their work, which has been instrumental in trying to craft a consensual solution that would command support and respect in all parts of the House. There are a lot of people watching us today; Parliament is on trial, and people want and expect us to work together to find a compromise solution that will deliver a fair, sustainable and effective outcome, and to set aside party political considerations.

The Parliamentary Under-Secretary of State for Work and Pensions (Mr. James Plaskitt): That's what you were doing yesterday, was it?

Mr. Hammond: I am glad that the Under-Secretary of State mentioned yesterday, because, to turn to Government new clause 38, I have to say that I am a little disappointed by the speech that the Minister for Pensions Reform just made; he seemed to think that he was arguing in yesterday's debate. The tone today is not partisan. Today, I hope, is about the search for consensus on a solution. As the Minister said, new clause 38 responds to the Budget announcements that

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the Chancellor and the Secretary of State for Work and Pensions made. It improves the scheme significantly for younger members who would otherwise have been excluded, but it does not address the real issues to do with speed of payment, the effectiveness of the financial assistance scheme, and the benefit payable. The increase in the cap will benefit some higher-paid scheme members, but that does not address the issues affecting the desperate people whom the Members most interested in the subject meet repeatedly. We will not oppose new clause 38, because it is a significant improvement and a helpful step forward, but it does not address the real issues before the House today.

Amendment (a), which the hon. Member for Cardiff, North (Julie Morgan) tabled, would amend Government new clause 38 by increasing the benefits provided in the new clause to Pension Protection Fund levels. It is similar in its effect to new clause 24. We have two concerns with amendment (a). First, because of the reference to qualifying members, it appears to include only those members who are over 65, rather than those who are over scheme retirement age, as the PPF does, yet that group includes some of the people in greatest hardship. Secondly, we believe that, contrary to what the Minister said, it is necessary to balance the moral case for helping that group of people with the obligation on us all to protect the taxpayer. I shall outline how we think that our proposals to use unclaimed assets, backed up by a Government loan, get that balance right.

The amendment tabled by the hon. Lady and new clause 24 simply transfer the problem to the taxpayer. We accept that, as the Minister pointed out, if a loan is made, a residual contingent liability is taken on, but if we are to reach a solution to the problems, we have to recognise that we are all in this together. There has to be a sharing of the pain. The pensioners concerned have to accept that they will receive only 90 per cent. of the benefits that they would have got, the industry has to accept that it will have to yield up the unclaimed assets, and the Government have to extend the loan to bridge the gap, so that relief can be provided right now, while the unclaimed assets are being collected. I have set out the two reasons why we cannot support amendment (a), tabled by the hon. Lady; we urge her to consider supporting new clauses 41 to 45 instead, which have the same objective and would deliver the same outcome for pensioners, but which take a different route.

Mr. Adrian Bailey (West Bromwich, West) (Lab/Co-op): I have listened to the hon. Gentleman's arguments carefully, and to his declared intention of trying to develop a consensual approach. Given the amendments and the solution that he has put forward, would it not be more appropriate to wait until after the review, proposed by the Government, has taken place, so that we can see whether that solution is the most appropriate, and whether the Government address the issues that he says need to be addressed?

Mr. Hammond: This is the day when Parliament has the opportunity to demonstrate that it is committed to solving the problem, not committed to another review of the problem. I say to the hon. Gentleman that the scheme that we have set out, involving a lifeboat fund, in no way precludes using the assets that the Minister hopes to find in his review, including, possibly, the residual assets in the schemes; those could go into the lifeboat fund. The difference between the Government's approach and the approach that we are setting out in this group of amendments is that we are proposing to create that structure immediately, and by the means of a modest loan, we would be able to start delivering immediately to a group of people who need help now, not at some point in the future.

James Purnell: In yesterday's debate, the hon. Member for Tatton (Mr. Osborne)—he is sitting right next to the hon. Member for Runnymede and Weybridge (Mr. Hammond), so he can consult the shadow Chancellor right now—said that the test of the Conservatives' credibility was whether they could resist making such pledges on pensions. The hon. Member for Runnymede and Weybridge is pledging to increase public borrowing by £600 million to fund his proposal, but he has no idea how to fund that. Will he tell us what else he is cutting, given that the Conservatives' third fiscal rule means reducing the proportion of public spending in gross domestic product? How will he fund the proposal?

Mr. Hammond: The Minister is absolutely wrong. He knows as well as everyone else in the House that unclaimed assets are available. The Government used to claim that unclaimed assets did not exist, but they have now discovered them, and the Chancellor has started looking at them for various purposes. What we have said is that the Government should make a loan available to the lifeboat fund to enable it to start paying out immediately. The process of collecting unclaimed assets, which would enable that loan to be repaid, would then begin. It is ridiculous for the Minister to suggest that the loan would need to be £600 million; he has just explained, in the context of the financial assistance scheme, that the scheme would not have to be pre-funded. It can be a pay-as-you-go scheme.

Mr. Frank Field: Would the Opposition spokesman like to remind the House that as part of the recovery plan for the pensioners who had their pensions stolen by Maxwell, the Government offered a loan to the funds? That loan is still being repaid, and some of us are under pressure from pensioners who believe that the repayment should not continue, but that the moneys should be paid into their funds instead, so that they can enhance their pensions. The money was a loan; the House agreed it as a loan, and repayments have been made and continue to be made.

Mr. Hammond: As the right hon. Gentleman says, and as my right hon. Friend the Leader of the Opposition said at Prime Minister's questions today, the Maxwell loan is the model on which we based our proposal.

James Purnell: No one is disagreeing that it would be possible for the Treasury to make a loan. All that we are saying is that the Opposition have no idea where the money will come from. They have just proposed, yet again, an unfunded Government policy. They are

proposing to increase the public sector borrowing requirement, and the hon. Gentleman's only answer to my question is, "We'd get the money from unclaimed pension assets." If he is to increase public borrowing, he has to tell us what else he would cut, but I bet the House that he will refuse to do so.

Mr. Hammond: The amount of money that we are talking about is around £30 million a year in the early years, and I hope that the Minister agrees with those approximate figures. He talks about unfunded commitments, but he has just made an increase in the commitment to the financial assistance scheme from £2.4 billion to £8 billion. That money will be spread over 50 or 60 years, and the money needed for the lifeboat fund will also be spread over 50 to 60 years. The initial cost will be approximately £30 million in the first year, and that will be funded by a Treasury loan of £30 million, which is way below the rounding error in any of the accounts that his Department produces.

Mr. Bellingham: My hon. Friend has a point about the £30 million. A few weeks ago, he went on the green to meet some former Albert Fisher employees, who lost a huge amount, and he was very sympathetic to their plight. They want the speed of payment and the level of benefits to be looked at, and they cannot wait for another review. We have an opportunity this afternoon to solve their problems, so it is incumbent on all Members to support the amendments that would allow that to happen.

Mr. Hammond: My hon. Friend has got it exactly right. The Government have announced a review in an attempt to head off a Labour Back-Bench rebellion. What the public expect from us today is a solution to the problem, not a further review.

Mike Penning: My hon. Friend is very generous in giving way. The reason that this is so urgent—the Minister will remember that he met the widows of members of the Dexion scheme and other pension schemes who lost their husbands since the schemes collapsed—is that those people are in the lobbies today. They need help today, not after a review, and they should not be fobbed off yet again.

Mr. Hammond: My hon. Friend is absolutely right. I repeat that there is nothing incompatible between our proposal and what the Minister hopes to be able to do in future. The only difference is that we believe that the House has a moral obligation to act now. If that requires a Treasury loan, we are prepared to make that commitment. That is the minimum that people listening to the debate would expect a responsible and moral Government or Opposition to be prepared to do.

Miss Julie Kirkbride (Bromsgrove) (Con): It strikes me that the Government Benches are grasping at straws to try to claim the credit for a policy that they will announce in the summer but which is ours today. Representing many of the people affected by the collapse of schemes, I find that disappointing. In trying to denigrate our claims of financial prudence, the Minister said that he does not know whether his £8 billion forecast is accurate. Would it not be fair to say that if there were more unclaimed assets than he expects, we could save the taxpayer money so we might not have to finance 80 per cent. of the FAS commitment? There might be more money in unclaimed assets, thus saving the Treasury money for my hon. Friend the Member for Tatton (Mr. Osborne).

Mr. Hammond: My hon. Friend makes a very good point, but she should be careful. Her criticism should not be aimed at the Government Benches, where there are plenty of Members who have entered into this discussion in a spirit of good will and are trying to find a solution. Those on the Government Front Bench should bear the brunt of her comments.

Several hon. Members *rose—*

Mr. Hammond: May I make some progress and turn to new clause 25 and the Minister's welcome announcement that he is willing to yield on the issue of solvent schemes? There appears to be a technical issue concerning the extent of his commitment. Yesterday, the Chancellor displayed alarming unawareness of the problem of solvent schemes, and told the House that the problem for those pensioners was that their employers had gone bust. Hon. Members who take an interest in these things know that in some cases that is not so. The problem is that the schemes are underfunded, not that the employer has gone bust.

That is an issue that the hon. Member for Cannock Chase (Dr. Wright) must address in his contribution. He must decide whether his new clause 25 needs to be pressed further, notwithstanding the commitment that the Minister made today. I came to the Chamber ready to commit the Opposition to supporting the hon. Gentleman and his new clause, which extends the scheme to solvent employers. *[Interruption.]* The Minister is asking where the money will come from. It will now come from the Government's pot, because he has made a commitment. The hon. Member for Cannock Chase will make a judgment as to whether to proceed with new clause 25. He has taken a great deal of care and consulted experts on the issue, and I certainly await what he says with great interest.

Mr. Cash: I am encouraged by what my hon. Friend has said. I was encouraged, too, by what the Minister said when, in reply to the hon. Member for Cannock Chase (Dr. Wright), and with reference to my constituent Mr. Nicholl and others, he said that the hon. Gentleman would be very happy with the outcome. That is highly significant. Although we will vote on the issue today, there is still an opportunity to get the wording into the exact shape needed to satisfy all parties in the House of Lords. There is therefore plenty of room and time to get this right while taking the consensual approach that my hon. Friend has quite rightly emphasised.

2.15 pm

Mr. Hammond: I am grateful to my hon. Friend for his intervention. The Minister, in a rather niggardly way, criticised the drafting of the amendments at the Dispatch Box. We all recognise, whether we are Opposition spokesmen or Back-Bench Members, that when we table amendments and new clauses we are asking the Government to look at their spirit. I am sure

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that no one who tabled a new clause today would fail to hesitate to press it if the Minister made a commitment to deal with the substantive issues that they raise when the Bill proceeds to the House of Lords.

Our new clause 40 approaches the problem from a slightly different angle from new clause 25. On reflection, we have decided that new clause 25 provides the better approach so, if the hon. Member for Cannock Chase chooses to proceed with it, we will support it. New clause 26, which was tabled by the hon. Gentleman and members of Select Committee on Public Administration, does not suffer from the defects of new clause 24, as it clearly includes people under 65 who are none the less over scheme age. It still makes a public spending commitment. I should have made it clear earlier that one of our concerns about amendment (a) to Government new clause 38 is that it appears to exclude members who are under 65 but above scheme age.

In new clause 26, however, there is a further problem that I wish to draw to the attention of the House. Subsection (3) requires the omission of the provisions of section 286 of the Pensions Act 2004 that prevent the means-testing of FAS benefits. If the new clause were accepted, it would allow the Secretary of State to impose means-testing on FAS benefits. By seeking specifically to omit the provisions that prevent means-testing, the implication is clearly that FAS benefits should be means-tested. I do not believe that that is the consensual view in the House, and for that reason, and because of the public spending commitment that it implies, we do not support it. New clause 27, which was tabled by the hon. Member for Yeovil (Mr. Laws), excludes the means-testing problems, but it still makes a direct public spending commitment.

Since the new clauses were tabled, there have been intense discussions in all parts of the House, co-ordinated by the pensions action group, which represents the people who are outside the House today. There is genuine good will to try to seek a solution. I do not think that anyone, except for the Minister, is trying to score political points. We seek a way forward that is fair and deliverable. I pay tribute to Members from all parts of the House, to the pensions action group, and to the tireless Ros Altmann—her mobile phone bill, I am sure that many hon. Members agree, must be horrendous—who have done so much to bring the issue to the attention of the House and to focus our attention on the way forward. As a result of that process, a series of new clauses has been agreed by the pensions action group and by Members from all parts of the House as the best way forward, and I thank all hon. Members who have been involved. The amendments belong to the whole House.

Mike Penning: Will my hon. Friend pay tribute, too, to my constituent, Mr. Peter Humphreys, a leading member of the pensions action group who is critically ill in intensive care? When I spoke to him yesterday, all that he wanted was for the consensus to move on so that he can stop worrying about it and get on with getting better.

Mr. Hammond: Of course, I join my hon. Friend in those sentiments, and I know that everybody in the House would send Mr. Humphreys their best wishes.

The new clauses have been tabled in the name of my right hon. Friend the Leader of the Opposition, who has taken a particular interest in this, not least because he has a special constituency interest in a particularly heartbreaking case. They are supported by the leader of the Liberal Democrat party, by the right hon. Member for Birkenhead (Mr. Field), and by other Labour Members who have seen the need for a cross-party solution. I hope that that cross-party approach sends a message to the Government about the strength of feeling and sense of moral obligation across the House. This is one of those occasions when we as parliamentarians have to stand up and be counted and be seen to be doing the right thing.

Before I go through the new clauses, there is a procedural issue that I should like to explain to hon. Members. I understand that for reasons of time it is unlikely that it will be possible to vote on more than one new clause in the group. I should like to indicate to you now, Mr. Deputy Speaker, that I will, if possible, seek a Division on new clause 41. It is our understanding, on advice, that new clauses 42, 43, 44, 45 and 47 are essentially consequential, and if the House agreed to new clause 41 there would then be an opportunity to consider the other new clauses. That leaves out new clauses 39 and 46, which are not consequential but would do slightly different things. I will deal with those separately.

I hope that the Government will accept that this is a package and look constructively at its proposals, including the proposal for a moratorium on annuitisation, which, despite the Minister's being so critical, was intended to be helpful and supportive of the review process. There is no point in reviewing the possible use of residual scheme assets if by the time that the review has completed its course and the Minister has considered it the residual scheme assets have all been given to the Pru and Legal and General. That is why we need a moratorium.

New clause 39 would provide that the PPF board should take over from the Secretary of State the role of scheme manager, for two reasons: on the merits of the case for the PPF board, which has demonstrated its competence by winding up the MG Rover scheme and taking it into the PPF in less than two years; and secondly, as part of a wider architecture in this group of new clauses, which would put the PPF board in overall control board of pension compensation—separate funds, for very good reasons, but under a single administration with single payment structures and, it is to be hoped, administrative savings to be made and efficiencies to be gained. The new clause would achieve its objective simply by substituting the PPF board for the Secretary of State in the 2005 regulations.

The substantive new clause is new clause 41, which would create the lifeboat fund, also to be placed under PPF management. We need a separate fund, as opposed to one merely incorporated into the FAS. The source of funds for the lifeboat fund would be different from that of the FAS. The FAS is a body publicly funded with taxpayers' money; the lifeboat fund is intended to be funded with unclaimed assets, perhaps with residual scheme assets or some part of them, if they become available, and in the interim to be allowed to go about its work with the benefit of a Treasury

loan. The lifeboat fund would be mandated to pay top-up benefits so that people who are being paid under the FAS would be topped up to PPF levels, and people who are below the FAS qualifying age but above the scheme retirement age would be paid from the lifeboat fund. Crucially, it would provide for loans from the Secretary of State to allow immediate operations. Later new clauses would provide for the collection of assets.

I have acknowledged, and will do so again, that in granting a loan there is a residual risk of a liability to the public purse. However, having considered it carefully and looked at the moral obligation that falls upon us, we think that it is a tiny risk that it is right and reasonable to ask the taxpayer to bear. The costs would be slightly more than the £2 billion in cash over 50 or 60 years, or £600 million net present value, that the parliamentary Labour party briefing document set out, because it appears that the Secretary of State's briefing to the PLP did not factor in the cost of including those who were under 65.

We estimate that the initial cost of the lifeboat fund—its initial cash flow need—would be about £30 million a year, rising to £100 million in 2033 and then tailing off to zero. Today, the Prime Minister quoted a figure of £2.48 billion in cash, or about £750 million NPV, as the total cost of the package of proposals that stand in the name of the Leader of the Opposition. That estimate does not look unreasonable, although we all recognise that in calculating such figures there is a fairly wide degree of error. I should emphasise, however, that the figure would not have to be found immediately but over a period of 50 or 60 years—exactly the same as the £8 billion that the Secretary of State has committed to the FAS.

The lifeboat fund would receive unclaimed assets and residual scheme assets if those become available. New clauses 42 to 45 would create the rather inelegantly named pensions unclaimed assets recovery agency. I pay tribute to the right hon. Member for Birkenhead, who will have recognised in the new clauses a large chunk of his private Member's Bill, the Pensions (Unclaimed Assets) Bill. I am grateful to him for doing a large amount of the drafting work. The agency would be charged with first identifying these assets, then collecting and supplying information to the Secretary of State, and then collecting the assets in. The new clause would provide that the Secretary of State specified the classes of unclaimed assets to be collected by the agency. Our focus is on unclaimed pension assets, including the possibility of residual scheme assets. We think that there is an elegance and a justice in using unclaimed pension assets to deal with a pensions problem. However, the House should be aware that the new clause would enable the Secretary of State, over time, should he wish, to widen or change the scope of the classes of unclaimed assets that could be included.

The Unclaimed Assets Register says that there is about £3 billion in pension sector unclaimed assets. We are rather more cautious. On the basis of private discussions with companies, we think that there may be £600 million to £800 million of readily accessible pension unclaimed assets and a modest flow thereafter. However, Members who have looked into this will be aware of the Irish experience whereby the initial estimates, based largely on information volunteered by the companies holding these assets, turned out to be understated by a factor of 10 or 15-fold.

Together, the new clauses would create a framework for a fair settlement at PPF levels, with a single payment mechanism based on putting the PPF board in control of the FAS and the lifeboat fund. Although there would be two streams of funding, there would be a single payment mechanism delivering efficiency and seamlessness for recipients. The system would minimise the risk to the public purse, while a loan would allow for an immediate start to payments to those most in need. It would be flexible as to the classes of asset that could be used, so that the Secretary of State would have wide discretion in managing the process in future. It would deliver the objectives of new clauses 26 and 27 and amendment (a) to new clause 38. As far as beneficiaries are concerned, its effect would be no different, but it would be achieved without placing the burden on to the taxpayer.

2.30 pm

New clause 46 proposes a moratorium on annuities. As I have already said, its intention is to support the review that the Government are undertaking. We acknowledge that there are problems with the use of residual scheme assets but our discussions suggest that there is between £1 billion and £2 billion in the schemes that is not already committed to the purchase of annuities, as well as a further sum, which may be subject to some penalty costs when annuity option arrangements have been entered into. That is a sizeable sum. If just part of it could be released to support the lifeboat fund, it would be a useful additional source. That is worth pursuing and we would be happy to engage in the review that the Secretary of State has set up and examine with him some of the problems, which we acknowledge must be overcome to make the proposal work.

New clause 47 deals with schemes that are still being wound up and places on the trustees a duty to make interim payments. They already have the power to make interim payments if they choose, but trustees, by their nature, tend to be conservative people. Their inclination to ask for interim payments has been disappointing, as the Minister acknowledged. He has written letters to encourage them to do so. We believe that it would be right to impose a duty on them to make such payments, the cost of which they would recover from the FAS and the lifeboat fund in due course when the scheme was wound up. The new clause also provides for the unlikely position whereby a scheme does not have the liquid resources to make payments and Treasury loans might be made to trustees to bridge the gap while they get their assets into liquid form.

There is a consensus across the House and with outside bodies that represent the victims of the crisis that new clauses 25—which incorporates what the Minister told us about solvent schemes—and 41 are the way forward. The House today has it in its power to resolve the problem and bring to an end a blot on the reputation not only of Governments but of Parliament. We could deal with the issue now. The overwhelming majority of the victims will accept PPF level benefits as a fair compromise. Parliament, as well

as the Government, has been damaged by the continuing disaster. Parliament at least now has the opportunity to set party politics aside and do the right thing. I urge hon. Members of all parties to support new clauses 25 and 41.

Julie Morgan (Cardiff, North) (Lab): I thank you, Mr. Deputy Speaker, for calling me to speak about amendment (a) to new clause 38, and new clause 24. I am also a signatory to new clauses 25 and 26.

The debate is important to the 125,000 people who have been affected by the collapse of their pension schemes. The experience of my constituents who are former employees of Allied Steel and Wire is much in my mind as we debate the subject today. I, along with other hon. Members, have been campaigning for a long time to get justice for the Allied Steel and Wire workers and others throughout the country.

In Cardiff, 893 employees from Allied Steel and Wire lost their pensions when the private company went bankrupt. All hon. Members have had experience of the utter misery that that caused and its awful effect on families. Many people have come to my surgery and spoken about the personal devastation that was brought upon them. Losing their jobs was one thing and losing their pensions came right on top of it. That was a devastating blow. Many had worked in the steel industry all their lives—and we all know that working in that industry is hard.

Some people have never talked about the trauma of what happened to them. A woman came to my constituency office last week and said that her husband lost his job and his pension and had never spoken of it. The overwhelming horror of what happened to him has meant that he has never been able to talk about it. We are talking about those people's lives today.

It is important to acknowledge what the Government have done to respond to that devastation in people's lives. The former employees, the unions, especially Community and Amicus, with which I have worked closely, and Members of Parliament, especially, at the beginning, my hon. Friend the Member for Cardiff, West (Kevin Brennan), led a campaign that resulted in setting up the Pension Protection Fund, which will protect pensions in that position from now on. That was a big step forward. I also applaud the Government's establishment of the financial assistance scheme and their work to improve it. When it was originally set up, it applied only to members who had reached retirement age or were within three years of doing so. It was woefully inadequate to address the needs of all the pensioners.

The pensions White Paper of 2006 extended the scheme to those within 15 years of retirement, with total funding of £2.3 billion, which the new clause increases to 80 per cent. of core benefits. The FAS has been gradually extended, but the process has been long and tortuous. It has taken five years and it has felt as though the campaigning of Members of Parliament, the unions and others forced the Government to improve the provision in the FAS. Nevertheless, they have done that. Many hon. Members, the Community and Amicus unions and I welcome the major step forward that the Government have taken in recognising that the FAS was not adequate to provide a decent income in retirement for the estimated 125,000 people who lost their pensions through no fault of their own.

The new clause means that all those people will get some help. Some were previously excluded. In my constituency, there are people who had worked for 30 years but, until the new clause is enacted, are eligible for nothing because they started work at an early age—some at 14—in the steelworks in Cardiff and were only 54 when they lost their jobs. They were thus not eligible for any of the benefits. Now all of them will get something. That is a big step forward, but we need to go further.

Amendment (a) has the support of the Community and Amicus unions and I pay tribute to their work. They took the case to the European Court of Justice and have worked tirelessly on the issue. The new clause would ensure that those who lost their pensions before the establishment of the PPF receive the same support as those who benefit it from it in future. Amendment (a) does not prescribe where the funding for the PPF level of benefit should come from. Much discussion has taken place about how the £8 billion over 50 years will work out—how much it will cost and whether it will stretch further than we think. I do not know the answer, but there have been queries about how far the money will go.

Mark Pritchard: Does the hon. Lady share my concern that the review will not report until later this year? There is no immediacy in tackling some of the problems that hon. Members of all parties face in their constituency surgeries week in, week out. Does she also share my concern that there is no obvious legislative time slot to include any outcomes of the review in primary legislation? We could sort the matter out today.

Julie Morgan: I thank the hon. Gentleman for that intervention. I understand from what the Minister said earlier that the initial recommendations will be made by the summer. We certainly want them to be made as soon as possible. We did get a commitment to a time scale from the Minister today, and I welcome that fact that it is to happen by the summer.

The combination of the extra funds already committed by the Government and the review of how best to use the assets of the schemes in wind-up might be enough to fund an increase up to the PPF level. The Government have not given a commitment to do that, but there is a possibility that it will happen.

Mr. David Winnick (Walsall, North) (Lab): I am obviously sympathetic to what my hon. Friend and other colleagues are saying. A constituent of mine who is due to retire shortly came to see me in my surgery. He told me that the Armstrong Pension Group, which was connected with Corus, had collapsed, and that he was going to receive only about £2,500 a year instead of the £10,000 he had expected. He was shattered by that. I took up his case and I am glad to say that he is going to receive more money, through the Pension Protection Fund. I am told that it will be about 80 per cent. of what he was expecting to get. I am very sympathetic to the arguments being put about certain other cases, but we should also pay tribute to the way in which the Pension Protection Fund is helping so many people

who would otherwise be living in acute poverty. I also raised this case on the Floor of the House before I received that recent information.

Julie Morgan: I thank my hon. Friend for that contribution.

I welcome the review announced by the Government today, and I hope that it will produce the results that we need. My concern, however, is that it will not give any certainty. Amendment (a) would ensure that those who currently receive the reduced FAS level would receive 90 per cent. of their expected pension, capped at about £26,000, rather than 80 per cent. Since 1997, pensions have been index-linked, either to the retail prices index or to 2.5 per cent., whichever is the lower, rather than being index-linked only until people draw them at 65 years of age. According to what the unions have told me, they would then decline by more than a third in the first 10 years, and by more than 50 per cent. should the pensioner live to over 85 years old. Immediate benefits could be gained if we were to adopt the PPF proposals.

Jenny Willott (Cardiff, Central) (LD): Does the hon. Lady share my concern that the proposal to provide 80 per cent. of the expected pension relates only to the core pension benefits? For many of the people getting this support, that would equate to only about 60 per cent. of the amount that they had planned for, which represents a significant drop in their expected retirement income.

2.45 pm

Julie Morgan: Yes, that is a matter of concern. Another issue is that there is a provision under the Pension Protection Fund for the payment of a lump sum, which many people were relying on to pay off their mortgages but which they cannot do under the FAS provisions. There would therefore be many advantages to bringing the FAS provisions up to the PPF levels.

We have come a long way, but we need to do just a little more to sort this out in a way that is satisfactory to me and other hon. Members whose constituents have suffered as a result of these problems, and to bring the unions in to support what the Government are doing. If the problem is not sorted out now, there is always a possibility that the Government could be forced, either by the UK High Court or by the European Commission, to introduce PPF-equivalent benefits for those who currently qualify for the FAS. This issue has been a running sore. It has been going on for five years and caused huge anxiety to many people. It would be very good if we could now settle the matter and put it behind us.

Community and Amicus took their cases to the European Court of Justice, and might be intending to go the High Court here. However, they have not started any such court action yet, because they are waiting to see whether we can sort the matter out politically. They were confident that a Labour Government would be able to sort out the different levels of the benefits.

The High Court ruled in February this year that the Government should not have rejected the report by the parliamentary ombudsman, Ann Abraham, on pension schemes that had collapsed. The Government were asked to reconsider; they have now done so and come back with their proposals in new clause 38. The High Court decision did not mean that the Government had to compensate workers for their losses, but the ruling by Mr. Justice Bean meant that they had to rethink the issue of compensation. That has been done, and we have made huge progress, but I would like to see this go one step further so that full justice can be done. The injustice suffered by Allied Steel and Wire workers in my constituency has made me see at first hand how awful this situation has been. Thank goodness it is unlikely to happen again, now that we have the Pension Protection Fund in place, but there is still a defined group of pensioners whom we need to help.

I am considering what the Minister has said today at the Dispatch Box. I was pleased that he guaranteed that Community and Amicus would become involved in the review process and that they would be consulted about it. I am also glad that there was a definite commitment to ensuring that the available funds would be applied to supplementing the FAS provision, to get it nearer to 90 per cent. I realise, however, that that was not a guarantee, and that some uncertainty therefore remains. I was pleased that the Minister said that the review would make its initial recommendations by the summer, and that it would report publicly. That also represents a big move forward. I know that Community and Amicus now want to work with the Government to ensure that the 80 per cent. figure moves closer to 90 per cent., which is what most hon. Members want.

The past five years have been a sorry time for those pensioners. We have had a lot of improvements from the Government, but I want things to go a step further. However, I am considering what the Minister has said today at the Dispatch Box.

Mr. Laws: This is an extremely important debate. We have heard two excellent speeches, from the hon. Member for Cardiff, North (Julie Morgan) and the hon. Member for Runnymede and Weybridge (Mr. Hammond). We have also heard some useful points from the Minister, albeit in a slightly more partisan tone than we are used to from him. In his opening speech, he commented on what he claimed was a pattern of behaviour by the Conservatives on this issue. As that is not the major issue that we are debating today, I shall comment not on that but on the pattern of behaviour over the past three years or more by the Government. That behaviour pattern was illustrated extremely well by the hon. Member for Cardiff, North, when she described the process undertaken over the past three years as "tortuous". That is precisely what it has been.

We know that we ended up with the financial assistance scheme in the first place only because of the determination of Labour Members and others in the House to insist on it when the Pensions Bill went through in 2004. We were then told by the Government that that was the only concession that they could make. Further improvements were then made to the financial assistance scheme and, earlier this year, it was announced that the level of compensation would be increased yet again.

Instead of bringing the matter to a conclusion once and for all, in the interests of those individuals who have lost their pensions, the Government have

[Mr. David Laws]

embarked on the tortuous process described by the hon. Lady. It has not satisfied the pensioners who have lost their pensions, it has not brought the matter to a conclusion, and it has led to a series of very critical reports on the Government—first from the parliamentary ombudsman, then from the cross-party Public Administration Committee, then from the European Court of Justice and then from the judicial review group. Sadly, it is only through that process of criticism of the Government that we have managed to proceed to a settlement considerably better than that first envisaged in 2004-05.

I do not really know why we in the Opposition are so intent on helping the Government out of their position. Let me say in the most partisan possible terms that what the Government have succeeded in doing over the past three years almost constitutes a master class in how to extract the least possible credit from the largest possible number of concessions.

I spoke earlier about the implementation of the financial assistance scheme and the two substantial increases that we have seen. Another concession has been made today—a helpful concession, I think, although we do not yet understand all the parameters—in new clause 25, which allows the inclusion of solvent schemes. But does any Member, including the Minister, seriously believe that we have seen all the concessions that we will see from the Government? As the hon. Member for Cardiff, North suggested, they may be forced to make more concessions through the legal process; moreover, those in another place will have to scrutinise the Bill, and given the cross-party nature of what we are debating today, I strongly suspect that they will insist on changes.

The Government have spoken of the unions' aspiration in relation to the Pension Protection Fund. It is unclear whether they share that aspiration, but amendments tabled by the Leader of the Conservative party, the leader of the Liberal Democrats, the right hon. Member for Birkenhead (Mr. Field) and others contain many proposals that the Government say they are considering in any case. It seems pretty plain that—either through the Government's being forced to make more concessions, or as a result of policies that they have already put on record—we will end up more or less where those amendments would take us.

Why, for goodness' sake, do the Minister and the Government not do what now seems inevitable? Why do they not deliver for the pensioners—many, as we have heard, in a very vulnerable position—who are waiting for the compensation that is due to them? Having initially been told by the Government that no compensation was possible, over the past three years they have witnessed the tortuous process of the Government's conceding more and more without bringing the matter to a conclusion. Labour Members and others in the House would do a service to the Government as well as to pensioners if they were to bring it to a conclusion today, and not allow it to be dragged out any longer.

Mark Pritchard: The hon. Gentleman is right. The Government mean well; it is just a matter of how we achieve what we all want. A second Pensions Bill is likely to be presented next year, and it is possible that there will be a review whose recommendations could be included in it. It might be even later than this summer before anything is done for those who face immediate hardship.

Mr. Laws: That is true. Many of us fear that people will have to wait even longer for a solution the shape of which looks obvious to most of us, and which we feel we might as well get on with delivering rather than putting those people through more pain. Moreover, many Members in all parts of the House fear that if we miss this opportunity, we may not have another opportunity to impose a sensible solution on the Government through the will of the House of Commons and, perhaps, that of another place.

What, after all, concerns the Government? As the Minister said, it is not the substance of the amendments, but the issue of finance. The Government have already moved enormously to deliver a substantial part—now the majority—of the compensation for which we are asking. They say that they want to consider the process of annuitisation and that of securing unclaimed assets. The Minister has acknowledged that the costing figures that he has given today for delivery of the extra element of compensation do not include offsets from tax revenue from means-tested benefits. What does it all come down to, provided that the Government can secure some unclaimed assets? It seems to come down to the determination of the Government, or perhaps the Chancellor of the Exchequer, not to concede what in public expenditure terms is a minuscule amount of money.

The Government's determination on principle not to do anything about that amount of money would be rather more convincing if they had not been dragged through the tortuous process of the past three years, providing first £400 million, then £2 billion and then £8 billion. They are now virtually where they will end up anyway. The Minister's arguments are very unconvincing. Given the closeness of his aspirations to those shared by almost every other Member, he would do a service to all of us—but mostly to the pensioners who are waiting for a settlement—if he were to get on with delivering it. It is fairly obvious that we will end up with a package of a certain shape in one way or another; the question is whether that happens quickly or slowly.

The hon. Member for Runnymede and Weybridge commented on all the new clauses and amendments, and the hon. Member for Cardiff, North gave us an insight into her thinking on a couple of them. All of them improve the present arrangements. That includes new clause 38, which we have no intention of opposing, as it constitutes a further concession to raise the level of financial compensation.

The hon. Gentleman said that he welcomed new clause 25, tabled by the hon. Member for Cannock Chase (Dr. Wright), which allows the inclusion of solvent schemes. We welcome it as well. The hon. Gentleman said he preferred it to his own new clause 40, which was helpful. There was some uncertainty in his exchange with the Minister about precisely who would be excluded from the measure that he now envisages in place of new clause 25. I hope that light will be shed on that later in the debate. If there is

indeed an element of uncertainty, we too would be happy to leave it to the hon. Member for Cannock Chase to determine the extent of the exclusion, knowing that we have the backstop of another place and the possibility of further amendments if they are considered to be strictly necessary.

The critical aspects of new clause 38 relate to the other new clauses and amendments. We welcome new clause 24 and amendment (a) to new clause 38, tabled by the hon. Member for Cardiff, North, which improve the position by delivering the PPF level of benefits. We will support them if they are put to a vote, but, like the hon. Member for Runnymede and Weybridge, we hope that they will not be the focus of debate and of any vote that takes place. New clauses 40 to 47 also make important changes and additions to the package, which not only make it more financially robust but deliver the immediacy that many of the pensioners seek.

The hon. Member for Runnymede and Weybridge was kind enough to pay tribute to Ros Altmann and the other pension campaigners who have done so much to shift what appeared to be the immovable object of the Government over the last couple of years and to move the debate forward. The hon. Member for Cardiff, North and many other Labour Members will know of the anxieties that still exist among pensioner groups. Even if her amendments were accepted, substantive points would remain uncovered by them that are covered by the cross-party new clauses 40 to 47, as was explained by the hon. Member for Runnymede and Weybridge. The partial inflation-linking issue is dealt with by those new clauses, but not by new clauses 24 and amendment (a) to new clause 38.

There are other issues. There is the issue of ensuring that people receive their money, that the payment starts immediately at scheme pension age and that there is no further delay, with trustees able to pay the allowance from the scheme assets immediately. There is the issue of annuitisation, which is dealt with explicitly in the cross-party amendments. There is the issue of solvent employer schemes, which we hope will be dealt with by new clause 25 or a decent concession from the Government. There is also the issue of mitigation of the cost to the taxpayer. We understand that the Government are intent on taking action to deal with that anyway.

Although we welcome the amendments of the hon. Member for Cardiff, North, we hope that as she agreed earlier that this has been a tortuous process she will want us to find a solution today that deals with all the major concerns. She probably knows that the position of the pension campaigners is that new clauses 40 to 47 are to be preferred, as they deliver additional benefits compared with the measures that she has tabled—and, indeed, our new clause 27. We hope that new clause 41 will be the focus of the debate. We will enthusiastically support it, and we hope that Members of all parties will also do so if, sadly, the debate ends in a Division.

3 pm

The entire process of the past three years has been tortuous, but progressively the minority in this House, and certainly in the Labour party, has been converting the majority of Ministers, with some assistance from outside. There is not much further to go in that process. It is clear to me that through legal routes, steps in another place and concessions from the Government we will reach the point proposed by the new clauses under debate, so let us get on and do it today, and not waste any more time.

Dr. Tony Wright: The Bill is in many respects a reckoning with the future of pensions, but it contains within it the reckoning with the past. We all wish that it did not do so because it would be nice simply to move on to the sunnier uplands of pensions policy to come. However, as several Members have said, the fact is that many people are not able to move on as they have lost their pension. They look to this House to do something about that—legitimately because an Officer of this House, the ombudsman, has conducted an exhaustive inquiry to establish exactly what happened and whether there was any Government role.

I must confess that when I started to think about this matter—before I had read the ombudsman report, and before the Public Administration Committee started taking evidence on it and talking to some of the people involved—I took a different view from that which I now hold. I thought, "Well, the world's an uncertain place and risky things can happen; pensions are fragile objects and we have to live with such events." However, the more I examined the subject the less I could sustain that position. After 1994—after Maxwell—we believed that we had put in place a framework of protection that would prevent such things from happening again. The ombudsman was able to show in detail that in terms of what had been said about that framework of protection—the descriptions of the amount of safety that there was in the schemes—there had been maladministration. That is not simply a proposition of mine; it has now been demonstrated. It has been upheld in the High Court, so we know it to be the case. Therefore, we have moved on from that argument.

That is not to say that the Government—any Government—are entirely liable for what has happened. That is not true. There is some liability, but the major point is that the only body or person who can organise a remedy and sort out this situation are the Government. The Government have been trying to do so, and we must welcome the fact that we have made huge progress. This is a bit like building a house. Originally, when we began with the financial assistance scheme, the Government erected one wall and said, "There's some shelter" and we said, "But one wall isn't good enough." So they added another wall and said, "There we are; that's better shelter" and it was better, but we again said, "It's not good enough." After that, in the Budget they added two more walls. We have the surrounding structure of a house now. That is vastly better, but we then said, "But we still haven't got the roof on." The Government have responded by saying, "No, we haven't got the roof on, but we know a man who can find the wherewithal to put the roof on." The Opposition have said in return, "We can do better than that: we have got a man who can loan us the money to find the man who will put the roof on." Frankly, I do not care where the roof comes from. Most Members accept that we need the roof on—that we need to reach Pension Protection Fund levels. As has been said, that is a responsibility of the House—of all Members.

Let us consider the history of this matter. It started with the last Government. Some of the most offending

[Dr. Tony Wright]

literature in maladministration terms occurred under the last Government. However, the point about ombudsman investigations and all that flows from them is that responsibility is handed back to the House. When the ombudsman system was put in place exactly 40 years ago, the House sensibly decided not to give the ombudsman the ability to impose remedies. She would have the ability to investigate without any hindrance and operate completely independently and then to report to the House. She can suggest lines of remedy, but not impose them. The responsibility for that comes back to Members. We must decide what is the right thing to do. That is what we are faced with in this context. We did not think that the Government had done enough when they produced one wall, or two walls, or now when they have produced four walls. We still want to talk about putting the roof on.

I know that the Opposition and the Government are terrified of public spending, but there are times when we have to say, "We have an obligation to spend the money to do the right thing—we would like not to spend it, but we have an obligation to do the right thing." I say to both the Government and the official Opposition that I wish that they were both saying that, because the official Opposition are going to some lengths not to say that—but instead to say that they are not prepared to sign up to propositions that commit them to moving to PPF levels. It would be easier for the House if we could test the proposition of whether we wanted to do that, and then worry about the mechanisms for doing it. The incentive to find mechanisms that work would be greater if we had committed ourselves to the objective. That might be the effect of new clause 41 and associated measures, and that is why I shall support them. Even funny money is better than no money at all, and I am prepared to accept it on that basis—although the Government are entitled to say to the Opposition that it is funny money and that they must answer for that.

On the new clause 25 issue—the solvent schemes issue—we know that there is an anomaly. The compensation available applies only in cases where there has been an insolvency event. That has left high and dry about 8,000 people who have been in solvent employer schemes. We all recognise that they are in exactly the same position in terms of the loss of their pension as everybody else and that there are no grounds on which we could possibly want to exclude them. New clause 25 brings their schemes—we seem to agree on the numbers—into the package that is being developed. The Minister is entitled to say that the amendments under discussion were devised over the weekend in a great hurry, but I can assure him that this one was not. A good deal of time and authority has been invested in it in this House. It comes with some good authority behind it. When the Minister says to me that it is technically deficient, my response is that I do not think that it is, because it covers exactly the same kind of schemes that are eligible under section 286 of the Pensions Act 2004. It does not in effect say, "Let's open the door to any scheme that might want to fold to get some protection." It is explicitly contained within those parameters.

I would be delighted to withdraw the new clause. All I require the Minister to say is that he accepts the spirit of the new clause and, if he thinks that it is technically deficient, he will remedy that down the road. I do not want to be left still not knowing which schemes will be covered and which will not, because that would be profoundly unsatisfactory.

James Purnell: I am happy to give my hon. Friend that assurance. We are looking at the same number of people—some 8,000. I did not intend to criticise his drafting, but I have been advised that the new clause would let in an extra category. The intention is to include all schemes that were wound up unfunded, preventing an employer insolvency. New clause 25 would include schemes in which debt and winding up could not have forced an employer insolvency and, therefore, the employer was healthy enough to fund more of their pension liabilities. I am happy to discuss the issue with my hon. Friend, but I hope that I have given him the guarantee that he wants. We are trying to achieve the same aims and we are happy to return to the issue in the other place if necessary.

Dr. Wright: I hope that I will be satisfied with that answer. The Minister will have to come up with a form of words, because at present new clause 38—the package that he has offered us today—does not have any provision for those solvent schemes. I have to be sure that the assurance he has given me will cover all the schemes that we think it will cover, under all the parameters that I have described.

Mr. Philip Hammond: I have listened carefully to what the Minister said and I still have a concern. He appears to be acknowledging that there is a group of people without pensions who will remain without pensions or assistance because of something that their employer has or has not done. The essential fairness in this is that it is not the problem of the pensioner or the would-be pensioner if his employer has behaved badly or correctly. We are seeking a solution that deals with the problem from the pensioners' perspective. It needs to be clear whether some people who see themselves as victims of this problem will still not be covered by what the Minister is offering.

Dr. Wright: That is the point on which I need to reflect to see whether we can pin down what has been said. I take the point that we will have another opportunity to consider the issue, but I am determined to ensure that we cover all the schemes that should be covered. I do not accept, on technical grounds, the Minister's point that we would be opening the door. It would be more straightforward if the Minister accepted the new clause and, if it turned out that it needed more work, that could be done. That would be the easiest way to proceed.

As people have said, this has been a long journey and we are not at the end of it—

Mr. Hammond: It is not really my place to say this, but I remind the hon. Gentleman that if one seeks a Division on a specific new clause in a group, one normally indicates as much to the Chair before ending one's speech.

Dr. Wright: I do not wish to do things wrongly, but I shall reflect on the exchange that I have just had with

the Minister. That seems a reasonable proposition, but I shall apprise the House of the fruits of my deliberations at the earliest possible moment. I had better stop now.

Mike Penning: As a very humble, new Back Bencher, may I say what a pleasure it is to follow the hon. Member for Cannock Chase (Dr. Wright)? The work that Members from all parties have done on this issue since I came here on 5 May 2005 has impressed me enormously. I personally praise the work of the right hon. Member for Birkenhead (Mr. Field) throughout the campaign.

3.15 pm

The issue was brought to my attention when I was a parliamentary candidate in Hemel Hempstead some six years ago. Just after I was selected, the former Dexion workers committee came to see me. They asked me to read their file—it was about 6 in deep—and give them my opinion on whether they had been treated fairly and with dignity, whether natural justice had been done and whether trust in Parliament and pension schemes could ever be restored.

I read every word, and when I went back to the committee I was tested. They did not trust me: they did not trust any politician. I do not think that they do today. They wanted to know whether I had read and understood the file, and whether I agreed with them that no matter who was in power, or who had made the mistakes, they had been treated appallingly. At the time, there were just over 700 of them, mostly men, but some ladies, who had paid into a scheme, at one stage, compulsorily. Following legislation, membership of the scheme was voluntary, but nobody left it because it was very good. Some people had paid in for 35 years and more.

The campaigners had huge dignity, but they had already been around the country taking their clothes off in public. They were middle-aged men and women who had worked all their lives, done the decent thing and did not want to scrounge off the state. They did not want means-tested benefits. They wanted to work until their time for retirement came and to pay in a fair amount of money to be kept safe for them, and for their loved ones when their time came to pass on.

I told the campaigners that they desperately needed to put their case before the parliamentary ombudsman—the place for justice in the mother of all Parliaments. I fought hard—and it is hard for a parliamentary candidate—to get the ombudsman to listen to their case. I went to Front-Bench colleagues and asked them to read the file, but they said that they had seen the same thing happen to other schemes and that it should go to the ombudsman.

The ombudsman decided that the pensioners had been misled under both this Government and the previous Conservative Government, and maladministration had taken place. Like many hon. Members, I was over the moon at that decision. I cracked a bottle of John Smith's with the Dexion pensioners—I am not a champagne man—and we celebrated. That did not last long. They thought that the ombudsman had ruled and that the Government would adhere to the ruling. As the hon. Member for Cannock Chase said, it is not for the ombudsman to decide what should actually happen, especially in a scheme set up 40 years ago, but it is for her to have unrestricted access to the facts and to come to a decision as to whether our constituents had been let down by the system, Parliament and the Government of the day.

I have just met some of the campaigners, and I apologise for not being present for the whole debate. They still do not understand why the Government did not accept the ombudsman's decision. They have come so far. It is as though a velvet revolution has taken place. The hon. Gentleman said that when he first looked at the issue, he thought that such things happen in a market system, but a groundswell of opinion, led by many Labour Members and others—I have pushed it hard myself since coming here—has convinced my Front-Bench colleagues, the Liberal Democrat Front Bench and Ministers. People who told me 18 months ago that they would never support a scheme under which the Government would compensate those who lost out, because it was not the Government's fault, have now decided—rightly, in my opinion—that they do need help.

This is not about party politics, as the Minister has joined me in meeting delegations of widows. I shall say more about the widows in a moment, but the Secretary of State, only days after taking up his post, also met a delegation that I brought to him. I passionately believe that the Department for Work and Pensions wants to settle this matter once and for all. None of us has any doubt about that, so why on earth can it not be resolved today?

The Minister has made another move in our direction, and the Treasury seems to have come up with some extra money so that he can compensate the 8,000 people who are not covered by present schemes. We may not know where the money has come from, but we know that it is available. In the greater scheme of things, the sum involved is, frankly, peanuts. I am proud to be a member of the Health Select Committee, and we know that Government spending on the NHS now totals £100 billion. Where it goes is another question, but that is a huge amount. In contrast, we are talking about only £30 million a year to compensate the people who have lost out. That sum is expected to rise to around £100 million, and then fall again.

I share the concerns expressed by the hon. Member for Cannock Chase. I do not understand why my party's Front-Bench spokesmen do not agree with the proposal. I have said that to them in private, and now I do so in public. We are talking about only 30 million quid, so we should make it available today. The lifeboat scheme that we have come up with has been prepared with the help of hon. Members of all parties. I hope that we will be able to vote on it later, because it will provide immediate help for the people who need it. They need that help today, not in six months or a year. Those who are in trouble cannot wait until the next Pension Bill, about which my hon. Friend the Member for The Wrekin (Mark Pritchard) spoke earlier, because many of them are dying.

Of course, some are dying of old age or illness, but most are not the sort that we would expect to die early. The fact is that stress-related problems are leading to many deaths among those who need help. I am sure that hon. Members of all parties are aware of the

disproportionate number of strokes and heart attacks suffered by the people who need our help. They are stressed out beyond belief, and that is because they are honourable people whose personal dignity means that they do not want to rely on means-tested benefits or charitable hand-outs. They worked all their lives and paid for their pensions, and they want to retire with dignity. Even so, many of them have taken up jobs that most hon. Members would refuse.

Mr. Bellingham: My hon. Friend is expressing the problem in a very moving way. A number of my constituents are having to work extremely hard at a time when they should be enjoying long and happy retirements. For example, I know one person who is doing night driving for a courier company. He is working himself into the ground because he has no proper pension, and there are many others in the same difficulty. Because those proud people do not want to rely on state benefits or move into council housing they are having to work as hard as they can to pull their lives together. This debate provides an opportunity for us to save their lives.

Mike Penning: All hon. Members involved in this campaign have heard about personal tragedies such as the one so eloquently described by my hon. Friend.

Mr. Bailey: Will the hon. Gentleman give way?

Mike Penning: In a second—

Mr. Frank Field: My hon. Friend the Member for West Bromwich, West (Mr. Bailey) should let the hon. Gentleman finish, as many others want to get in.

Mike Penning: The right hon. Member for Birkenhead is much more knowledgeable than I am, so I shall try to be as brief as possible.

I shall give the House an example of personal dignity. I want to talk about a man who used to be a middle manager, earning between £30,000 and £35,000 a year before his company became insolvent three years before he was due to retire. I shall not name him, and I hope that he will not mind me talking about him, but he is now picking up litter in a public park because he does not want to rely on means-tested benefits. Why on earth has this Parliament allowed such a thing to happen?

At the risk of sounding like an alcoholic, I shall mention beer again. I am very proud to have bought the last pint enjoyed by a gentleman called David Cheshire. He had worked for the Dexion group for many years and, just after the company announced that it was insolvent and that his pension would be lost, he was diagnosed with untreatable, terminal cancer. A week before he died, and even though he was in great pain, David Cheshire joined one of the many pensioner rallies that have been held at this House. A large group of campaigners came to the Marquis of Granby pub just behind the Home Office, and I bought a round of drinks. David Cheshire told me, "I never thought I'd be here having this pint, as I didn't expect to live this long." He died a week later, just after his wife Marlene told him that everything was okay and that the pension money had come through. It was a lie, because she wanted David to go to his grave peaceful in his mind that she would be looked after.

I give way to the hon. Member for West Bromwich, West (Mr. Bailey).

Mr. Bailey: I thank the hon. Gentleman for giving way. I fully understand and sympathise with the emotions and intentions that he outlined, but there is something that puzzles me. Those emotions and intentions would be relevant if the people involved were getting no pension at all, yet we are really talking about the 10 per cent. difference between what the Government are promising and the proposal that he is making—

Hon. Members: No!

Mike Penning: I shall be generous to the hon. Gentleman and suggest that he take a quick look at the amount of money that some of these people need. The Minister has met Marlene Cheshire, as she was one of the group of widows to whom I referred earlier. At that time, she was getting £20 a week, but she should have been getting £200. If we cannot talk about something like that in the House of Commons, I am in the wrong place. I do not want to criticise the hon. Gentleman, but there are pensioners in the Lobby today and he can go and talk to them. They will tell him that they are not getting the money that is due to them. However, I should add that I took the lady about whom I have told the House to see the Minister, and the shortfall in her income has since been addressed.

The maths of the FAS scheme is pretty simple: £3 million to be shared between 125,000 people. They are not getting anything like enough, and we need to talk about how we can help them today. We should not wait for a summer review: natural justice and the needs of personal dignity mean that we should do the right thing by them this afternoon.

Mr. Frank Field: I shall speak for only two minutes, as I know that other hon. Members with constituency interests also want to contribute to the debate. However, I shall begin by congratulating my hon. Friend the Minister on his statement today and on the extension of the FAS scheme.

The House has it in its power to decide to extend the number of people covered by the scheme from the 8,000 announced by the Minister today to include all those who have saved yet been cheated of their pensions. Because the Minister is so talented I plead with my hon. Friends not to be beguiled by his abilities if he assures us that we should put things off to another day because there will be another inquiry.

My two minutes are to remind the House that in 2002, when the stories began to surface, I introduced a private Member's Bill. The Government said, "We must not rush things; we must think about them and hold inquiries, so we must block your Bill". The Bill provided that we should use unclaimed assets, so they began by saying, "We don't know how much there is". They continued with, "There is not much", followed by, "Perhaps there is a bit more, but we don't own it". They then said, "Perhaps we will bring in a levy but we'll put it into another scheme—a foundation".

The message that I want to give to my hon. Friends is crucial, and was set out by my hon. Friend the Member for Cannock Chase (Dr. Wright) earlier: we have it in our power today to make a decision to put an end to the gross injustice that decent people, who have saved and done everything required of them, have been cheated of their inheritance. We should make that decision for justice's sake, but we should also make it for the Government's sake, because they still seem unable to realise that as long as that sore continues to fester, they will find it impossible to kick-start the savings habit in our community. Why should one save when one knows that all too many people who did precisely that at the Government's behest now feel themselves cheated? Today, we can stop that cheating by supporting new clause 41 and I hope we shall do so.

3.30 pm

Mr. Weir: I, too, will be brief. I want to support new clause 25 tabled by the hon. Member for Cannock Chase (Dr. Wright).

I very much welcome what the Minister said about assistance schemes this afternoon, although it is a pity that we do not have the provisions before us so that we can see exactly what he is proposing. I know that the provisions of new clause 25 would deal with my concerns about a pension scheme in my constituency, but I am not sure whether the Minister's proposals would cover that scheme.

The problems with schemes for solvent employers have poisoned the well of pension reform for far too long. They have been left out of the financial assistance scheme, although there is little to choose between what has happened to them and to insolvent employers. I cite the case of a scheme in the small burgh of Kirriemuir in my constituency. The company remains in being—indeed, it provides valuable jobs in the community—yet workers nearing retirement find that their pensions provide nothing like the sums they expected. The scheme is being wound up and the value of each pensioner's pot is to be paid into a private pension scheme. An employee described for me the situation when they were told that the scheme was being wound up: they were told, in effect, "It's your pension or your job". It is difficult for people in small communities to come to terms with that.

I am told that the company would have gone into insolvency had the scheme not been wound up. The wind-up started in June 2004 and has not yet completely finished, so I want to be sure that people such as my constituents would be covered by the new aspects of the financial assistance scheme that the Minister announced today. I am sure that new clause 25 would cover their situation, but it is a great pity that we do not have the Minister's proposals. What tests will he apply in relation to insolvency? What evidence will a company have to produce before it can be covered by the new scheme? In the case I described, the employees were told that the company would go into insolvency unless the scheme was wound up.

What made things worse for many employees in that case was that the pension scheme was put under a trustee company, which was also undertaking the winding-up process, and workers found it difficult to obtain information. They were told that the cost of answering their questions about the wind-up of the scheme would be set against its assets, thus further reducing the amount available to pensioners. A circular from the trustee company states:

> "Please remember that there is a cost to answering questions from members, meaning that the funds in the scheme will be further depleted."

Not unnaturally, members wondered what to do. Should they pursue their interests, or would that mean that they were throwing away even more of their money? They were in an impossible situation.

If the scheme that the Minister has announced covers such people, it is very welcome indeed, but as has been said by other Members we need clarity today; this poisoned situation must not drag on. We cannot move on with pension reform, in particular the personal accounts that the Government propose, unless we deal with the problems now.

I intend to support the cross-party amendments on the lifeboat fund, but new clause 25, or a similar provision, must be passed in conjunction with them if we are to bring justice to all the pensioners who have suffered in this disaster.

Alan Simpson: I realise that for many Members the whole question of the administration of pension funds is extremely complex and detailed. I find it useful to refer back to the time when I started as a county councillor in Nottinghamshire. We had just appointed a chief executive—a person who, at that time, called himself Mick Lyons. He has been elevated somewhat since then. He invited us to identify problems in the administration of local government within the county. A number of us identified that schools were having serious problems in accessing the resources that they needed. He got a number of councillors and a number of the officers in different departments together and he asked people to explain what the problem was and what was causing the gap between the time when the schools sought to requisition pencils and paper and the time when anything arrived. The delay was often six weeks, two months or two and a half months. He listened patiently to the explanations from officials in different departments for about 20 to 25 minutes. Then suddenly he banged his hand on the table and said, "Right. I've got a plan." Everyone shut up and listened to him. He said, "Send the bloody pencils and the paperwork can follow. I don't care about the paperwork that follows. It's not that it's not important, but schools are about learning. It is about delivering the resources for learning. If schools haven't got pencils and paper, we are undermining their primary function. So send the bloody pencils."

If we were having that same debate among ourselves today, the central issue would be, "Send the bloody pensions." It is not about the technicalities. The reason why I support new clause 41, which is a cross-party new clause, is that it says precisely that. We have a moral duty to pay people's pensions today and to use the lifeboat fund to work out among ourselves how best to reclaim the resources that we have at our fingertips in order to do that. My only quibble in political terms is that I wish that new clause 41 had been tabled principally in the name of my right hon. Friend the Member for Birkenhead (Mr. Field), because, as been acknowledged, the origin of almost everything in that

[Alan Simpson]

new clause was rightly encapsulated in the private Member's Bill that he presented to the House in 2002. It would be helpful for our own Members to be able to recognise and claim the integrity of that as a starting point. But I no longer care who claims the credit. What I am concerned about is that we are dealing with people who have never asked for a penny of a handout in their lives. They are people who have done what successive Governments have asked them to do: take money out of their weekly and monthly earnings and put it into pension funds in order to provide for their old age. We will not be able to convince successive generations who follow that that is a sensible step if their parents or grandparents say to them: "We were mugs. We put the money aside and people stole it."

The great attraction of what is incorporated in new clause 41 is that it allows us to draw a simple line under a debate that will not go away if as a House we fail to take this decision today. New clause 41 brings everyone under the cover of the Pension Protection Fund. It does not say that there is going to be a huge delay. It says that we will pay out today and that we will work out how we will reclaim and repay the assets afterwards. It does not presume that there are billions of pounds to be found. However, the volume of unclaimed assets in this country is about £15 billion—£3 billion in unclaimed pension funds, £5 billion in terms of banks and building societies, £3 billion in national savings, and another £1 billion to £2 billion in residual assets in the existing schemes. So we would not be short of possible sources. Nor is it true to say that all that money would have to be found now. My understanding is that the £600 million that would need to be put aside works out, on the Government's own figures, at about £20 million a year. Just to provide a reference point, we should understand that the error factor in the Department for Work and Pensions budget for the administration of benefits last year was not £20 million, but £700 million.

It is not beyond the Government's and the House's capacity to incorporate everyone affected into a scheme that would achieve what we promised at the end of the Maxwell fiasco. We promised people then that it would never happen again. Yet we now find ourselves in a position, five years after an event, in which many people who saved throughout their lives are living—and, in some cases, dying—in abject poverty. That is morally outrageous and morally indefensible.

I would like to end on a non-technical and non-political point with the line of a song by Tracy Chapman—*[Interruption.]* I will spare the House by not singing it! In that song, she said:

"A love declared for days to come is as good as none".

The same could be said about a pension, so I hope that the House has the decency to do the morally right and the politically and financially accessible thing by drawing the line today and supporting new clause 41.

Mr. Bellingham: It is a pleasure to follow the hon. Member for Nottingham, South (Alan Simpson), who spoke very eloquently; and I support my hon. Friend the Member for Hemel Hempstead (Mike Penning), who spoke with great passion and huge knowledge.

I represent a significant number of former employees of the Albert Fisher group, who have lost the bulk of their pensions. Like my hon. Friend the Member for Hemel Hempstead, I have had numerous meetings with that group, as a result of which I have also met many other people involved in different pension action groups. One thing that struck me is that those people trusted the advice that they were given and invested their money—their own wages—in what they believed were safe products, only to have the rug pulled from under them.

I would like to pick up on one point that the Chancellor made yesterday. When he was justifying the changes to dividend tax credits in the 1998 Budget, he said that they were more than compensated for by cuts in corporation tax. However, dozens of companies did not benefit from those cuts because they were either breaking even or making a loss. In the case of the Albert Fisher group, part of the food processing sector, particularly the frozen food sector, was struggling and under very substantial pressure. That company was not making a profit, so the concessions on corporation tax were of absolutely no benefit whatever—and the same applies to dozens of other companies as well. What the Chancellor said yesterday was irrelevant to those companies, which got no benefit from corporation tax changes, so the hit to them in respect of pension funds was direct and immediate. There was immediate pain and the result was that many of the pension schemes went bust with people suffering as a consequence.

I intervened earlier on the Minister, who was very critical of the Opposition amendments, but those amendments had been carefully thought through. They were not worked out on the back of a cigarette packet over the weekend. A number of experts gave us advice. As to Ros Altmann, she has a huge amount of experience and commands phenomenal respect. To be fair, until quite recently, Ros Altmann was saying that what we were doing with our draft amendments was not good enough. She said that the amendments did not go far enough, were not properly drafted and were technically incorrect, so Opposition Front Benchers put a great deal of effort and work into drawing up a package of measures—the amendments and new clauses—that would go as far as possible and, above all, give these people some immediate respite.

On the point about a review, we have had endless reviews. Time and again, the Government have introduced changes and initiatives, and every time, they creep a little bit further towards the full measures that those people want and deserve. What we want now—what is on offer with these amendments and new clauses—is immediate relief. What those people want is immediate relief. As my hon. Friend the Member for Hemel Hempstead said a moment ago, a lot of those people are suffering as we speak. Many of them are ill.

Lots of very proud people were looking forward to a long and happy retirement, but they have had that retirement totally undermined and destroyed. Those people deserve immediate action. They want immediate action. We have a huge opportunity this afternoon to give them that action, and there is a very strong moral case for doing so. I appeal to Labour Members to support these amendments, because a lot of people are watching them very carefully. If they support us, those people will have the relief that they deserve.

3.45 pm

Sandra Osborne (Ayr, Carrick and Cumnock) (Lab): I thank the hon. Member for North-West Norfolk (Mr. Bellingham) for curtailing his comments, and I shall try to curtail mine.

On 22 January 2002, I was fortunate enough to secure a debate in Westminster Hall that allowed me to raise the plight of more than 1,000 former workers of United Engineering Forgings in the United Kingdom who had lost most of their expected pensions when the company went into administration. Since then, as we have heard, along with my colleagues on the Labour Benches, I have tabled early-day motions, tabled amendments, met Ministers and generally campaigned with the trade unions for a solution to what I still see as a major injustice.

The Government recognised that injustice and the fact that hard-working people had been affected, but they did not recognise that compensation was required. However, as other hon. Members have said in the debate today, we achieved incremental success in securing help for those who lost out and, crucially, legislation has been passed to ensure that never again will people be deprived of the pensions that they have paid into all their working lives.

The Government have said at every stage of the debate so far that they have gone as far as they can go, and subsequently, they have gone further. So I am very interested to hear what the Minister said about the fact that they are prepared to go further again. There is no question but that a substantial amount of public money has been allocated to the financial assistance scheme—something that has not been adequately recognised in the debate or in general over the past five years.

The Conservative party said before the last election that it would not commit any further public money than had been committed already to the financial assistance scheme. I wonder whether I can take it from that that the Conservatives would not have come up with the £8 billion that is now in the pension pot?

Mike Penning: I stood on a manifesto, defending the Dexion workers, in which we said that we would compensate them from the unclaimed assets. That was in our manifesto, and that is what we stood on.

Sandra Osborne: I can remember Tory Front Benchers telling me on the Floor of the House that they would not commit any further public money, and that was the position that they took.

Those who lost their pensions, whether before or after 5 April 2005, are all innocent victims, and they all deserve to be treated equally. I have always thought it quite ironic that those who campaigned for justice in this matter will receive less as things stand at the moment than the beneficiaries of their campaign in the form of the Pension Protection Fund. Therefore, I believe that there should be equity. According to the trade unions, they have evidence that the £8 billion may in any case be enough to settle that issue. I do not know whether that is the case, but, obviously, it would be welcome. The Government have set up a review and said that they are open to suggestions. In my Westminster Hall debate more than five years ago, I made both these suggestions: pooling the assets of pension funds and holding the private sector to account.

I will conclude by referring to the private sector. Prudential's venture capital company was the majority shareholder in UEF. I have met the chief executive on several occasions to call for the company's help, but that has not been forthcoming. I wish the Government all the luck in the world in trying to get the private sector to contribute towards the financial assistance scheme.

James Purnell: This has been a good debate. Everyone in the House has sympathy for the people who have been affected. The Government are saying that we will put in taxpayers' money so that people are paid out with at least 80 per cent. We are setting up a review to examine what more can be done and to consider the Opposition's suggestions and all the points made by hon. Members in the debate.

It would be wrong to give people false hope, but I am afraid that the Tory amendments would create exactly that risk. They have unravelled even during the debate. The hon. Member for Runnymede and Weybridge (Mr. Hammond) said that there would be an increase in public spending, but that directly contradicted the comments of the shadow Chancellor this morning on Sky News, when he said that there would not be an additional burden on public spending. It would be better for the House to wait for the review than to accept the amendments.

Dr. Tony Wright: On the basis of what I think that the Minister has told me, even though there is still some uncertainty, I will not press new clause 25 to a Division. Will he assure me, the Opposition and other hon. Members that the words that will be presented to the House of Lords will reflect what he said today?

James Purnell: I assure my hon. Friend that the wording will do exactly that.

We have a basis on which we can move forward on both that point and on the issue of 80 per cent. for the people affected. The review will examine moving beyond that, and that is the exact basis on which we should move forward.

It being two and a half hours after the commencement of proceedings on the motion, MR. DEPUTY SPEAKER *put forthwith the Question already proposed from the chair, pursuant to Order [this day].*

Question agreed to.

Clause read a Second time, and added to the Bill.

MR. DEPUTY SPEAKER *then proceeded to put forthwith the Questions necessary for the disposal of the business to be concluded at that hour.*

New Clause 41

PENSIONS PROTECTION LIFEBOAT FUND

'(1) There shall be established as soon as reasonably practicable a Pension Protection Lifeboat Fund ("the Lifeboat Fund") which shall be administered by the Board of the Pension Protection Fund ("the Board").

(2) The purpose of the Lifeboat Fund shall be to make supplementary payments to persons who are qualifying members

of qualifying schemes as defined by the Financial Assistance Scheme Regulations 2005 (S.I. 2006/1986) (or who would be qualifying members if the qualifying age for the Financial Assistance Scheme were set at the level of the qualifying scheme retirement age), in addition to the sums payable in any event under those regulations.

(3) The supplementary payments made to any person in accordance with subsection (2) shall equal the amount that, taken together with any amounts payable to that person under the Financial Assistance Scheme and amounts payable to that person as scheme benefits under the qualifying pension scheme in respect of which he is a qualifying member of the Financial Assistance Scheme (or would be a qualifying member if the qualifying age for the Financial Assistance Scheme were set at the level of the qualifying scheme retirement age), is the amount that would be payable to that person if that qualifying pension scheme was accepted into the Pension Protection Fund.

(4) The Secretary of State shall make such loans to the Lifeboat Fund as are necessary to allow the discharge of its functions and in particular its obligation to make supplementary payments under subsection (2).

(5) The Secretary of State shall make such loans from time to time having regard to—

(a) requests for such loans received from the Board;

(b) the amount of assets transferred or to be transferred to the Lifeboat Fund under the Scheme (as defined in section [Transfer of unclaimed assets] ("the Scheme"));

(c) the level of any claims on the Lifeboat Fund in respect of assets transferred to it under the Scheme.

(6) Loans made in accordance with this section must be repaid to the Secretary of State as soon as, in the reasonable opinion of the Board, it is prudent to do so having regard to—

(a) the obligations of the Lifeboat Fund;

(b) the amount of assets transferred or to be transferred to the Lifeboat Fund under the Scheme; and

(c) the level of claims on the Lifeboat Fund in respect of assets transferred to it under the Scheme.

(7) Loans made under this section shall be interest free.

(8) The assets of the Lifeboat Fund shall be held separately from the assets of any other fund under the control of the Board.

(9) The Secretary of State may by regulations make further provision in connection with the Lifeboat Fund.

(10) A statutory instrument containing regulations under this section is subject to annulment in pursuance of a resolution of either House of Parliament.'.—*[Mr. Hammond.]*

Brought up, and read the First time.

Question put. That the clause be read a Second time:—

The House proceeded to a Division.

Mr. Deputy Speaker (Sir Michael Lord): I ask the Serjeant at Arms to investigate the delay in the No Lobby.

The House having divided: Ayes 260, Noes 282.

Division No. 91] **[3.53 pm**

AYES

Afriyie, Adam
Ainsworth, Mr. Peter
Alexander, Danny
Amess, Mr. David
Atkinson, Mr. Peter
Bacon, Mr. Richard
Baker, Norman
Barker, Gregory
Baron, Mr. John
Barrett, John
Beith, rh Mr. Alan
Bellingham, Mr. Henry
Benyon, Mr. Richard
Bercow, John
Beresford, Sir Paul
Binley, Mr. Brian
Bone, Mr. Peter
Bottomley, Peter
Brady, Mr. Graham
Brake, Tom
Brazier, Mr. Julian
Breed, Mr. Colin
Brokenshire, James
Brooke, Annette
Browne, Mr. Jeremy
Browning, Angela
Bruce, rh Malcolm
Burns, Mr. Simon
Burrowes, Mr. David
Burstow, Mr. Paul
Burt, Alistair
Burt, Lorely
Cameron, rh Mr. David
Campbell, Mr. Gregory
Campbell, rh Sir Menzies
Carmichael, Mr. Alistair
Carswell, Mr. Douglas
Cash, Mr. William
Clark, Greg
Clarke, rh Mr. Kenneth
Clegg, Mr. Nick
Clifton-Brown, Mr. Geoffrey
Conway, Derek
Cook, Frank
Corbyn, Jeremy
Cormack, Sir Patrick
Cox, Mr. Geoffrey
Crabb, Mr. Stephen
Curry, rh Mr. David
Davey, Mr. Edward
Davies, Mr. Dai
Davies, David T.C. *(Monmouth)*
Davies, Philip
Davies, Mr. Quentin
Davis, rh David *(Haltemprice and Howden)*
Djanogly, Mr. Jonathan
Dodds, Mr. Nigel
Donaldson, Mr. Jeffrey M.
Dorrell, rh Mr. Stephen
Dorries, Mrs. Nadine
Drew, Mr. David
Duddridge, James
Duncan Smith, rh Mr. Iain
Dunne, Mr. Philip
Ellwood, Mr. Tobias
Evennett, Mr. David
Fabricant, Michael
Fallon, Mr. Michael
Farron, Tim
Featherstone, Lynne
Field, rh Mr. Frank
Field, Mr. Mark
Fisher, Mark
Foster, Mr. Don
Fox, Dr. Liam
Francois, Mr. Mark
Fraser, Mr. Christopher
Garnier, Mr. Edward
Gauke, Mr. David
George, Andrew
Gibb, Mr. Nick
Gidley, Sandra
Gillan, Mrs. Cheryl
Goldsworthy, Julia
Goodman, Mr. Paul
Goodwill, Mr. Robert
Gove, Michael
Grayling, Chris
Green, Damian
Greening, Justine
Grieve, Mr. Dominic
Gummer, rh Mr. John
Hague, rh Mr. William
Hammond, Mr. Philip
Hammond, Stephen
Hands, Mr. Greg
Harper, Mr. Mark
Harris, Dr. Evan
Hayes, Mr. John
Heald, Mr. Oliver
Heath, Mr. David
Heathcoat-Amory, rh Mr. David
Hemming, John
Hendry, Charles
Herbert, Nick
Hermon, Lady
Hoban, Mr. Mark
Hoey, Kate
Hogg, rh Mr. Douglas
Hollobone, Mr. Philip
Holmes, Paul
Hopkins, Kelvin
Horam, Mr. John
Horwood, Martin
Howard, rh Mr. Michael
Howarth, David
Howarth, Mr. Gerald
Hughes, Simon
Huhne, Chris
Hunt, Mr. Jeremy
Hunter, Mark
Hurd, Mr. Nick
Jack, rh Mr. Michael
Jackson, Mr. Stewart
Johnson, Mr. Boris
Jones, Mr. David
Kawczynski, Daniel
Keetch, Mr. Paul
Kennedy, rh Mr. Charles
Key, Robert
Kirkbride, Miss Julie
Knight, rh Mr. Greg
Kramer, Susan
Laing, Mrs. Eleanor
Lait, Mrs. Jacqui
Lamb, Norman
Lancaster, Mr. Mark
Lansley, Mr. Andrew
Laws, Mr. David
Leech, Mr. John
Leigh, Mr. Edward
Letwin, rh Mr. Oliver
Liddell-Grainger, Mr. Ian
Lidington, Mr. David
Lilley, rh Mr. Peter
Llwyd, Mr. Elfyn
Loughton, Tim
Luff, Peter
Mackay, rh Mr. Andrew
Maclean, rh David
Main, Anne
Maples, Mr. John
Mauda, rh Mr. Francis
May, rh Mrs. Theresa
McCrea, Dr. William
McDonnell, John
McIntosh, Miss Anne
McLoughlin, rh Mr. Patrick
Mercher, rh Mr. Michael
Mercer, Patrick
Miller, Mrs. Maria

Milton, Anne
Mitchell, Mr. Andrew
Moss, Mr. Malcolm
Mulholland, Greg
Mundell, David
Murrison, Dr. Andrew
Neill, Robert
Newmark, Mr. Brooks
O'Brien, Mr. Stephen
Osborn, Mr. Mark
Öpik, Lembit
Osborne, Mr. George
Ottaway, Richard
Paice, Mr. James
Paterson, Mr. Owen
Pelling, Mr. Andrew
Penning, Mike
Penrose, John
Pickles, Mr. Eric
Prentice, Mr. Gordon
Prisk, Mr. Mark
Pritchard, Mark
Pugh, Dr. John
Randall, Mr. John
Redwood, rh Mr. John
Reid, Mr. Alan
Rifkind, rh Sir Malcolm
Robathan, Mr. Andrew
Robertson, Hugh
Robertson, Mr. Laurence
Rogerson, Mr. Dan
Rowen, Paul
Ruffley, Mr. David
Russell, Bob
Sanders, Mr. Adrian
Scott, Mr. Lee
Selous, Andrew
Shapps, Grant
Shepherd, Mr. Richard
Simmonds, Mark
Simpson, Alan
Simpson, David
Simpson, Mr. Keith
Smith, Sir Robert
Spelman, Mrs. Caroline
Spicer, Sir Michael
Spink, Bob
Spring, Mr. Richard
Stanley, rh Sir John
Steen, Mr. Anthony
Streeter, Mr. Gary
Stuart, Ms Gisela
Stuart, Mr. Graham
Stunell, Andrew
Swayne, Mr. Desmond
Swinson, Jo
Swire, Mr. Hugo
Syms, Mr. Robert
Tapsell, Sir Peter
Taylor, Mr. Ian
Taylor, Matthew
Taylor, Dr. Richard
Teather, Sarah
Thurso, John
Tredinnick, David
Turner, Mr. Andrew
Tyrie, Mr. Andrew
Vaizey, Mr. Edward
Vara, Mr. Shailesh
Viggers, Peter
Villiers, Mrs. Theresa
Walker, Mr. Charles
Wallace, Mr. Ben
Wareing, Mr. Robert N.
Waterson, Mr. Nigel
Watkinson, Angela
Webb, Steve
Weir, Mr. Mike
Whittingdale, Mr. John
Widdecombe, rh Miss Ann
Wiggin, Bill
Willetts, Mr. David
Williams, Hywel
Williams, Mark
Williams, Mr. Roger
Williams, Stephen
Willis, Mr. Phil
Willott, Jenny
Wilson, Mr. Rob
Wilson, Sammy
Winterton, Ann
Winterton, Sir Nicholas
Wishart, Pete
Wood, Mike
Wright, Jeremy
Wright, Dr. Tony
Yeo, Mr. Tim
Young, rh Sir George
Younger-Ross, Richard

Tellers for the Ayes:
Andrew Rosindell and
Mr. Crispin Blunt

NOES

Abbott, Ms Diane
Ainger, Nick
Ainsworth, rh Mr. Bob
Alexander, rh Mr. Douglas
Allen, Mr. Graham
Anderson, Mr. David
Anderson, Janet
Armstrong, rh Hilary
Atkins, Charlotte
Austin, Mr. Ian
Bailey, Mr. Adrian
Baird, Vera
Balls, Ed
Banks, Gordon
Barlow, Ms Celia
Barron, rh Mr. Kevin
Battle, rh John
Bayley, Hugh
Begg, Miss Anne
Bell, Sir Stuart
Benn, rh Hilary
Benton, Mr. Joe
Betts, Mr. Clive
Blackman, Liz
Blackman-Woods, Dr. Roberta
Blears, rh Hazel
Blizzard, Mr. Bob
Blunkett, rh Mr. David
Bradshaw, Mr. Ben
Brown, Lyn
Brown, rh Mr. Nicholas
Brown, Mr. Russell
Browne, rh Des
Bryant, Chris
Buck, Ms Karen
Burgon, Colin
Burnham, Andy
Butler, Ms Dawn
Byers, rh Mr. Stephen
Cairns, David
Campbell, Mr. Alan
Campbell, Mr. Ronnie
Caton, Mr. Martin
Cawsey, Mr. Ian
Challen, Colin
Chapman, Ben
Chaytor, Mr. David
Clapham, Mr. Michael
Clark, Ms Katy
Clark, Paul
Clarke, rh Mr. Charles
Clarke, rh Mr. Tom
Clelland, Mr. David
Clwyd, rh Ann
Coaker, Mr. Vernon
Coffey, Ann
Cohen, Harry
Connarty, Michael
Cooper, Rosie
Cooper, Yvette
Creagh, Mary
Cruddas, Jon
Cryer, Mrs. Ann
Cummings, John
Cunningham, Mr. Jim
Cunningham, Tony
Darling, rh Mr. Alistair
David, Mr. Wayne
Davidson, Mr. Ian
Dean, Mrs. Janet
Denham, rh Mr. John
Devine, Mr. Jim
Dhanda, Mr. Parmjit
Dismore, Mr. Andrew
Dobbin, Jim
Dobson, rh Frank
Donohoe, Mr. Brian H.
Doran, Mr. Frank
Dowd, Jim
Dunwoody, Mrs. Gwyneth
Eagle, Angela
Eagle, Maria
Efford, Clive
Ellman, Mrs. Louise
Engel, Natascha
Ennis, Jeff
Farrelly, Paul
Fitzpatrick, Jim
Flello, Mr. Robert
Flint, Caroline
Follett, Barbara
Foster, Mr. Michael *(Worcester)*
Foster, Michael Jabez *(Hastings and Rye)*
Francis, Dr. Hywel
Gapes, Mike
Gardiner, Barry
Gerrard, Mr. Neil
Gibson, Dr. Ian
Gilroy, Linda
Godsiff, Mr. Roger
Goggins, Paul
Goodman, Helen
Griffith, Nia
Griffiths, Nigel
Grogan, Mr. John
Gwynne, Andrew
Hain, rh Mr. Peter
Hall, Mr. Mike
Hall, Patrick
Hamilton, Mr. Fabian
Hanson, rh Mr. David
Harman, rh Ms Harriet
Harris, Mr. Tom
Healey, John
Hendrick, Mr. Mark
Hepburn, Mr. Stephen
Heppell, Mr. John
Hesford, Stephen
Hewitt, rh Ms Patricia
Hill, rh Keith
Hillier, Meg
Hodgson, Mrs. Sharon
Hood, Mr. Jimmy
Hoon, rh Mr. Geoffrey
Hope, Phil
Howarth, rh Mr. George
Howells, Dr. Kim
Hoyle, Mr. Lindsay
Hughes, rh Beverley
Humble, Mrs. Joan
Hutton, rh Mr. John
Iddon, Dr. Brian
Ingram, rh Mr. Adam
Irranca-Davies, Huw
Jackson, Glenda
James, Mrs. Siân C.
Jenkins, Mr. Brian
Johnson, rh Alan
Johnson, Ms Diana R.
Jones, Helen
Jowell, rh Tessa
Joyce, Mr. Eric
Kaufman, rh Sir Gerald
Keeble, Ms Sally
Keeley, Barbara
Keen, Alan
Keen, Ann
Kelly, rh Ruth
Kemp, Mr. Fraser
Kennedy, rh Jane
Khan, Mr. Sadiq
Kidney, Mr. David
Kilfoyle, Mr. Peter
Knight, Jim
Kumar, Dr. Ashok
Ladyman, Dr. Stephen
Lammy, Mr. David
Lazarowicz, Mark
Lepper, David
Lewis, Mr. Ivan
Linton, Martin
Love, Mr. Andrew
Lucas, Ian
Mackinlay, Andrew
Mactaggart, Fiona
Mahmood, Mr. Khalid
Malik, Mr. Shahid
Mallaber, Judy
Mann, John
Marris, Rob
Marsden, Mr. Gordon
Martlew, Mr. Eric
McAvoy, rh Mr. Thomas
McCabe, Steve
McCarthy, Kerry
McCarthy-Fry, Sarah

McCartney, rh Mr. Ian
McDonagh, Siobhain
McDonnell, Dr. Alasdair
McFadden, Mr. Pat
McFall, rh John
McGovern, Mr. Jim
McGuire, Mrs. Anne
McIsaac, Shona
McKechin, Ann
McKenna, Rosemary
McNulty, Mr. Tony
Merron, Gillian
Michael, rh Alun
Milburn, rh Mr. Alan
Miliband, rh David
Miliband, Edward
Mitchell, Mr. Austin
Moffat, Anne
Moffatt, Laura
Mole, Chris
Moon, Mrs. Madeleine
Morley, rh Mr. Elliot
Mountford, Kali
Mudie, Mr. George
Munn, Meg
Murphy, Mr. Denis
Murphy, Mr. Jim
Murphy, rh Mr. Paul
Naysmith, Dr. Doug
Norris, Dan
O'Brien, Mr. Mike
Oliver, Mr. Bill
Owen, Albert
Palmer, Dr. Nick
Pearson, Ian
Plaskitt, Mr. James
Pope, Mr. Greg
Pound, Stephen
Primarolo, rh Dawn
Prosser, Gwyn
Purchase, Mr. Ken
Purnell, James
Raynsford, rh Mr. Nick
Reed, Mr. Andy
Reed, Mr. Jamie
Reid, rh John
Robertson, John
Robinson, Mr. Geoffrey
Rooney, Mr. Terry
Roy, Mr. Frank
Ruane, Chris
Ruddock, Joan
Ryan, Joan
Salter, Martin
Seabeck, Alison
Shaw, Jonathan
Sheerman, Mr. Barry
Sheridan, Jim
Simon, Mr. Siôn
Singh, Mr. Marsha
Skinner, Mr. Dennis
Slaughter, Mr. Andy
Smith, rh Mr. Andrew
Smith, Ms Angela C. *(Sheffield, Hillsborough)*
Smith, Angela E. *(Basildon)*
Smith, rh Jacqui
Snelgrove, Anne
Soulsby, Sir Peter
Southworth, Helen
Spellar, rh Mr. John
Starkey, Dr. Phyllis
Stewart, Ian
Stoate, Dr. Howard
Strang, rh Dr. Gavin
Straw, rh Mr. Jack
Stringer, Graham
Sutcliffe, Mr. Gerry
Tami, Mark
Taylor, Ms Dari
Thomas, Mr. Gareth
Thornberry, Emily
Timms, rh Mr. Stephen
Tipping, Paddy
Todd, Mr. Mark
Touhig, rh Mr. Don
Trickett, Jon
Turner, Dr. Desmond
Turner, Mr. Neil
Twigg, Derek
Usher, Kitty
Walley, Joan
Watts, Lynda
Ward, Claire
Watson, Mr. Tom
Whitehead, Dr. Alan
Wicks, Malcolm
Williams, rh Mr. Alan
Wills, Mr. Michael
Winnick, Mr. David
Winterton, rh Ms Rosie
Woodward, Mr. Shaun
Woolas, Mr. Phil
Wright, Mr. Anthony
Wright, David
Wright, Mr. Iain
Wyatt, Derek

Tellers for the Noes:
Kevin Brennan and Mr. Dave Watts

Question accordingly negatived.

Clause 27

EXTENT

Amendment made: No. 19, in page 24, line 37, at end insert—

'( ) section (Financial assistance scheme: increased levels of payments).'.—*[James Purnell.]*

Clause 28

COMMENCEMENT

Amendments made: No. 20, in page 25, line 10, at end insert—

'( ) section (Financial assistance scheme: increased levels of payments)(4) to (11);'.

No. 21, in page 25, line 17 , at end insert—

'( ) section (Financial assistance scheme: increased levels of payments) (1) to (3);'.—*[James Purnell.]*

New Clause 7

PERFORMANCE OF THE PERSONAL ACCOUNTS DELIVERY AUTHORITY

'(1) In discharging its functions under this Part of the Act, the Authority shall ensure that its actions and advice support the following objectives for the scheme—

(a) ensuring that the overall outcome, taking account of the impact on the existing market, is an increase in the number of people saving and the overall amount being saved;

(b) optimising levels of participation and contribution among the target group;

(c) setting an investment strategy in the best interests of members;

(d) minimising burdens on employers;

(e) minimising the impact on other high-quality pension provision;

(f) assuring security of administration;

(g) governing in the best interests of members and beneficiaries;

(h) ensuring that the board acts impartially, prudently, responsibly and honestly;

(i) delivering appropriate levels of choice;

(j) achieving charges that are fair and reasonable;

(k) ensuring the funds are invested in the best interests of the members.

(2) Her Majesty may from time to time by Order in Council make provision for amending the objectives set out in subsection (1).

(3) No recommendation shall be made to Her Majesty to make an Order in Council under subsection (2) above unless a draft of the Order has been approved by resolution of each House of Parliament.'.—*[Mr. Waterson.]*

Brought up, and read the First time.

Mr. Nigel Waterson (Eastbourne) (Con): I beg to move, That the clause be read a Second time.

Mr. Deputy Speaker: With this it will be convenient to discuss the following: New clause 29—*Winding up of Personal Accounts Delivery Authority*—

'(1) If the condition in subsection (2) is satisfied the Secretary of State must by order provide for the winding up and dissolution of the Authority.

(2) The condition is that it appears to the Secretary of State that in excess of 29 per cent. of the population over state pension age will, at the time of the introduction of personal accounts, be entitled to claim pension credit or another means-tested benefit.

(3) Subsections (5) to (8) of section 21 apply to an order under this section as they apply to an order under that section.'.

Amendment no. 7, in clause 19, page 21, line 28, at end insert—

'(2A) In discharging its functions under this Part, the Authority shall publish no later than 1st December 2007—

(a) estimates of the percentage of those people without existing occupational or personal pension provision who would be subject to means-testing if enrolled in personal accounts;

(b) estimates of the percentage of people who will be auto-enrolled into personal accounts who can be expected to secure returns of—

(i) £2 or more for every £1 saved,

(ii) £1 or more for every £1 saved,

(iii) less than £1 for every £1 saved;

(c) a breakdown of the target groups for personal accounts that are most at risk of low returns on their savings;

(d) plans how generic financial advice will be delivered to those people who are liable to be auto-enrolled in personal accounts.'.

Amendment no. 3, in page 22, line 6, at end insert—

'(7A) Before issuing guidance under subsection (6) the Secretary of State shall consult—

(a) the Authority;

(b) organisations appearing to him to be representative of consumers;

(c) organisations appearing to him to be representative of employees;

(d) organisations appearing to him to be representative of employers;

(e) organisations appearing to him to be representative of the financial services industry;

(f) such other persons as the Secretary of State considers it appropriate to consult in relation to the guidance.

(7B) A draft of any guidance proposed to be issued under this section shall be laid before each House of Parliament.

(7C) Guidance shall not be issued under this section until after the period of forty days beginning with—

(a) the day on which the draft is laid before each House of Parliament; or

(b) if the draft is laid before the House of Lords on one day and the House of Commons on another, the later of those two days.

(7D) If, before the end of that period, either House resolves that the guidance should not be issued, the Secretary of State must not issue it.

(7E) In reckoning any period of forty days for the purposes of subsection (7C) or (7D), no account shall be taken of any time during which—

(a) Parliament is dissolved or prorogued, or

(b) both Houses are adjourned for more than four days.

(7F) The Secretary of State shall arrange for any guidance issued under this section to be published in such manner as he considers appropriate.'.

Mr. Waterson *rose—[Interruption.]*

Mr. Deputy Speaker: Order. Will Members who are leaving do so quietly and as quickly as possible?

Mr. Waterson: Thank you, Mr. Deputy Speaker. It is a great pleasure to introduce new clauses 7 and 29, and amendment No. 3, which were tabled by my hon. Friends and myself.

New clause 7 is concerned with the design of personal accounts. As you know, Mr. Deputy Speaker, that is the new system that the Government have introduced to encourage pension saving, which is based on the proposals in the Turner report. So that there is no doubt, the official Opposition wish the personal accounts system to succeed, so we wish it to be designed properly. We do not wish to inherit a system that is flawed or designed to fail. New clause 7 is largely taken from that part of the Government White Paper that sets out the criteria for the operation of personal accounts. However, there is a serious philosophical difference between the Government and ourselves on this part of the Bill. They are far too keen to set up the personal accounts delivery authority and leave it to the authority to sort out the detailed design of personal accounts and make all the difficult decisions. We do not see it that way at all. There are serious issues that need to be addressed now, and in the next pensions Bill—there is always another pensions Bill around the corner—by politicians. I am not suggesting for a moment that we should second-guess the experts on the detailed technical stuff, but it is the job of politicians to make decisions about the broad structure of personal accounts and the way in which they sit alongside existing pension provision.

I am delighted that we are supported by such bodies as the Association of British Insurers, which we heard about a little earlier, and the National Association of Pension Funds. The ABI, in its briefing that it produced for the debate, states:

"The Delivery Authority needs sound governance and clear objectives…They should be set out on the face of this Bill, which is not currently the case".

It emphasises the need to

"take account…of the potential impact on the existing pensions market, including the need for a level regulatory playing field; ensure that Personal Accounts are designed to focus on the target market"—

I shall return to that in a moment—

"…and avoid taxpayer subsidy by ensuring all costs are ultimately recovered".

The NAPF says similar things. It believes that

"the PADA should be given clear statutory objectives in this Bill."

It goes on to say:

"In particular, we think it is vital that PADA's objectives include minimising the impact of Personal Accounts on existing good quality pension provision."

Indeed, at a seminar on 16 January this year, which I was not privileged to attend—I cannot imagine what I was doing that day—the Minister told an NAPF audience that the personal accounts system would have

"a specific legal objective of ensuring that the impact on the existing market is minimised".

We need to hear more about whether he has resiled from that position, intends to accept our new clause, or merely intends to put that clear legal objective into the next pensions Bill. The NAPF goes on to say that

"PADA should be set an objective to ensure that it operates in such a way that does not interfere with existing occupational or personal pension schemes."

We entirely endorse that point of view.

4.15 pm

On Monday this week, at a seminar organised by Scottish Widows, Mr. Robert Wyllie of Scottish Widows had some trenchant things to say along similar lines. He talked about the target market, the initial capital requirement of between £1 billion and £2 billion for establishing personal accounts, the need to enshrine the lack of a Government subsidy for the delivery authority, and the need for a level playing field. Of the contribution limit, which I will deal with in more detail in a moment, he said:

"Frankly there is no way to guarantee that Personal Accounts will not lead to some degree of levelling down."

At the same seminar, the highly respected pensions guru, Mr. Alan Pickering, said that it was the role of politicians to make these key decisions rather than the people running the delivery authority.

Many of the points set out in the new clause are, I hope, largely uncontroversial, not least because they were, as I say, lifted almost word for word from the Government's own White Paper. I particularly want to concentrate on paragraphs (a), (b) and (e). Paragraph (a) refers to

"ensuring that the overall outcome, taking account of the impact on the existing market, is an increase in the number of people saving and the overall amount being saved",

paragraph (b) refers to

"optimising levels of participation and contribution among the target group",

and paragraph (e) refers to

"minimising the impact on other high-quality pension provision".

That is because we, and the pensions industry, are worried about mission creep—no reflection on the Minister intended.

The best indicator of that is the Government's attitude to the contribution cap. The Turner commission could not have been clearer in its recommendation that it should be set at £3,000, and the official Opposition agree with that level. It is a ground for genuine concern that the Government inexplicably announced that they wished to increase it to £5,000, which would mean that personal accounts could include nearly 95 per cent. of existing pension savers, thereby straying a long way from the concept of the target audience. We were therefore delighted when in a recent answer at DWP questions the Secretary of State said that he was reconsidering the level of the cap. That is a relief for us, as an increase to £5,000 would be unacceptable and would jeopardise the future of consensus building between the main parties.

Some argue for an even higher cap or no cap. With all due respect, I believe that they are misguided and fail to grasp that the point of personal accounts is to target the unpensioned. We therefore wish to make it clear that the success or failure of personal accounts crucially depends on increasing not only the number of savers but savings overall.

Proposed paragraph (b) is self-explanatory. The point is to optimise participation among the target group as defined in the Government's White Paper. Proposed paragraph (e) expresses our concern about the dangers of levelling down. It is said that some levelling down has already occurred and, with more than 60,000 schemes closed on the Government's watch, that can hardly be denied. The Minister is fond of saying that there is currently nothing to stop levelling down. However, how many companies, having calculated the cost of increased participation based on auto-enrolment, will be tempted to close their existing and more generous schemes and point their employees towards personal accounts? It will be all too easy for the contribution levels inherent in personal accounts to be perceived as the norm, whereas they will not deliver a comfortable retirement.

Much work remains to be done on restricting transfers, exclusions and the sort of quality mark that the NAPF proposes for existing schemes. However, the contribution cap is an important litmus test of the Government's true intentions in the Bill. Do they genuinely intend to target those groups in society that do not save for their retirement, or are they more concerned with the back-door nationalisation of the most successful private pensions system in the world?

New clause 29 deals with means-testing, which is a cancer that eats away at saving for retirement. It can be intrusive and demeaning and it is no guarantee that help will get to those who need it most. Pension credit has tested to destruction the theory that means-testing is the answer to poverty. Some 1.5 million people who are entitled to pension credit do not claim it, and some 2 million pensioners live in poverty in this country. The ABI—I am happy to rely on its views on the matter and on many other issues—stated that much greater clarity was needed on the Bill's impact on future levels of means-testing. That is absolutely right.

There are conflicting views about means-testing, even in Government. The Chancellor is keen to extend the number of people who depend on the state. He has vastly increased the number of people who are employed by the state. Approximately a third of people—more in Scotland—depend on the state for all or part of their livelihood. Nearly 50 per cent. of pensioners are already subject to means-tested benefits.

To their credit, Department for Work and Pensions Ministers, in extolling the virtues of their pension reforms, point to the fact that, if we go on as we are, some 80 per cent. of pensioners will be means-tested by the middle of the century. On any view, the likely amount of means-testing after the reforms will be crucial to the success or failure of personal accounts.

As the official Opposition, we naturally wish savings to be restored to the sort of levels that prevailed under the previous Conservative Government. Will personal accounts achieve that? I believe that the answer depends on whether means-testing can be reduced significantly. It was clear, even before the Bill was introduced, that significant differences existed between the Government's projections on means-testing and those of independent bodies such as the Pensions Policy Institute. It reaches sharply different conclusions from those of the DWP.

James Purnell: I just want to clarify the intention of the hon. Gentleman's new clause. We already have a situation in which more than 29 per cent. of pensioners are means-tested in retirement, and the figure was more than 29 per cent. when the Conservative party was in power. It is also forecast to be more than 29 per cent. in 2012. Is the hon. Gentleman saying that the Conservatives would not introduce personal accounts unless the figure dropped below 29 per cent.? If so, what is their plan to get the figure below that level?

Mr. Waterson: I am delighted to tell the Minister that I shall deal with those very points in a moment. He will probably already have guessed, however, that this is a probing new clause, albeit an important one that is designed to squeeze out of him a commitment to reducing means-testing to those kinds of levels. I shall develop the point that he has raised in a moment.

The Pensions Policy Institute is looking at a range of the possible extent of pension credit of one third to two thirds in 2050, with what it calls

"a base case of no change from today's level of 45 to 50 per cent.".

This could mean, to quote its document,

"between 4 million and 6 million households eligible for pension credit".

This is precisely why we urged the Government to agree to an evidence session under the new procedures during the Committee stage of the Bill, in order to hammer out these differences and the reasons for them. The Government's own projections show means-testing at about one third, post-reform. I can see that that represents progress from the current levels, but it still remains historically high. Apart from anything else, how will people near the beginning of their careers know whether they will be one of the third, or one of the two thirds? Will not the knowledge that they have a one-in-three chance of being means-tested in retirement have an effect on their behaviour?

We learned with great sadness, however, that the Minister had declined our invitation to hold an evidence session. Instead, he invited us to a seminar on the subject, which is his default position at the moment. There is a real danger of those of us who follow the Bill becoming seminar junkies. Anyway, we all duly turned up and listened to the views of the DWP and the PPI. By the end of the seminar, I was—as F. E. Smith might have put it—none the wiser but much better informed. It was clear that different methodologies were being used by the two contendees. For example, the PPI included the effects of housing benefit, but the DWP did not. Where the PPI failed to score was that, unlike the DWP, it did not have an amazing machine whirring away in the basement to produce its projections.

The nearest that we came to consensus on means-testing levels was the conclusion that there was

"a range of plausible outcomes",

which I hardly think was worth the trouble and expense of laying on the seminar in the first place. But there we are; I do not want to seem churlish—how would I fill my days otherwise? But there remains a big gap, and little prospect of closing it. In fairness, apart from the obvious difficulty of projecting figures so far ahead, one of the imponderables is how successful personal accounts will turn out to be.

On the face of it, new clause 29 looks somewhat draconian, as the Minister said earlier. It proposes that if more than 29 per cent. of pensioners are subject to means testing by the time of the introduction of personal accounts, the delivery authority should be wound up. The 29 per cent. figure is a Government figure; they project that the proportion of means-testing will fall from about 45 per cent. to about 29 per cent. by 2050, following the reforms. We take the view—I would be interested to hear whether the Minister agrees—that any higher level than that would seriously jeopardise the future of personal accounts.

As I have said, however, this is a probing new clause—unlike the previous one—designed to draw out the Government's thinking. Does the Minister share our concerns and those of the industry about means-testing? How committed are the Government to rolling back means-testing? How has their thinking developed since the Committee stage and the seminar? I ask those questions not just as a member of the official Opposition and not just in a spirit of consensus on long-term pension reform, although that is important. I ask them also because we do not wish to inherit a system that has clearly been set up to fail. These are issues that need to be addressed now.

4.30 pm

Ms Sally Keeble (Northampton, North) (Lab): What would the hon. Gentleman count as means-tested benefits? If the aim of the Opposition—who obviously want to be the Government—is to phase them out, I think people would like to know whether they include housing benefit, council tax benefit and the various disability and carers' top-ups.

Mr. Waterson: The hon. Lady, whose contribution to the Committee was greatly valued, has more or less summarised the benefits that I would include. Council tax benefit, which she mentioned, has a lower take-up than any other means-tested benefit. We should recognise, as a matter of practical politics, that there will always be some means-testing in the system, because there will always be people who are sufficiently poor to need help from means-tested benefits. As I have said, the problem with mass means-testing of benefits such as pension credit is that many people who are entitled to those benefits do not claim them, for whatever reason. I am sure that in our constituencies we all do our best to encourage home visits by the Pension Service, and encourage people to make the telephone call that enables them to fill up the form.

The good news, as the Minister will no doubt tell us, is that after some wobbling on the issue, the Government have confirmed that pension credit will continue to rise in line with earnings for the foreseeable future. We think that both Front Benches, in a spirit of consensus, should aspire to reduce means-testing in the medium term, which may mean committing funds to increasing the state pension even further than is envisaged in the reforms. Those, however, are aspirations rather than current spending commitments.

Broadly speaking, the more means-tested benefits there are and the more people are likely to fall within their ambit, the less the take-up is likely to be and the more people who really need help are likely to receive it.

My amendment No. 3 mirrors an amendment tabled in Committee. It suggests that before the Secretary of State issues guidance under clause 19, he should consult various groups—the delivery authority, obviously, but also bodies representing consumers, employees, employers and so on. What happened in Committee is what is always happening in Committee: a Minister says that the Government are going to take the action anyway and does not see why it should be specified in the Bill, and we say, "If you are going to do it anyway, why not include it in the Bill?" I can tell the Minister now that I do not intend to go to the stake on the amendment today, but I think it was worth bringing it here from Committee.

Amendment No. 7—unusually for a Liberal Democrat amendment—is quite sensible and modest. It would certainly be useful to have such information in

[Mr. Waterson]

the public domain. The amendment touches on the vexed question of " generic financial advice". I am still unconvinced that "generic advice" is not a classic oxymoron, but fortunately the Thoresen review is under way and no doubt it will find a way of squaring the circle. I do not know whether the amendment will be pressed to a vote, but if it is, we may well support it.

I hope that what I have said, particularly about the two new clauses in my name, gives some flavour of what we are trying to achieve. I look forward to hearing the Minister's comments in due course.

Danny Alexander (Inverness, Nairn, Badenoch and Strathspey) (LD): It is a pleasure to have become involved at this late stage in such an important Bill. I have observed its progress closely, although my hon. Friend the Member for Yeovil (Mr. Laws) has been very much in the driving seat.

Let me say a little about amendment No. 7. It dwells in detail on points that the hon. Member for Eastbourne (Mr. Waterson) made in his speech. It seeks to provide a mechanism for clarifying some of the issues he described about the likely extent of continued means-testing under the new arrangements proposed in the Bill and to offer objective analysis of that issue. It also seeks to offer analysis of the likely returns that different groups of people who will be auto-enrolled into personal accounts might expect to receive.

The hon. Member for Eastbourne referred to a seminar that I and many other Members attended. It sought to clarify the difference between various assessments—principally the Government's assessment and that of the Pensions Policy Institute—of the proportion of people who will be subject to means-testing under the Government's proposed pension arrangements. It forecast that the proportion will probably be about 29 per cent.—that is still its central estimate—but the PPI has suggested that about 45 per cent. of pensioners are likely to be subject to means-testing. The seminar clarified the reasoning behind those different estimates. As someone who is not a pensions expert, the evidence seemed to me to leave a wide range of possibilities about the proportion of people who will be auto-enrolled into personal accounts and who will continue to be in receipt of means-tested pension benefits.

That will have a substantial impact on how worth while it is for someone to save in a personal account and on other aspects of their personal circumstances. In particular, it will have a significant impact on the likely returns that people who are auto-enrolled into personal accounts can expect to receive. That is the subject of proposed new subsection (2A)(b), which requires the delivery authority to publish estimates of the proportion of people

"auto-enrolled into personal accounts who can be expected to secure returns of—

(i) £2 or more for every £1 saved,

(ii) £1 or more for every £1 saved,

(iii) less than £1 for every £1 saved".

Clearly, the range of possibilities is wide. My hon. Friend the Member for Yeovil made it clear in Committee that there seems to have been a degree of uncertainty and confusion from the Government about the proportion of people likely to expect those differing levels of returns. On Second Reading, the Secretary of State said in response to a question from my hon. Friend that

"the vast majority of people will be able to look forward with some confidence to receiving £2 back for every £1 put in."—[*Official Report*, 16 January 2007; Vol. 455, c. 665.]

Subsequently, the Department for Work and Pensions issued a paper entitled "Financial incentives to save for retirement", which stated that

"the system that we propose, in combination with the introduction of personal accounts, will see the large majority of people...expecting a payback well in excess of £1...for every £1".

There is a substantial difference between a payback of £1 for £1 and of £2 for £1. Looking forward, it might be difficult for Ministers and their officials to work out with any degree of certainty what the returns are likely to be. The purpose of amendment No. 7 is to require the delivery authority to do so.

The timing suggested in our amendment is important. We want the estimates to be brought forward by the authority no later than 1 December 2007. That would ensure that the figures, analysis and information that the personal accounts delivery authority was able to provide through its expert analysis would be available to the House, before it completed its consideration of the Bill that will no doubt be introduced in relation to personal accounts, to inform its judgments about the proportion of those auto-enrolled who will be on means-tested benefits, and the likely returns that they can expect. That information should be in the public domain and before the House so that it can form a big part of the debate.

If 45 per cent. of people are to be in receipt of means-tested benefits, they face some serious risks to saving in the personal accounts into which they will be auto-enrolled. It would be wrong for the House to consider a Bill that would set up such personal accounts without having that important information to hand. We also need to have information about the likely returns of such accounts. Such information is also critical to the marketing and promotion of personal accounts. The hon. Member for Eastbourne mentioned generic advice, but there are big questions about whether saving in personal accounts would be worth while for some people in that category, depending on the outcome in relation to means testing and the returns that they can expect.

When the Minister responds, I hope that he will be able to reassure us about how he intends to ensure that accurate information, which is as near to definitive as possible—or at least based on as wide a consensus as possible—about those two aspects will be made available to the House. That is what we seek to achieve, and I look forward to the Minister's response.

Ms Keeble: I am pleased to have a chance to speak briefly in this debate. I understand that the intention of this group of amendments is to probe, but it is important to get away from the loose discussion of means testing, because that could undermine the establishment of the new pensions regime and, more importantly, its sale for many of my constituents for

whom it will work very well indeed. It will be important in encouraging them to think about saving and making provision for themselves.

I challenge the hon. Member for Eastbourne (Mr. Waterson) about the benefits he was including in the general category of means testing. We have all heard that term endlessly and we have all heard our constituents say that they do not particularly like means-tested benefits. When they say that, they mean particular aspects of the pension credit. By and large, the people who most dislike the means-testing of pension credit are those who are not entitled to receive it. I have never yet heard someone who is entitled to pension credit actually complain about the process for getting it. If we included all the other benefits to which old people might be entitled in the first place, we would strangle the personal accounts at birth, which would be a great shame. That would say to people that either they should rely on personal accounts and self-provision, or that they should be dependent on the state. The reality for many people is that it will be a combination of both.

Many of my constituents will need both forms of provision, because many of them work part time. Others may work all the hours God sends, but they are not on very high wages. The personal accounts will work well for them, but in some instances they will need top-ups. Some of my constituents bought their council houses, and they will not need to worry about housing benefit, but those in rented accommodation will still need housing benefit. I think that they would regard that not as a means-tested benefit, but as part of the income package that they need to get by each month. The same applies to council tax credit and the various disability benefits and carer allowances that some people need to increase their income.

Mr. Waterson: I am following very closely what the hon. Lady is saying, but has she seen the figures produced by the Pensions Policy Institute? Unlike the DWP, it takes account of housing benefit in its projections of those who will benefit from personal accounts. The forecast shows that men with full national insurance records who rent in retirement will be in the high-risk category. Housing benefit will make a crucial difference for some people, and we cannot just ignore that by saying that personal accounts will be a jolly good thing for most. Factors such as that really must be taken into account.

4.45 pm

Ms Keeble: I have not seen the PPI figures, although I shall certainly look at them. I asked the hon. Gentleman to tell me what he considered to be means-tested benefits, because I wanted to clarify his party's approach to them. The Opposition have more serious aspirations to government now, so they—and the Liberal Democrats—must say what they understand by the term "means testing".

Old people do not respond well to being told, "This is good, but that is bad. You can have your personal accounts, but not the other benefits." Some of them will say, "Well, I might be auto-enrolled into the scheme, but I am going to opt out. To get by, I need X, Y and Z, and this, that and the other. Thanks very much, but this savings stuff is not for me."

It is important that we encourage people to make good self-provision, but we must also recognise that some people will need top-ups of various kinds. There is nothing shameful about that, as that is not means-testing: rather, it shows that the state is doing what it should do—that is, supporting people who make self-provision and making sure that people receive help according to their needs, with dignity and proper services in retirement.

Lynne Jones (Birmingham, Selly Oak) (Lab): I cannot agree that what my hon. Friend has described is not means-testing, although I accept that means-testing is very important and I would not want the incomes that very poor people receive to be reduced. I appreciate her opposition to the Conservative amendment, which is supposed to be a probing one, but what is her opinion of the Liberal Democrat proposal, which I think is very reasonable? It would merely ensure that information is provided to people so that they can decide whether personal provision through an auto-enrolment scheme is worth while.

Ms Keeble: I agree that the Liberal Democrats should also tell us what they mean by the phrase "means-tested benefits", but the existing advice systems are supposed to be able to provide the information to which my hon. Friend refers. Independent financial advisers are supposed to give people advice on benefits—goodness knows how!—but, equally, advice is also supposed to be given to them by the agencies dispensing the benefits. Those arrangements are designed to ensure that people make decisions based on what is in their best financial interest. We should not label as "means testing" all state support that takes into account someone's personal finances. For instance, the carers allowance, or the carers or disability supplements to pension credit, are not examples of means testing: instead, they offer—in a dignified and proper way—substantial support so that people in retirement can have a decent standard of living.

Mr. Waterson: I am grateful to the hon. Lady for giving away again. She is being very generous, but does she agree that a proportion of people will always be better advised, for a variety of reasons, to opt out of personal accounts because their circumstances mean that they will not be any better off, in the long run? Does she also agree that that raises the conundrum, which has still to be sorted out, about the sort of advice people will get under what Lord Turner has called an "advice-free" model?

Ms Keeble: What the hon. Gentleman suggests is a bit like telling people on the welfare to work scheme that it is better for some of them to remain unemployed and simply live on benefits. We want a system that encourages people to provide for themselves, which means that we must show robust support for self-provision. However, we must also recognise that this is not an either/or choice, as people who make private provision will also need top-ups. We must not suggest that it is some kind of disgrace to apply for the other benefits, or that it is degrading to do so because of the implied element of means testing. What we have to do is provide support that is appropriate to need.

Danny Alexander: Will the hon. Lady give way?

Ms Keeble: I will, but then I must make progress, as I am not sure when this section of the debate is due to finish.

Danny Alexander *rose—*

Mr. Deputy Speaker: Order. The knife falls at 5.22 pm. Although I am loth to intervene at this stage, this is not a general debate about means testing and its wider ramifications; it is specifically about the Pensions Bill. I mention that so that it might concentrate Members' minds a little.

Danny Alexander: Thank you, Mr. Deputy Speaker.

As the hon. Member for Northampton, North (Ms Keeble) knows, in the context of the Welfare Reform Bill, the Government have been considering how to make sure that it is worth people's while to go to work. The point of our amendment to the Pensions Bill is to ensure that objective information is provided both about the proportion of people in means testing, which includes pension credit, council tax benefit and housing benefit, and about the returns they are likely to receive, so that people can decide whether it is worth their while to save. Some people could be worse off if they chose a personal account, so it would be irresponsible to advise them to pay into one.

Ms Keeble: New clause 29 is specific, which is why I pursued the point about what a means-tested benefit is. Although I realise that it is a probing proposal, it states that the delivery authority would be wound up if

"in excess of 29 per cent. of the population over state pension age will, at the time of the introduction of personal accounts, be entitled to claim pension credit or another means-tested benefit",

but it does not say which means-tested benefits. The hon. Gentleman says it would include council tax benefit and housing benefit, as well as other benefits, but we need some clear indication of what the Opposition are talking about. Is the aim of proposal to probe exactly what the Government and the Opposition mean by means-tested benefits?

On a similar point, the hon. Gentleman that his party got things terribly wrong over the winter fuel allowance. They said, "This is something extra, but we actually want just one payment." In fact, pensioners said, "No, we want things that are appropriate to our needs", which is why they like the winter fuel allowance. It would be wrong to say that because many people need top-up benefits in one form of another we should not have personal accounts. The accounts are important because they will give people a personal entitlement. However, if people need top-up payments to give them a decent standard of living in retirement, with particular forms of support related to their personal circumstances—be they carers, disabled or non-home owners—it is important that they can obtain that support.

I am sure that my hon. Friend the Minister will say that we should not vote for the new clause—indeed, the hon. Member for Eastbourne may withdraw it. However, it is wrong for the Opposition to try to muddy the water and, in the process, make people worried about claiming the benefits they need to maintain their standard of living and to which they are fully entitled and the state is absolutely right to provide.

James Purnell: This has been an important debate, with good speeches from Members on both sides of the House. People will be watching it from outside this place, even if Members are not thronging to the Opposition Benches.

Mr. Waterson: Nor to yours.

James Purnell: Well, there are infinitely more Members on the Labour Benches.

The amendments deal with the role and operation of the delivery authority and have allowed us to discuss important issues to which I will turn later in my speech. In their substance, however, they treat the delivery authority as though it would take decisions on personal accounts, whereas all that we are setting up under the Bill is an authority that can advise the Government so that the Government can take those decisions. Although I realise that these are probing amendments on the issue of whether we should set objectives for such an advisory authority, it is quite clear that those objectives should be for Government—exactly as the hon. Member for Eastbourne (Mr. Waterson) said in his introductory remarks.

I want to turn to the points that the hon. Gentleman made. First, on amendment No. 3, he has slightly misunderstood the kind of guidance that we are talking about. As I said, the delivery authority is going to be advisory. It will support the Government in understanding the operational and commercial implications of policy options. It is therefore right that the Secretary of State is able to issue appropriate guidance from time to time, but a lot of that guidance is going to be fairly trivial. It will be on the format and presentation of the advice, and who should be consulted within the Department for Work and Pensions or other parts of Government. To specify that such ad hoc guidance must be subject to a length parliamentary process would impede the ability of the authority and the Secretary of State to move flexibly and quickly. Indeed, to suggest that for this initial short phase we should have a 40-day delay every time we want to issue guidance would be verging on the sclerotic and would be quite disproportionate. It is quite right that that advice should be given on a ba[illegible] that people can look at. We want to make sure that [illegible] continue on the basis of the open and consultative process that we have had to date. But it would be a mistake for a formal relationship and formal commitments in relation to publication and consultation with Parliament to be included in the Bill.

With respect to new clause 7, we agree with the spirit of what the hon. Gentleman is trying to do. As he was kind enough to say, he has, one might say, plagiarised—

Mr. Waterson: Pillaged.

James Purnell: Pillaged, even. He has paid homage to the objectives that we set out in the White Paper. In formulating our policy, we are of course conscious of

those long-term objectives, but I repeat that we are not setting up the personal accounts scheme through the Bill.

Mr. Waterson: If all that is true, why does the job description of the chief executive of the personal accounts delivery authority, which the Minister kindly sent to me, say that part of the chief executive's role is to

"Turn a strategic vision into a successful initiative"

and to

"Help evolve the business to meet its strategic objectives."

Where is he to find that strategy?

James Purnell: The chief executive is to advise the Secretary of State on the decisions to make around that strategy. The objectives that the Secretary of State is following will bind the chair and chief executive of the delivery authority. That is quite clear. It is right in this phase for the objectives to bind the Government. When, subject to the will of Parliament, we have the opportunity to debate this matter in a further instance, we will be able to see exactly what those objectives are. I am sure that the hon. Gentleman and I will delight in talking about this matter in Committee, yet again, in what will be a sort of franchised version of "Groundhog Day" by then.

We have finished our consultation on the White Paper, and it is important that we feed the responses into the development of the policy and that we respond appropriately to the people who have responded to our consultation. We are looking at the consultation responses and it would not be right to pre-empt that by setting objectives for the scheme before we have responded formally to the White Paper consultation.

The hon. Gentleman will be glad to know that we are working with the Pensions Policy Institute—his favourite think-tank—on a consultation event. I will be announcing another seminar to keep his diary occupied. He and Members on the Liberal Democrat Front Bench have been assiduous in attending these seminars. *[Interruption.]* Yes, sometimes even more assiduous that the Government. We thank them yet again for the spirit in which they have engaged in this policy, as well as their indefatigability. As I said, we are creating another seminar for their delectation. The PPI will help us to debate the objectives for the scheme and how members' interests can be made central to it. We would be happy for hon. Members to take part in the discussion. Other hon. Members can come along too. I agree that it has been valuable to discuss whether we should have objectives, but I hope that the House will agree that actually setting objectives in this Bill would be getting ahead of ourselves.

5 pm

The hon. Member for Eastbourne mentioned the issue of levelling down and I would like to repeat my previous assurances that personal accounts will complement rather than compete with existing pension provision. There is no intention—the hon. Gentleman asked for reassurance on this—to nationalise the pensions industry by the back door. Parts of the pensions industry work extremely well and we want to build on that. We also want to ensure that we can extend the benefits of those parts of the industry that are working well to the rest of the population in order to ensure, for example, that everyone has the chance to get a matching employer contribution.

We believe that we have developed a package of proposals that will help us to achieve precisely that. They include a prohibition on transfers, a limit on contributions and a simple scheme exemption test. We hope that that will keep the scheme focused on our target market of low to moderate earners. We will continue to work with stakeholders on additional ways of achieving that.

Mr. Waterson: Is the Minister in a position to tell us—in the light of our and other representations and the original recommendations of Lord Turner and his colleagues—whether he and the Secretary of State have reached a conclusion on the amount of the contribution cap?

James Purnell: The hon. Gentleman and I have spent so much time in each other's company that he can read my speech even from his sedentary position: that was precisely the issue to which I was about to come. As he knows, the level of the annual contribution is something on which we are consulting. As my right hon. Friend the Secretary of State has made clear, we are reconsidering the matter in the light of the responses. However, we want to look at those responses in the round.

The hon. Gentleman will have received representations about the issue from his new-found friends, the Association of British Insurers, but representations have been made from a range of directions. The Engineering Employers Federation said that there should be no cap at all; the TUC, the Equal Opportunities Commission, Age Concern and other organisations backed the £5,000 limit; while others said that it should be £3,600 or £3,000. For once, I stayed rather longer than the hon. Gentleman at the seminar at the Scottish Widows event on Monday, so he will have missed hearing Jeannie Drake say that the Turner commission would be perfectly happy with the £5,000 figure.

It is not a question, as some have claimed, of the Government being at odds with the Pensions Commission. The question is really how to achieve the twin goals of focusing the scheme on the target market while also allowing people to make extra contributions if they want. The Pensions Commission has always been very clear that the level of automatic enrolment is a minimum for people to contribute. We want to give enough headroom for people to be able to contribute above that and achieve a higher pension in retirement. We want to balance that with the aim that we have stuck to of targeting the scheme at the market. We will look in great detail at the responses to the White Paper and come back with proposals, which we will be happy to discuss with Opposition Front Benchers, to achieve that balance.

I hope that I have answered the points raised in the debate about personal accounts and the scheme. The remainder of the debate has focused particularly on means-testing, so I would like to spend a few minutes on that subject. The argument about means-testing often sets up what I believe to be a false choice between

[James Purnell]

whether we should or should not have means-testing. The truth is that all parties know that, whichever Government are in power and whatever scheme they come up with, there will always be a certain amount of means-testing. The question is therefore not whether there should or should not be means-testing, but what the right balance between universal benefits and means-tested benefits is and how fast we should taper away those means-tested benefits.

I believe that the argument about means-testing is very simple. The argument that I shall seek to develop in the rest of my speech is that we are trying to give people the ability to provide for themselves in retirement and to be well above the level for means-tested benefit. The poverty prevention level or safety net will be there for people if their life does not work out as they hoped and they are not able to make sufficient provision for themselves in retirement.

I also want to bust a couple of myths about means-testing, because the Opposition sometimes talk as though means-testing has exploded in the past few years. The truth is that the proportion of pensioners who claim means-tested benefits is far lower than in the past. Today, about a third of pensioner families claim means-tested benefits; in 1979, nearly two thirds did so. If our pension system has been affected by the level of means-testing, it should have been affected positively by the trends that have occurred. Indeed, the proportion of pensioner families who claim means-tested benefits has fallen since 1997. The question is not what that has done to saving today, but what we can do to encourage saving in the future. That is exactly what the Pensions Commission considered.

It was never our intention to continue the current policy framework indefinitely. It was introduced to deal with a problem that we inherited—the level of pensioner poverty—but we recognise that, if it had continued indefinitely, as the hon. Member for Eastbourne said, almost 80 per cent. of pensioners would have been entitled to pension credit in 2050. That is exactly why we never intended to continue it for that length of time.

Mr. Waterson: The figure is going up.

James Purnell: No, the figure is not going up, exactly because of the Bill, but if that happened the vast majority of the generation starting work today, who would retire in 2050, would expect to be affected by means-testing once they reach retirement. The reforms recommended by the Pensions Commission and implemented by the Bill address that situation. They make the basic state pension and the state second pension more generous, so that individuals with a good contribution record will be able to retire on £135 a week from their basic state pension and state second pension—well above the level of the pension credit—and their private savings will come on top of that.

Mr. Laws: If the PPI's higher estimates for means-testing were to prove correct and the Minister were to conclude that they were correct, would he be unhappy with that?

James Purnell: When the hon. Gentleman is Pensions Minister in 2050, or even in 2040 or 2030, he will be able to deal with that. We have clearly set out a set of policies that we want to make work. The reason why I am slightly reluctant to answer his question—something that he may have spotted—is that it is a question of what the right balance to reduce poverty is. It is not about picking an abstract number out of thin air. For example, as was persuasively pointed out by my hon. Friend the Member for Northampton, North (Ms Keeble), the Front-Bench team could just say, "We will get rid of council tax benefit and housing benefit." That would reduce means-testing in retirement by a huge proportion, but they would not want to do that because it would push people into poverty unjustifiably. Therefore, we should all aim to create a policy that delivers the right balance between universal benefits and means-tested benefits to ensure that people do not fall into unacceptable levels of poverty.

People will be able to work or care for their whole lives to get to £135 a week, and the Bill will introduce that important change. People can get to that £135 through a full life of caring, and caring contributions will be put on the same footing as working contributions—something that is extremely welcome—but their private savings will come on top of that. Many long-term savers in personal accounts can expect to get returns of at least £2 for every £1 initially invested by the individual.

The hon. Member for Inverness, Nairn, Badenoch and Strathspey (Danny Alexander) asked whether we could give more definitive projections than that. We will publish further research on the issue, but we will not be able to give definitive projections to people because we cannot tell someone at the age of 22 what their working life will be, any more than we can tell them whether they will be disabled in retirement, whether they will be renting in retirement or, indeed, whether Government policy will have changed when they retire.

The hon. Member for Eastbourne quoted the example of someone in rented accommodation. Would he really advise people in 2012 not to save when they are 22, because they thought that they might be renting and relying on council tax benefit or housing benefit in retirement? We have no way of knowing what the policy will be in 40 years' time. We can all seek together, through the Bill, to create a consensus, but I warn particularly Liberal Democrat Members about looking for a level of certainty that is so great that it makes the scheme impossible. If the Liberal Democrats want to sign up to automatic enrolment, as I believe that they do, they will have to accept that we will be giving people a reasonable understanding of their future, rather than a perfect 20:20 prediction—no one could aim to do that.

The large majority of people can expect a good return from personal accounts, but pension credit will provide a safety net of about £119 a week if things go wrong. The key aspect of the reforms is that someone starting off work after personal accounts come in will know that if they work or care for most of their working lives and pay into an account, they will retire on significantly more than the means-tested minimum.

The Pensions Commission did not suggest eliminating means-testing and nor does any commentator or party in the House. Instead, there is a consensus that we

should have a safety net to prevent unacceptable poverty in retirement, which is what pension credit becomes thanks to these reforms. The proportion of people entitled to pension credit will be reduced to less than 30 per cent. by 2050. There will thus be two main groups of people who will benefit from pension credit: those whose working lives did not turn out as they hoped and were not able to make contributions through working or caring to lift themselves above the means-tested level; and, just as importantly—and inconveniently for the policy of the Liberal Democrats—people who get more than £119 in retirement because they are disabled or caring for someone, or because they have other costs. We teased the hon. Member for Yeovil (Mr. Laws) in Committee to tell us whether he planned to take money away from that second group of people, but I assume that he will continue to duck the question, given that that issue is the fatal flaw in his proposal.

We believe that our proposals strike the right balance between universal benefits and means-tested benefits. We are happy to consider any suggestions that Opposition Front Benchers might make, but in truth there are only two ways in which we could reduce the proportion of people on means-testing. The first way would be to increase the basic state pension to the standard minimum guarantee level of £119 a week, which is somewhere near the policy of the hon. Member for Yeovil. However, without making offsetting changes, that would cost £20 billion, or 5p on income tax. If it were not enough that such a policy would be unaffordable, it is worth noting that it would not get rid of means-testing. It would reduce means-testing by only about a quarter, so while £20 billion would be spent, the hon. Gentleman would still have to decide whether to support automatic enrolment because of, for example, the question of housing benefit, or the situation for people who got more in retirement because they were disabled. Perhaps he will tell us whether he would take money off the people whom we have been discussing for so long.

Mr. Laws: Does the Minister agree that the more modest—and certainly more affordable—measure of bringing forward the timing of the introduction of the earnings link to next year from a vague date between 2012 and 2015 would, according to his figures, reduce means-testing by 5 per cent. by 2015?

James Purnell: My point is that whatever was done in the direction that the hon. Gentleman suggests, we would still have means-testing in the system. His proposal, which might end up being more modest than the one that I have read out, would cost £20 billion and increase income tax by 5p, but it would reduce the proportion of people on means-tested benefits in retirement by only a quarter. He knows very well that he would thus be in the same position on automatic enrolment. He wants to be able to say that he would increase the basic state pension, but he knows full well that that would not deal with the issue that he has identified.

Lynne Jones: My hon. Friend expresses the view that it would cost £20 billion—a year, I presume—to bring the basic state pension up to the level of pension credit. Will he place in the House of Commons Library the calculations that he has used to derive that figure?

James Purnell: I will do so happily, provided that the hon. Member for Yeovil also tells us what he would do about the 80 per cent. of people who, in 2050, would be getting more than £119. If the hon. Gentleman wants to tell us what he would do about people who got more than that amount because of disability or carers premiums or their state second pension—if he wants to tell the public that his plan is to take that money away from them—we will be happy to put that information in the Library. We are very happy to put it in the Library anyway, but I was trying yet again, rather pathetically, to get the hon. Gentleman to tell us what his policy is.

5.15 pm

The other way to reduce means-testing, of course, is to take money off poor people. The Tories seem to be saying that they do not want to increase the basic state pension, but they want to reduce the level of means-testing. The only way they could do that is by taking money off poor people, and I do not think that that is what they are planning to do. I am happy to let the hon. Member for Eastbourne intervene on me if he wants to. If that really is the Tories' policy we are happy to debate it with them; otherwise, the House will have to conclude that they want to make a noise about means-testing in general, without having any proposal to change what the Government are doing. We are happy to have that debate. We think that our proposals strike the right balance between enabling people to save for themselves and providing a safety net for them to fall back on—a safety net that has lifted 2 million people out of pensioner poverty since 1997.

Amendment No. 7 would require the delivery authority to publish analysis of the interaction of means-testing with personal accounts as well as plans for the delivery of generic financial information. That would place an unnecessary extra pressure on the delivery authority in its initial stages by requiring it to carry out extensive and complex analysis in a short time and to duplicate some work already being undertaken in other areas. The Department for Work and Pensions and other experts will be providing much of the information that the hon. Members for Yeovil and for Inverness, Nairn, Badenoch and Strathspey are after. Indeed, we plan to invite them to a further series of seminars to discuss the information base over the next few decades.

Mr. Laws: How many are there?

James Purnell: My officials have suggested a series of five seminars to which we could invite Front Benchers. I am happy to strike a bargain with the hon. Gentleman: if he wants to tell us how he is going to take money off disabled people and carers, we will invite him to all five seminars; otherwise, I propose to invite him to just two.

We do not believe that it would be right to place that burden on the authority. We believe that it is right to have a proper information strategy and to look at what we can do to improve people's financial capability. We are working with Otto Thoreson and the Treasury on a study to research and design a national approach to generic financial advice, and rather than a false debate about means-testing, in which the House knows that

[James Purnell]

what we are talking about is where that balance should be struck, we should have a real debate about how to make that generic information and advice work so that people can make informed decisions about their future.

The debate has shown that personal accounts and automatic enrolment are of great interest to Members. Much of our debate has focused on the substance of personal accounts, and there will be opportunities to discuss that following our response to the White Paper, which will be published soon, and, subject to the will of Parliament, in legislation in the next Session. Rather than pre-empt that, I urge Members on both Front Benches not press their amendments and new clauses and instead to comfort themselves with the thought of the seminars that we will be holding between now and then so that they can table amendments in the next Session.

Mr. Waterson: If the Minister thinks that he can threaten me by upping the rate of seminars to which he is going to invite me, he is absolutely right. I am seminared out, and the prospect of no fewer than five on one small subset of the issues is more than flesh and blood can bear.

I have already made it clear that new clause 29 is a probing new clause and it has served its purpose, up to a point. Amendment No. 3 is not sufficiently important to press to a Division. However, I feel strongly about new clause 7. The Minister ought to feel equally strongly about it because it is largely looted from the wording in his own White Paper, so I do not understand why there is a problem putting that in the Bill. We have concerns, and it is not just us; the industry shares those concerns, as I said in my speech. On that basis, I would like to press new clause 7 to a vote.

Question put, That the clause be read a Second time:—

The House divided: Ayes 217, Noes 293.

Division No. 092] **[5.20 pm**

AYES

Afriyie, Adam
Ainsworth, Mr. Peter
Alexander, Danny
Amess, Mr. David
Atkinson, Mr. Peter
Bacon, Mr. Richard
Barker, Gregory
Baron, Mr. John
Barrett, John
Baith, rh Mr. Alan
Bellingham, Mr. Henry
Benyon, Mr. Richard
Bercow, John
Beresford, Sir Paul
Binley, Mr. Brian
Bone, Mr. Peter
Bottomley, Peter
Brady, Mr. Graham
Brake, Tom
Brazier, Mr. Julian
Breed, Mr. Colin
Brokenshire, James
Brooks, Annette
Browne, Mr. Jeremy
Browning, Angela
Burns, Mr. Simon
Burrowes, Mr. David
Burstow, Mr. Paul
Burt, Alistair
Burt, Lorely
Campbell, Mr. Gregory
Campbell, rh Sir Menzies
Carmichael, Mr. Alistair
Carswell, Mr. Douglas
Cash, Mr. William
Clark, Greg
Clegg, Mr. Nick
Clifton-Brown, Mr. Geoffrey
Conway, Derek
Cormack, Sir Patrick
Cox, Mr. Geoffrey
Crabb, Mr. Stephen
Curry, rh Mr. David
Davey, Mr. Edward
Davies, David T.C. (Monmouth)
Davies, Philip
Davies, Mr. Quentin
Dodds, Mr. Nigel
Donaldson, Mr. Jeffrey M.
Dorrell, rh Mr. Stephen
Dorries, Mrs. Nadine
Duddridge, James
Dunne, Mr. Philip
Ellwood, Mr. Tobias
Fabricant, Michael
Fallon, Mr. Michael
Farron, Tim
Featherstone, Lynne
Field, Mr. Mark
Foster, Mr. Don
Fox, Dr. Liam
Francois, Mr. Mark
Fraser, Mr. Christopher
Garnier, Mr. Edward
Gauke, Mr. David
George, Andrew
Gibb, Mr. Nick
Gidley, Sandra
Goldsworthy, Julia
Goodman, Mr. Paul
Goodwill, Mr. Robert
Gove, Michael
Grayling, Chris
Green, Damian
Gummer, rh Mr. John
Hague, rh Mr. William
Hammond, Stephen
Hands, Mr. Greg
Harper, Mr. Mark
Hayes, Mr. John
Heath, Mr. David
Heathcoat-Amory, rh Mr. David
Hemming, John
Hendry, Charles
Herbert, Nick
Hoban, Mr. Mark
Hogg, rh Mr. Douglas
Hollobone, Mr. Philip
Holmes, Paul
Horam, Mr. John
Horwood, Martin
Howard, rh Mr. Michael
Howarth, David
Howarth, Mr. Gerald
Hughes, Simon
Huhne, Chris
Hunt, Mr. Jeremy
Hunter, Mark
Hurd, Mr. Nick
Jack, rh Mr. Michael
Jackson, Mr. Stewart
Jones, Mr. David
Kawczynski, Daniel
Keetch, Mr. Paul
Kennedy, rh Mr. Charles
Kirkbride, Miss Julie
Knight, rh Mr. Greg
Kramer, Susan
Lait, Mrs. Jacqui
Lamb, Norman
Lansley, Mr. Andrew
Laws, Mr. David
Leech, Mr. John
Leigh, Mr. Edward
Letwin, rh Mr. Oliver
Liddell-Grainger, Mr. Ian
Lidington, Mr. David
Lilley, rh Mr. Peter
Llwyd, Mr. Elfyn
Loughton, Tim
Luff, Peter
Mackay, rh Mr. Andrew
Maclean, rh David
Main, Anne
Maude, rh Mr. Francis
May, rh Mrs. Theresa
McCrea, Dr. William
McIntosh, Miss Anne
McLoughlin, rh Mr. Patrick
Mercer, Patrick
Miller, Mrs. Maria
Mitchell, Mr. Andrew
Moss, Mr. Malcolm
Mulholland, Greg
Murrison, Dr. Andrew
Neill, Robert
Newmark, Mr. Brooks
O'Brien, Mr. Stephen
Oaten, Mr. Mark
Öpik, Lembit
Osborne, Mr. George
Ottaway, Richard
Paterson, Mr. Owen
Pelling, Mr. Andrew
Penning, Mike
Penrose, John
Pickles, Mr. Eric
Prisk, Mr. Mark
Pritchard, Mark
Pugh, Dr. John
Randall, Mr. John
Redwood, rh Mr. John
Reid, Mr. Alan
Rifkind, rh Sir Malcolm
Robathan, Mr. Andrew
Robertson, Hugh
Robertson, Mr. Laurence
Rogerson, Mr. Dan
Rosindell, Andrew
Rowen, Paul
Ruffley, Mr. David
Russell, Bob
Sanders, Mr. Adrian
Scott, Mr. Lee
Selous, Andrew
Shapps, Grant
Shepherd, Mr. Richard
Simmonds, Mark
Simpson, David
Simpson, Mr. Keith
Smith, Sir Robert
Spelman, Mrs. Caroline
Spicer, Sir Michael
Spink, Bob
Spring, Mr. Richard
Stanley, rh Sir John
Steen, Mr. Anthony
Streeter, Mr. Gary
Stuart, Mr. Graham
Swayne, Mr. Desmond
Swinson, Jo
Swire, Mr. Hugo
Syms, Mr. Robert
Tapsell, Sir Peter
Taylor, Mr. Ian
Taylor, Matthew
Taylor, Dr. Richard
Teather, Sarah

Thurso, John
Tredinnick, David
Turner, Mr. Andrew
Tyrie, Mr. Andrew
Vaizey, Mr. Edward
Viggers, Peter
Villiers, Mrs. Theresa
Walker, Mr. Charles
Wallace, Mr. Ben
Waterson, Mr. Nigel
Watkinson, Angela
Webb, Steve
Weir, Mr. Mike
Whittingdale, Mr. John
Widdecombe, rh Miss Ann
Wiggin, Bill
Willetts, Mr. David
Williams, Mark
Williams, Mr. Roger
Williams, Stephen
Willis, Mr. Phil
Willott, Jenny
Wilson, Sammy
Winterton, Ann
Winterton, Sir Nicholas
Wishart, Pete
Wright, Jeremy
Yeo, Mr. Tim
Young, rh Sir George

Tellers for the Ayes:
Mr. David Evennett and
Mr. Mark Lancaster

NOES

Abbott, Ms Diane
Ainger, Nick
Ainsworth, rh Mr. Bob
Allen, Mr. Graham
Anderson, Mr. David
Anderson, Janet
Armstrong, rh Hilary
Atkins, Charlotte
Austin, Mr. Ian
Bailey, Mr. Adrian
Baird, Vera
Balls, Ed
Banks, Gordon
Barlow, Ms Celia
Barron, rh Mr. Kevin
Battle, rh John
Bayley, Hugh
Begg, Miss Anne
Bell, Sir Stuart
Benn, rh Hilary
Benton, Mr. Joe
Betts, Mr. Clive
Blackman, Liz
Blackman-Woods, Dr. Roberta
Blears, rh Hazel
Blizzard, Mr. Bob
Blunkett, rh Mr. David
Bradshaw, Mr. Ben
Brennan, Kevin
Brown, Lyn
Brown, rh Mr. Nicholas
Brown, Mr. Russell
Browne, rh Des
Bryant, Chris
Buck, Ms Karen
Burgon, Colin
Burnham, Andy
Butler, Ms Dawn
Byers, rh Mr. Stephen
Cairns, David
Campbell, Mr. Alan
Campbell, Mr. Ronnie
Caton, Mr. Martin
Cawsey, Mr. Ian
Challen, Colin
Chapman, Ben
Chaytor, Mr. David
Clapham, Mr. Michael
Clark, Ms Katy
Clarke, rh Mr. Charles
Clarke, rh Mr. Tom
Clelland, Mr. David
Clwyd, rh Ann
Coaker, Mr. Vernon
Coffey, Ann
Cohen, Harry
Connarty, Michael
Cook, Frank
Cooper, Rosie
Cooper, Yvette
Corbyn, Jeremy
Creagh, Mary
Cruddas, Jon
Cryer, Mrs. Ann
Cummings, John
Cunningham, Mr. Jim
Cunningham, Tony
Curtis-Thomas, Mrs. Claire
Darling, rh Mr. Alistair
David, Mr. Wayne
Davidson, Mr. Ian
Davies, Mr. Dai
Dean, Mrs. Janet
Denham, rh Mr. John
Devine, Mr. Jim
Dismore, Mr. Andrew
Dobbin, Jim
Dobson, rh Frank
Donohoe, Mr. Brian H.
Doran, Mr. Frank
Dowd, Jim
Drew, Mr. David
Dunwoody, Mrs. Gwyneth
Eagle, Angela
Eagle, Maria
Efford, Clive
Ellman, Mrs. Louise
Engel, Natascha
Ennis, Jeff
Farrelly, Paul
Field, rh Mr. Frank
Fisher, Mark
Fitzpatrick, Jim
Flello, Mr. Robert
Flint, Caroline
Follett, Barbara
Foster, Mr. Michael *(Worcester)*
Foster, Michael Jabez *(Hastings and Rye)*
Francis, Dr. Hywel
Gapes, Mike
Gardiner, Barry
Gerrard, Mr. Neil
Gibson, Dr. Ian
Gilroy, Linda
Godsiff, Mr. Roger
Goggins, Paul
Goodman, Helen
Griffith, Nia
Griffiths, Nigel
Grogan, Mr. John
Gwynne, Andrew
Hain, rh Mr. Peter
Hall, Mr. Mike
Hall, Patrick
Hamilton, Mr. Fabian
Hanson, rh Mr. David
Harman, rh Ms Harriet
Harris, Mr. Tom
Healey, John
Hendrick, Mr. Mark
Hepburn, Mr. Stephen
Heppell, Mr. John
Hesford, Stephen
Hewitt, rh Ms Patricia
Hill, rh Keith
Hillier, Meg
Hodge, rh Margaret
Hodgson, Mrs. Sharon
Hoey, Kate
Hood, Mr. Jimmy
Hoon, rh Mr. Geoffrey
Hopkins, Kelvin
Howarth, rh Mr. George
Howells, Dr. Kim
Hoyle, Mr. Lindsay
Humble, Mrs. Joan
Hutton, rh Mr. John
Iddon, Dr. Brian
Jackson, Glenda
James, Mrs. Siân C.
Jenkins, Mr. Brian
Johnson, rh Alan
Johnson, Ms Diana R.
Jones, Helen
Jones, Lynne
Jowell, rh Tessa
Kaufman, rh Sir Gerald
Keeble, Ms Sally
Keeley, Barbara
Keen, Alan
Keen, Ann
Kelly, rh Ruth
Kemp, Mr. Fraser
Kennedy, rh Jane
Khan, Mr. Sadiq
Kidney, Mr. David
Killoyle, Mr. Peter
Knight, Jim
Kumar, Dr. Ashok
Ladyman, Dr. Stephen
Lammy, Mr. David
Lazarowicz, Mark
Lepper, David
Lewis, Mr. Ivan
Linton, Martin
Love, Mr. Andrew
Lucas, Ian
Mackinlay, Andrew
Mactaggart, Fiona
Mahmood, Mr. Khalid
Malik, Mr. Shahid
Malleber, Judy
Mann, John
Marris, Rob
Marsden, Mr. Gordon
Martlew, Mr. Eric
McAvoy, rh Mr. Thomas
McCabe, Steve
McCarthy, Kerry
McCarthy-Fry, Sarah
McCartney, rh Mr. Ian
McDonagh, Siobhain
McDonnell, Dr. Alasdair
McDonnell, John
McFadden, Mr. Pat
McFall, rh John
McGovern, Mr. Jim
McGuire, Mrs. Anne
McIsaac, Shona
McKechin, Ann
McKenna, Rosemary
McNulty, Mr. Tony
Meacher, rh Mr. Michael
Merron, Gillian
Michael, rh Alun
Milburn, rh Mr. Alan
Miliband, rh David
Miliband, Edward
Mitchell, Mr. Austin
Moffat, Anne
Moffatt, Laura
Mole, Chris
Moon, Mrs. Madeleine
Morden, Jessica
Morgan, Julie
Morley, rh Mr. Elliot
Mountford, Kali
Mudie, Mr. George
Munn, Meg
Murphy, Mr. Denis
Murphy, Mr. Jim
Murphy, rh Mr. Paul
Naysmith, Dr. Doug
Norris, Dan
O'Brien, Mr. Mike
Olner, Mr. Bill
Osborne, Sandra
Owen, Albert
Palmer, Dr. Nick
Pearson, Ian
Plaskitt, Mr. James
Pope, Mr. Greg
Pound, Stephen
Prentice, Mr. Gordon
Primarolo, rh Dawn
Prosser, Gwyn
Purchase, Mr. Ken
Purnell, James
Raynsford, rh Mr. Nick
Reed, Mr. Andy
Reid, rh John
Robertson, John
Robinson, Mr. Geoffrey
Rooney, Mr. Terry
Roy, Mr. Frank
Ruane, Chris
Ruddock, Joan
Salter, Martin
Seabeck, Alison
Sheerman, Mr. Barry
Sheridan, Jim
Simon, Mr. Siôn
Simpson, Alan
Singh, Mr. Marsha
Skinner, Mr. Dennis
Slaughter, Mr. Andy
Smith, rh Mr. Andrew

Smith, Ms Angela C. *(Sheffield, Hillsborough)*
Smith, Angela E. *(Basildon)*
Smith, rh Jacqui
Snelgrove, Anne
Soulsby, Sir Peter
Southworth, Helen
Spellar, rh Mr. John
Starkey, Dr. Phyllis
Stewart, Ian
Steele, Dr. Howard
Strang, rh Dr. Gavin
Stringer, Graham
Stuart, Ms Gisela
Tami, Mark
Taylor, Ms Dari
Thomas, Mr. Gareth
Thornberry, Emily
Timms, rh Mr. Stephen
Tipping, Paddy
Todd, Mr. Mark
Touhig, rh Mr. Don
Trickett, Jon
Turner, Dr. Desmond
Turner, Mr. Neil
Twigg, Derek
Ussher, Kitty
Walley, Joan
Waltho, Lynda
Ward, Claire
Wareing, Mr. Robert N.
Watson, Mr. Tom
Watts, Mr. Dave
Whitehead, Dr. Alan
Wicks, Malcolm
Williams, rh Mr. Alan
Wills, Mr. Michael
Winnick, Mr. David
Winterton, rh Ms Rosie
Wood, Mike
Woodward, Mr. Shaun
Woolas, Mr. Phil
Wright, Mr. Anthony
Wright, David
Wright, Mr. Iain
Wright, Dr. Tony
Wyatt, Derek

Tellers for the Noes:
Jonathan Shaw and
Huw Irranca-Davies

Question accordingly negatived.

Madam Deputy Speaker (Sylvia Heal): Order. I understand that a number of Members were unable to register their vote on this occasion due to a malfunctioning door. I am having that investigated so that it should not cause problems for any future Divisions.

Mr. Patrick McLoughlin (West Derbyshire) (Con): On a point of order, Madam Deputy Speaker. I appreciate your launching that investigation. Will you ensure that the results are relayed to the House, because there is no doubt that a lot of Members who wanted to take part in that Division were unable to do so, and we must ensure that such an occurrence does not happen again?

Madam Deputy Speaker: I fully understand the hon. Gentleman's point. We do not want such an event to happen again, and I have no problem whatsoever in informing the House of the results of the inquiry.

New Clause 28

CERTIFICATION SCHEME FOR CARERS

'After section 23A of the SSCBA (inserted by section 3 of this Act) insert—

"23B Contributions credits for relevant parents and carers: supplementary provisions

The Secretary of State must, not later than 31st December 2007, make regulations providing for the certification by health and social care professionals of persons who—

(a) are engaged in caring for another person or persons for a minimum of 20 hours a week, and

(b) are not otherwise recognised by regulations under section 23A."'.—*[Mr. Laws.]*

Brought up, and read the First time.

Mr. Laws: I beg to move, That the clause be read a Second time.

Madam Deputy Speaker: With this it will be convenient to discuss amendment No. 15, in clause 3, page 3, line 33, at end insert—

'(d) is in receipt of a certificate under section 23B.'.

Mr. Laws: I am delighted that despite our necessarily long debates on some of the earlier amendments, we have reached new clause 28 and amendment No. 15, which stand in my name and those of my hon. Friends.

Members who regularly attended our debates in Committee will recall that we had a debate that I suspect will be very similar to this one because it dealt with a very similar issue. The hon. Member for Northampton, North (Ms Keeble) raised issues to do with caring, as did my hon. Friend the Member for Solihull (Lorely Burt). It is recognised on both sides of the House that the Bill will benefit the position not only of many women but of many individuals who are carers because of the change that it makes to the national insurance contribution mechanism—the reduced number of years—and the other changes that the Government are implementing in relation to carers credit. We welcome those reforms, which have also been widely welcomed by groups with an interest in the subject.

Without going back over all the debate in Committee that is already on the record, it is widely appreciated that some 40,000 individuals who are caring for 20 hours or more a week will not be covered by the Government's carers credit because they are not caring for someone who is in receipt of constant attendance allowance or the middle or highest rate of the care components of disability living allowance. The various bodies that represent carers—the Equal Opportunities Commission and others—have set out a series of helpful examples, which we discussed in Committee, of individuals whom hon. Members of all parties would want to benefit from the carers credit, but are left out of the Bill.

The hon. Member for Northampton, North also raised the matter in Committee and we tabled various amendments, which were designed to remedy the position by introducing a process of certification by health and social care professionals for individuals who are engaged in caring for another person or persons for a minimum of 20 hours a week or more. In one of the great triumphs—perhaps the great triumph—of the Committee stage for the Liberal Democrats, the Minister responded constructively to a debate that my hon. Friend the Member for Solihull initiated. He said that the Government were happy to explore certification and that they had various concerns about whether health professionals would have the expertise to quantify the hours of care, whether they would require payment, and how the new requirement on local authorities would fit into the overall Government approach to carers.

The Minister helpfully undertook to discuss the matter with the Department of Health and report back before the end of the Bill's passage. The new clause and amendment give us an opportunity to check on the Minister's progress and ensure that he has moved swiftly to deliver the relatively firm undertaking. It gives him an opportunity to tell us what progress has been made between the Department for Work and Pensions and the Department of Health.

The carers' organisations and the Equal Opportunities Commission, which represent a broad range of opinion, said that they support new clause 28 and that they would like the Government to press ahead on the matter. I hope that the debate will be brief and that we can get an update from the Government on their commitment. If the Minister responds positively, it will not be necessary to press the new clause.

Ms Keeble: I am pleased that it is possible to discuss the subject again and have another chance to press my hon. Friend the Minister. We want to ensure that the proposals are taken forward and that we get greater recognition for carers in the Bill.

I have pressed my hon. Friend for some time on a range of carers' issues, but especially on proper recognition for the role of carers. The amendment deals with that. The Bill includes important proposals to improve carers' pension rights but the number and range of people who come within its scope are disappointing. We need to ensure that the work that all carers do, when it amounts to a full job, is properly recognised so that people do not lose out simply because their sort of caring does not tick every single box on the entitlement to carers credit sheet.

There must be a process to ensure that we have a robust way in which to decide who should qualify for the credit. It will not help carers if the credit is cheapened by being provided too easily. As I have previously argued, it is important to conduct the assessment of the carer's work during the caring assessment, which the local authority undertakes. That would properly involve social services and health care professionals and would also rely on a robust decision-making process, which is conducted by the social services authority and rests with it rather than the health authority. I would hope that discussions on these issues will take place before any regulations are put in place. I feel that to introduce those regulations by the end of the year would be too soon, although I acknowledge that they have to be brought in within a year.

5.45 pm

In particular, I hope that the Minister will be able to comment now on the regard that the provisions will have for how the assessments are carried out. For example, those carrying out the assessment might look at the number of people being cared for, and at the type of disability involved. Rather than looking at just one or the other, however, they should be able to look at a complex situation in the round, to see exactly what the person is doing. For example, a woman might be looking after a number of neighbours, none of whom receives any of the qualifying benefits, and none of whom would be able to manage without her support. She would thereby be excluded from taking a job, but she should be able to benefit because of the type of care she is providing, and the range of conditions and the number of people involved.

I would hope that such provision would include family members. For example, a woman might have a number of older children with a range of disabilities for whom she still cares. They might still need day-to-day care, but would not qualify for the types of benefit specified in the present legislation. I want to press my hon. Friend the Minister on this issue. It involves a range of issues about disability benefits and carers benefits, but this specific question regarding pensions is really important.

This usually affects women, although I accept that it can involve men as well. Often, women who have spent their whole lives caring for people and been unable to go out to work as a result will have to go out to work after retirement because they do not have the appropriate pension entitlements and cannot get benefits. They have to find an income somehow, but just at the time when they should be looking for more support from the state, they have to go out to work. A small cost would achieve a massive gain for this vulnerable group of pensioners. They make a huge contribution to society and are completely entitled to our support in retirement. I hope that my hon. Friend will make clear his commitment to establishing a proper process and a robust certification procedure to ensure that these people and the service that they provide to people with disabilities and to the wider society are properly recognised in their retirement.

Andrew Selous (South-West Bedfordshire) (Con): I will endeavour to be brief, as we do not have much time. New clause 28 and amendment No. 15 cover ground that was well covered by our deliberations on clause 3 in the Public Bill Committee. However, it is worth mentioning again the predicament of carers and the reasons why my hon. Friends and I are pleased to support the measures in the Bill that support them, some of which were in our 2005 manifesto.

There are 6 million carers in the United Kingdom, one in five of whom give up employment to care and have gaps in their pension record as a result. Carers UK estimates that, by 2037, there could be as many as 9 million carers—an increase of 3 million. The Government estimate that the effect of clause 3—which new clause 28 and amendment No. 15 seek to amend—will be that, by 2010, an additional 120,000 carers who care for more than 20 hours a week will gain entitlement to the basic state pension, and that an additional 180,000 such carers will gain entitlement to the state second pension. As the hon. Member for Yeovil (Mr. Laws) has pointed out, that leaves 40,000 people who might not accrue rights to the basic state pension and 60,000 who might not accrue rights to the state second pension, if they do not have 30 qualifying years at pensionable age. It is odd that the Government have sought to base the eligibility criteria for carers' credits on the benefits of the person being cared for, rather than on the circumstances of the carer.

In Committee, the Minister was big enough to say that the measure in the Bill was not perfect. He said:

"We are discussing the issue with the Department of Health and will report back before the end of the passage of the Bill".

He also said

"extension of eligibility along these lines could be done under regulations made possible by the Bill as drafted."—[*Official Report, Pensions Public Bill Committee*, 23 January 2007; c. 62.]

We all wait eagerly to hear what the Minister will say now that he has had a chance to think about the matter further.

The net cost per year of providing carers national insurance credit for those caring for more than 20 hours per week for people who are receiving attendance allowance,

[Andrew Selous]

constant attendance allowance, or the middle or higher-rate care component of disability living allowance will be £800 million by 2050. That was revealed on 29 March in written answer 303 in the House of Lords, asked by Lady Hollis. The Government have already made a considerable financial commitment. Is there a maximum amount that the Government are prepared to spend per year on carers national insurance credit? Will the Minister also tell us, in as much detail as possible, how he proposes to widen the eligibility criteria for the credit?

I hope that the answers to those questions will be given here rather than in another place, because I think that it would be a courtesy to this House to give us the information now.

Lorely Burt (Solihull) (LD): I shall be extremely brief. We have heard some excellent speeches, and I do not want to duplicate what has been said by other Members, all of whom have spoken in favour of new clause 28.

The principle is that carers credit is for the carer, not the person being cared for. Carers UK believes that a system of certification can be made to work, and that carers should not be punished for the inflexibility of the current system. As was explained by the hon. Member for Northampton, North (Ms Keeble), some people are not covered through no fault of their own. Someone caring for several people on the lower rate of disability living allowance, or a woman who looks after a schizophrenic husband who is not prepared to claim disability living allowance but needs constant care, cannot claim carers allowance, home responsibilities protection or carers national insurance credit .

Many organisations recommend a system of accreditation, involving a standard form with a space for an approved professional to certify that a carer is working for 20 or more hours a week. In Committee, we had a fairly long discussion on whether a doctor would be an appropriate person. I think that appropriate people would be those who were involved with the disabled person and his or her carer at home, such as members of social services departments, local education authorities—in the case of those with special educational needs—and community mental health teams, or community nurses and other health professionals who are in constant contact with patient and carer.

The Women's Pensions Network, which includes groups such as Age Concern, Help the Aged and the Equal Opportunities Campaign, agrees that justice is needed for the people affected by the present system—40,000 according to Carers UK, although the EOC estimates that the number is closer to 50,000. In fact, it is not merely a question of the number of people affected; it is a question of justice for those who have fallen through the net of an inflexible framework. The Minister has kindly said that he is prepared to reflect seriously on the possibility of encapsulating those deserving individuals in the framework, and we await the outcome of his reflections with bated breath.

James Purnell: It is good to end the Report stage on a similar consensual note to that which characterised most of our Committee proceedings. In the brief amount of time that is available I will try to respond positively to this group of amendments and to the campaigning of my hon. Friend the Member for Northampton, North (Ms Keeble).

New clause 28 and amendment No. 15 introduce a new regulation-making power that would be used to extend the carers credit to those certified as engaged in at least 20 hours of caring a week by health or social care professionals. There has been an attempt to encapsulate the spirit of some of my remarks in Committee, and it is therefore unsurprising that we are sympathetic to the intention behind the amendments. The amendments are, however, not strictly necessary. The regulation power under the Bill is drawn widely enough to allow us to include people engaged in caring. We therefore would not need to introduce further legislation to put into practice the intention of these amendments.

As I said in Committee, our plan is that in order to be eligible for the carers credit people would have to self-certify. There is no perfect way of doing that: the hon. Member for South-West Bedfordshire (Andrew Selous) said that it was not a perfect measure, but there is no perfect measure. We are trying to avoid the carer having to have a time sheet and therefore we want to have a self-certification process, but we need a lock in the system which is why they will have to identify someone for whom they are caring, and we say that that should be someone in receipt of attendance allowance, the highest or middle rate of disability living allowance or constant attendance allowance.

The hon. Member for South-West Bedfordshire asked how much we are prepared to spend on this. We are prepared to spend—and have costed in—enough to get to that population whose hours are above 20 a week but who are not building up a full state pension. Everybody shares the goal of enabling those 40,000 people to qualify for the basic state pension and, more importantly, for their state second pension, and the intention is to do exactly that. I hope that that gives the hon. Gentleman the reassurance that he needs. This is not a question of finance; it is a question of trying to find a way of getting people to self-certify and to get the qualification that they need.

Committee members will recall our discussion on this subject and particularly the heartfelt and persuasive speech of my hon. Friend the Member for Northampton, North, who has campaigned on it assiduously and passionately.

Mr. Laws: And my hon. Friend the Member for Solihull (Lorely Burt).

James Purnell: Indeed, I also pay tribute to the hon. Lady, who made a persuasive speech, too, and who joined in the consensus in our discussion.

I am pleased to be able to announce that we will explore how health and social care professionals might be involved in certifying that someone is caring for at least 20 hours a week through the review of the 1999 national carers strategy, and that we will report back before the end of the year. We are committed to doing that; it is not a question of whether this can be done, but of how.

Andrew Selous: In Committee, the Minister kindly said that he would report back before the end of the passage of the Bill through both Houses of Parliament, but he has now said that he will do so before the end of the year. Will he clarify that difference?

James Purnell: I am reporting now and saying that we are committed to doing that. The way to do it is through the carers strategy review, which will report by the end of the year. The Under-Secretary of State for Health, my hon. Friend the Member for Bury, South (Mr. Lewis), has announced that. It is the right forum. Our commitment to doing this is absolutely clear. We are happy to work with the hon. Member for Solihull and with other Liberal Democrats and the Conservative party, as well as with Carers UK and the Equal Opportunities Commission, on exactly how it can be done, but this is the right way to fill what is just a small gap in the provisions that we have put forward. Everybody shares the same goal. The review will be published before the end of the year. What this will do is put in place the final building block of our carers' strategy to ensure that people can build up a full state pension and a state second pension through caring contributions. Our proposals to reduce the number of qualifying years to 30 will make the major difference, but the carers credit is an important part of putting the roof on the policy, to use the earlier analogy.

Mr. Laws: I beg to ask leave to withdraw the motion.

Motion and clause, by leave, withdrawn.

Kate Hoey: On a point of order, Madam Deputy Speaker. Can you advise us of any way in which we might be able to vote on the amendments on the uprating of state pensions? That is an incredibly important issue for pensioners throughout the country and they will be amazed that we have not had a vote on it during the entire debate on the Bill.

Madam Deputy Speaker: I understand the concerns of the hon. Lady, but I have to be guided by the terms of the programme motion as decided by the House. I am afraid that there is no provision for such a vote.

Following the inquiries that were made about the difficulties that Members had in voting in the last Division, I am advised that a door on the estate was malfunctioning. A police officer is now standing by that door so that in the event that any more votes take place this evening, Members will be able to gain access. Efforts will be made to repair the door by tomorrow.

Order for Third Reading read.—[Queen's Consent, on behalf of the Crown, signified.]

6.1 pm

James Purnell: I beg to move, That the Bill be now read the Third time.

The Bill implements the most ambitious reform of our pensions system in modern times. It provides the basis for a sustainable and affordable system that strikes a new balance between the responsibility that Government have for retirement and the responsibility of individuals and their employers. It addresses past inequalities and inadequacies, and embeds in our pensions system the crucial values of fairness and simplicity. Above all, it is based on the foundation of consensus. We have an opportunity to send out a signal to people listening to this debate and reading it in the future that the Bill received a Third Reading on the basis of consensus and agreement on the direction of travel in our pension system and, in particular, on giving people who are putting their money away for the future greater certainty that the system will endure and can be relied on.

I wish to take this opportunity to thank the many individuals and organisations who have played their part in the Bill's passage. I particularly thank all the members of the Committee for their good humour and dedication to our proceedings. I also wish to thank the two Chairmen who presided over the proceedings. Of course, I thank my right hon. Friend the Secretary of State for Work and Pensions for his support, and the Under-Secretary of State for Work and Pensions, my hon. Friend the Member for Warwick and Leamington (Mr. Plaskitt), who led on many clauses in Committee. I also wish to put on record my appreciation—I am sure that it is shared by all my hon. Friends—of my predecessor, my right hon. Friend the Chief Secretary, who played an important part in the early formulation of the Bill. On a personal note, I particularly wish to thank my hon. Friend the Member for Ochil and South Perthshire (Gordon Banks), whose support and wise advice throughout the Bill's passage has been invaluable. Finally, I wish to thank the Bill team, which has done a fantastic job, and all those in my Department who have worked on the Bill.

What will the Bill do? It comes after 10 years of progress in reducing the poverty that we inherited and that had all too often become associated with old age. Since 1997, 1 million pensioners have escaped from relative poverty, and more than 2 million from absolute poverty. We are spending more than £10 billion—or about 1 per cent. of gross domestic product—more on pensioners than we would have had we continued the policies that we inherited in 1997.

As a result, pensioners' incomes have grown roughly in line with those of people in work. In effect, they have tracked earnings over the past 10 years. For the first time in a generation, therefore, pensioners are less likely to be poor than other groups in society, even though they are not in work and even though people who are in work benefit from increases in earnings. That is a remarkable achievement.

Earlier this afternoon, the hon. Member for Eastbourne (Mr. Waterson) said that means-testing was a cancer. I do not agree: on the contrary, it is the generosity of the pension credit system that has enabled us to achieve such an improvement. It must be accepted that mechanisms such as the pension credit system must be introduced if we are to reduce poverty. After all, that is why the Conservative party has supported the uprating of pension credit in line with earnings that will be guaranteed by this Bill.

The Government have an ambitious vision, and it is one that makes a clear break with the past. Conservative and Labour Governments in the 1980s and 1990s pursued a voluntary approach to retirement provision. I am not trying to score any political points, but the link between earnings and the basic state pension was broken in the early 1980s and, for many years, people—including people in the Labour

[James Purnell]

movement—campaigned for its restoration. However, that was resisted by both the Conservative and Labour parties, because it was not possible to make a formal commitment to a long-term link between earnings and the basic state pension without making clear how that could be afforded. There would have been no point in talking about plans to restore the link if it was not possible to tell pensioners how that would be done.

It is the hard choice at the heart of the Bill that will make the Government's approach affordable. Because we have raised the state pension age, we know that it will now be possible formally to restore the link between earnings and pensions, in a way that is both sustainable and affordable. Moreover, we will not place an unfair tax burden on our children and grandchildren as we arrange a more generous retirement for ourselves.

Mark Pritchard: Today has been very enlightening, and I am pleased that the Bill has reached this stage. However, I hope that the Minister will answer a question that I have raised many times. The Government have introduced a new 30-year qualifying rule for the basic state pension, but about 2 million people have come here from other parts of Europe since 1997. The Secretary of State has said that migrants who do not qualify under the new rule will have their pensions topped up through pension credit. Has there been any calculation of the size of that bill, which I believe will be significant?

James Purnell: I answered that question in Committee. The hon. Gentleman knows perfectly well that there are reciprocal rules between different parts of the EU. Acceptance of those rules is a definition of EU membership, and I regret that the hon. Gentleman continues to raise that question. I should be interested to know why he does so, but it is possible that he would prefer the UK to withdraw from the EU, even though that would mean that our citizens could not benefit from the ability to move freely around it. In fact, apart from that intervention, I believe that the Bill has achieved a fairly good consensus, and that is something that we want to develop.

The Bill marks the most significant move towards equality between men and women since Barbara Castle introduced home responsibilities protection in the 1970s. It ends the inequality between men and women in the state pension by putting working and caring contributions on the same basis. Today, only about 30 per cent. of women retire on a full state pension—a staggering figure—compared with about 90 per cent. of men. That is completely unjustifiable and we will put it right through the Bill.

The Bill is a comprehensive, integrated package of reform, but it has involved difficult decisions for the Government, business, individuals and the pensions industry. Its progress shows that our reforms have been broadly endorsed by all those groups, which is a real credit to the work of the Pensions Commission and, once again, I congratulate the commission on a report that is a model of its kind. It internalised the trade-offs involved and produced a package that put political parties and stakeholders in a situation where they had to decide not whether to cherry-pick this or that proposal but whether to back the measure as a whole. I congratulate the stakeholders and the other political parties on their approach to the debate.

In pensions, consensus is not just nice to have; it is necessary as an essential component of an effective policy. People do not want to put their money away for 20, 30 or 40 years on the basis either of uncertainty about what the system will be or of constant changes. That will make them less likely to save. Through the consensus that we have developed as part of the Bill we will provide them with greater certainty, and it is a real achievement that the Bill is placed to deliver that. That is why consensus is so important. We cannot remove risk from pensions saving entirely, nor can we halt demographic shift, but we can and should remove the risk of political instability.

We welcome Conservative support and we shall continue our discussions over the next few years. I look forward to the speech of the hon. Member for Eastbourne (Mr. Waterson) because I am still not quite clear what Conservative policy is on the earnings link, although we had some discussion of it in Committee. His colleague the hon. Member for Runnymede and Weybridge (Mr. Hammond)—in fact, his boss—said on Second Reading that he thought

"restoring the earnings link to provide that stability is affordable now".—[*Official Report*, 16 January 2007; Vol. 455, c. 673.]

However, when that point was put to the hon. Member for Eastbourne in Committee, he replied:

"I have said, am saying and will continue to say that it is not our policy."—[*Official Report, Pensions Public Bill Committee*, 30 January 2007; c. 165.]

Having complimented the hon. Gentleman on his assiduousness in attending seminars, I ask only that he tell us whether the Conservatives think they can restore the earnings link, whether they want to do it on the same timetable as us and, if so, given their third fiscal rule and the fact that restoring the link will mean increased public spending, what else will they cut to fund it? I look forward to the answers, because it is important that we have not just consensus in theory but fully costed consensus in practice.

I finish by paying tribute to my hon. Friends the Members for Northampton, North (Ms Keeble) and for Burton (Mrs. Dean) who pushed us to make further changes to the Bill to recognise the crucial role of carers. I am sure that all Members share the fundamental belief that pensioners are entitled to security and dignity in retirement. The Bill provides a solid platform so that people can save; it will give them the ability to build up a pension of £135 a week, which is well above means-tested level, either by caring or working throughout their lives. It puts in place the first stepping stones for the delivery authority and—perhaps most important—it introduces real equality in the state pension system and I commend it to the House.

6.13 pm

Mr. Waterson: I am always on tenterhooks when the Minister talks about consensus, because I never know whether the bouquet of flowers he is proffering conceals a water pistol. He cannot resist those little political digs, but we will deal with them later on.

I join the Minister in thanking all the members of the Committee, in particular the two Chairmen who served us so well, the officials, the police, the *Hansard* reporters and everybody involved—some of the Bill team have become old friends. No doubt we shall all meet again in a few months' time, unless I am sacked or reshuffled—[HON. MEMBERS: "Never."] I thank my hon. Friends for that. We are always pleased to know that another pensions Bill is just around the corner, but as we bid farewell, for the time being anyway, to this Bill, I think that it is a pity that owing to pressure of time today some important issues have not been debated fully or indeed at all. No doubt their lordships will help to remedy that.

I shall not be inviting my right hon. and hon. Friends to vote against Third Reading. I hope that that does not produce an exodus from the Chamber on the Government Benches. We did not vote against Second Reading either. From the start of the Bill—and even before it was introduced—we in the official Opposition have taken a thoroughly responsible attitude and worked hard to try to forge a long-term cross-party consensus on pensions reform. At times it has been tough, but we have continued to try. I am still entirely unclear whether the Liberal Democrats are part of that consensus, or part of a parallel consensus that is going on somewhere else and that neither we nor the Government seem to be involved in.

It is right to say again that, as the Minister indicated, we support the basic direction of travel that the Government are setting out. In our last election manifesto, we promised to restore the link between the basic state pension and earnings and set out how that would be paid for. We also promised to tackle the gross unfairness—as the Minister has said—of a situation in which less than a third of women receive the full state pension. It would be the height of churlishness to oppose the measures simply because they have been proposed by another party, but we do have concerns.

As Joe Harris of the National Pensioners Convention said,

"3 million older people will have died before ministers restore the link with earnings".

It still puzzles me why something that might not be affordable in 2012 will definitely be affordable by 2015. The Minister tried to explain that to me on a number of occasions in Committee, but either I am even more obtuse than I thought or there simply is not an answer to that conundrum. I wonder whether the Minister would mind trying his luck again if he gets another chance in this debate.

The Minister returned to the canard that we heard in Committee about what my hon. Friend the Member for Runnymede and Weybridge (Mr. Hammond) said. I think that I made it clear in Committee, but for the sake of complete clarity, I repeat that my hon. Friend was saying that the decision about affordability could be made now. He was wondering why the Government could not make that decision. We also remain concerned about the cliff edge for some women pensioners and we remain concerned that many women already retired or soon to retire will see little or no benefit. The issues surrounding carers have been eloquently argued both here and in Committee by my hon. Friend the Member for South-West Bedfordshire (Andrew Selous). It is perhaps a shame that he did not have the opportunity this evening to develop those arguments more fully.

James Purnell: I want to draw the hon. Gentleman's attention to *Hansard*. His colleague did not say that he thought that the decision could be taken now. He said:

"We believe, however, that restoring the earnings link to provide that stability is affordable now."—[*Official Report*, 16 January 2007; Vol. 455, c. 673.]

That could not be clearer. I know that the hon. Gentleman has tried to correct that. All I am trying to do is point out that, when it comes to policy, every now and then the Conservatives are not quite clear about how they would fund their proposals.

Mr. Waterson: The Minister has referred to "Groundhog Day" at least once this evening. We could go on having this discussion till kingdom come, but it is not going to change anything. I have made clear more than once what my hon. Friend intended by those words and I cannot add or subtract anything to or from that.

I was talking about carers and the excellent work done on the Bill by my hon. Friend the Member for South-West Bedfordshire. We also broadly support the gradual increase in the state pension age, but we recognise that there is much more to be done in relation to flexible working and retraining for older workers. We have given our broad support to the proposals for personal accounts, but, again, as I explained to some extent in relation to one of the groups of amendments earlier today, we still have serious concerns about the design of the new system and the extent to which we should include in this Bill, rather than the next Bill, the basic parameters of success or failure for the system for personal accounts.

On Second Reading, I flagged up four major concerns about personal accounts: means testing, the risk of levelling down, the potential for mis-selling, and the issue of confidence. Those concerns still exist. I do not want to develop in any more detail than I have already today the issue of means testing. The Minister and the Pensions Policy Institute will just have to agree to disagree—without being disagreeable about it. They are never going to reach a consensus, and the more the Minister tried to explain his way out of that problem, the more he seemed to say that nobody can ever really know, so we are boldly taking a step into utter darkness with no way of knowing what will happen. The only thing we can say with certainty is that by 2040 or 2050, none of us will still be developing these arguments. Having said that, one of my constituents is 110, so perhaps there is hope for all of us.

Michael Fabricant (Lichfield) (Con): It is because of his excellent MP!

Mr. Waterson: I hear my hon. Friend's sedentary comment, but I take no credit for my constituent being 110, apart from the fact that he is claiming the benefits to which he is entitled—or not, as the case may be!

I would like to spend a few minutes talking about levelling down, which is still a major concern. The law of unintended consequences is, like the word "Blackpool" through a stick of rock—very much part

[Mr. Waterson]

of pensions legislation. We certainly saw it at work with the Pensions Act 2004. There are real concerns in the industry that the advent of personal accounts will bring about a levelling down and that finance directors will, as I said earlier, take a quick, sharp look at the extra cost caused by the extra participation introduced by auto-enrolment and suggest to their employees that they might be better served by going through the personal accounts system.

As the deputy director general of the Association of British Insurers, Mr. Stephen Sklaroff, said a little while ago:

"We hope the Government is not deliberately trying to fix the system so more money flows into personal accounts so it can keep down costs to artificially low levels."

He then spoke about raising the contribution cap, which he said was

"completely inconsistent with earlier pledges to target people on lower incomes. Our industry cannot be forced to compete with a subsidised system".

I developed arguments about the contribution cap earlier today and I am afraid to say that I did not find the Minister's remarks about it particularly reassuring, so we shall watch what develops.

There is some potential for mis-selling. Ministers love to go on about previous mis-selling scandals, but the issue very much remains in respect of people auto-enrolled into personal accounts who would actually be well advised to opt out. I am thinking of people on low incomes with high credit card debts. In my intervention on the hon. Member for Northampton, North (Ms Keeble), I referred to the excellent work of the PPI on risk categories. It looked at two distinct ages—people aged 40 and 25 in 2012—and examined categories where people are "at risk", meaning that they are unlikely to receive back the value of their individual contributions to personal accounts. That is a real concern that needs to be looked at further, not only as part of the Thoresen review, but more generally.

I conclude by talking about confidence. When the Government are proposing to launch a brand new pensions system designed to appeal to 7 million, 8 million, 9 million or perhaps 10 million people who are currently not saving for their retirement, it really beggars belief that Ministers are so blind to the danger to confidence posed by existing problems in the system. How can we expect younger workers to save for their retirement when almost every week they see bad news stories about people who have lost their pensions? How can the Minister talk about sending a signal from this House based on consensus when the actual signal we have sent today is that we are not prepared to give proper help to the 125,000 people who have lost their pensions? The Minister should be in no doubt that that is indeed the signal that we have sent out.

Yesterday, the Chancellor was finally cornered in this Chamber over his raid on pension funds. Was he embarrassed, abashed, apologetic? Not a bit of it. He said:

"I tell the House that I do not apologise".

and he went on to say:

"We made the right decision".—[*Official Report*, 17 April 2007; Vol. 459, c. 176-183.]

Tell that to the 125,000 people who have lost their pensions. They are the most salient issue today. We must not forget that everyone in the country with a pension scheme has lost out to some extent, because of the £100 billion that the Chancellor has sucked out of the retirement savings system. It is a cause for genuine regret that Labour Members were whipped to vote down a package of help for those people that was sensible, deliverable and fair—one based on the sort of cross-party consensus that the Minister liked to talk about in his speech. Having created the problem, the Chancellor is happy to leave them without help or to the tender mercies of the failed financial assistance scheme.

I shall interrupt the Minister's private conversation for a moment by reminding him that he suggested earlier in our debates—or, indeed, it might have been the Secretary of State—that the Government came forward initially with plans to produce the financial assistance scheme and that the Government were the ones on the front foot in trying to improve these matters. The fact is that, on 14 May 2004, the Government were forced to produce in a hurry their proposals for the FAS, with a price tag of £400 million that had no basis in fact or research at the time, because they were facing defeat in the House—a defeat based on our opposition and that of the Liberal Democrats, other parties and a large number of Labour rebels.

The hon. Member for Yeovil (Mr. Laws) pointed out earlier in our debates that, at every point, the Government have been dragged here kicking and screaming to put in a bit of extra money or to make some concessions. How long will it take before they make the final concessions that justice demands? They have been told on no fewer than four separate occasions—by the ombudsman, by the European Court, by the Select Committee and by the High Court—that there has been maladministration, but their reaction is that everybody else is wrong and that they are right, and they are even appealing the High Court decision. They are still ignoring the legitimate demands of the pension victims, but even this Government should not have ignored the voice of the House. Those Labour Members with constituents facing penury who failed to support the cross-party package this evening must answer to their own consciences and to their own constituents.

As I have said, the Chancellor claims that he would do the same again, but the circumstances that surround the decision in 1997 throw a penetrating shaft of light on to the Chancellor's real thoughts on the matter. Courtesy of the former Paymaster General, we now know that this policy was created in conditions of the utmost secrecy. It was hidden from the British public during the 1997 election campaign, when the Labour party had the effrontery to make a centrepiece of its campaign our pensions policy, while its policy was firmly locked in a safe at the Grosvenor House hotel. It was then acted on in the teeth of advice to the contrary from civil servants and the CBI, among others. But most telling of all, the Chancellor fought for two long, bitter years to resist the freedom of information request from *The Times*. Finally, the information was

slipped out on a Friday, when the House had risen for the Easter recess. Is it not incredible that, yesterday, when questioned by my hon. Friend the Member for Bromsgrove (Miss Kirkbride)—

Madam Deputy Speaker: Order. The hon. Gentleman is now going rather wide of the Bill that is under discussion today.

Mr. Waterson: I am coming to the end of my remarks, Madam Deputy Speaker, but it is important that the whole House is aware of the umbilical connection between the decision to raid pension funds to the tune of £100 billion over the past 10 years and the fact that so many people are now looking at a pension that is a fraction of what they expected. Perhaps the most grotesque sight in yesterday's debate was that of the Secretary of State trying to—

Madam Deputy Speaker: Order. I remind the hon. Gentleman again that we are not having a rerun of yesterday's debate; we have a Bill currently under discussion.

Mr. Waterson: The bottom line is this: the official Opposition support the direction of travel of these reforms, although we have worries about some of the technical details and aspects of the personal accounts on which I have touched. However, fundamentally, we need to restore confidence in the pensions system as a whole. The man in the saloon bar who is not saving for his retirement, yet should be, needs to have confidence that when he locks his money away for 40 years, it will still be there at the end of that time to provide him with a decent pension. Ministers need to go back to the drawing board and address the way in which the problems that I have touched on are dealt with so that we can clear the ground and the personal accounts system can have the best possible start in life, instead of being encumbered by the baggage of recent history. Having said that, we wish the Bill a safe passage to the Lords and look forward to it coming back in due course in an improved form.

6.31 pm

Lynne Jones: It is understandable that the financial assistance scheme and the way in which we might help those who have been cheated of their pensions have dominated today's proceedings. I certainly hope that the Government will come back with proposals that are more generous than those on offer. However, the Bill should be setting a solid foundation for the next 50 or so years, so it is most unfortunate that there has been such little time to debate some of its fundamental aspects. I was disappointed that all the concerns that I raised on Second Reading were not addressed in Committee and that they were not even discussed, let alone voted on, on Report. Although there are many welcome provisions in the Bill, especially those relating to pensions for women, I cannot see how the Bill, as it stands, will be a firm foundation for the future.

My hon. Friend the Minister mentioned Barbara Castle. I am sure that she would have welcomed the provisions for women in the Bill, but I do not think that she would have been proud of the continuation of the means-testing that is still inherent in our pension system and the disincentives for people to save so that they can provide better for themselves than the state can do. Although it is good that the Government have accepted the recommendation of restoring the link to earnings, it will be some time before that happy event takes place. In the meantime, the disparity between the basic state pension and the means-tested pension credit will continue to grow, not narrow. That will mean that more people will be subject to means-testing, which will be counter-productive to our fundamental aims. Sadly, many people will thus be automatically enrolled into the new pension scheme when they would be better off using their money in other ways to save for their future.

It is unfortunate that we have not been able to have an adequate debate. I ask the Government to bear that in mind when they set out in future the arrangements for the Report stage of such complex and important legislation. For obvious reasons, the Minister talks about affordability when addressing the aim of reducing means-testing and improving the basic state pension. However, we have not been able to debate today the amount of taxpayers' money that is spent on tax relief and the fact that the majority of that money goes to the 5 per cent. of people in our society who are the most wealthy.

We are shortly to have a new Prime Minister. I hope that this is an issue to which the Government will want to return, because if we are really concerned about creating a fair society and encouraging people to do more for themselves, we have to address it. We have to look at ways of ensuring that more resources are directed to those on lower incomes. If that means taking money away from those on higher incomes who have the ability to provide for their old age without substantial largesse from the taxpayer, that is something that a Labour Government should want to do.

I remain dissatisfied with the Bill, and I hope that there will be an opportunity in the other place to improve on it. I hope that I will be able to be more enthusiastic in supporting it when it comes back to this House.

6.36 pm

Mr. Weir: I want to make a few brief points. Looking at the ePolitix briefing for the debate, I see that it lists all those who contributed on Second Reading and notes that I was the only one who voiced any real concerns about the Bill.

Some of those concerns remain. There have been improvements, and I genuinely welcome what the Minister said today about those who are the victims of solvent employer pension schemes that have been wound up. I hope that that will help my constituents in the J & D Wilkie scheme in Kirriemuir to which I referred earlier. It is a regret that we did not have today the exact wording of the Minister's proposals. That would have been useful because we could all have gone away a little more certain about what is to be done.

I share many of the reservations of the hon. Member for Birmingham, Selly Oak (Lynne Jones) and voiced similar concerns on Second Reading. One thing about which I am seriously concerned is the raising of the state pension age. I appreciate that that is some years

[Mr. Weir]

away, but there are grave difficulties with the proposal because of the use of averages. As I said on Second Reading, the difference in life expectancy between and within areas means that there is a danger that many people will never get the benefit of their pension. In Glasgow, for example, many people have a life expectancy of less than 70 years. There has been much debate about the reasons for that and the improvements in health and housing that may make a difference. However, there are still huge discrepancies in life expectancy in different parts of the country and even within areas, and that will prove problematic in future. If, as the pension age increases, it turns out that many people are not getting the benefit of their pension, that problem will come back and hit us.

This is a curate's egg of a Bill. There are bits that I can wholeheartedly support. There are bits about which I have grave concerns. I will not oppose it, obviously, but my concerns remain. I look forward to seeing what happens when the Bill goes to another place. It leaves here slightly improved, but still with measures that cause concern.

6.38 pm

Mr. Laws: I should like to start on three points of consensus, and I shall try to be brief as other Members still want to speak. First, I echo the Minister's comments in passing on our thanks to those people who have been involved in supporting the Bill through its various stages: the officials in his Department, those who advise us and the lobby groups who sometimes see their ideas and even their words taken up in the debates. We are grateful for all of that.

We would also like to thank the Minister for the very reasonable way in which he conducted himself throughout the Committee stage and for the fact that he tried, on the whole, to answer our questions. We can only wonder what future there is for a person who displays such qualities in the Government that we are about to get. We wish him all the best with that.

Perhaps more importantly, we add our congratulations to those of the Minister on the work of the Pensions Commission. It is worth bearing in mind that none of the big measures in the Bill was included in its entirety in the manifesto of any of the four main parties before the last general election. To succeed within a very limited period in proposing a coherent package of reforms and persuading not only the Government, but both main Opposition parties and some of the other groups represented in the House, to accept it is a major achievement. I hope that many of those reforms will last and influence the shape of the pensions system for many years to come. I think in particular of the restoration of the earnings link, the increase in the state pension age, auto-enrolment and the other changes to the pensions contributory system. There is a great deal of consensus on those measures and on the direction of travel, which is why we, too, do not intend to divide the House on Third Reading.

Earlier, the hon. Member for Eastbourne (Mr. Waterson) teased me about whether there was a parallel consensus, which only the Liberal Democrats were part of and which could exist alongside the apparent universal consensus on the Pensions Commission's proposals. In fact, there is. I put it to him that if he went to every saloon bar and village hall in the country and held a public meeting on pensions, he would find that there is indeed a parallel consensus on three points. It is perfectly possible to hold both the existing consensus and the parallel consensus in one's mind at the same time. The hon. Member for Birmingham, Selly Oak described the elements of the parallel consensus in her comments. As the hon. Member for Eastbourne will recognise as I describe them, the elements of that consensus are threefold.

First, the Government have said that there is a great degree of certainty about the reforms. In their response to the Committee on Work and Pensions, they said:

"There is no ambiguity around this commitment"—

for example, in respect of the earnings link. However, that comes as news to many people in this country and in this House who feel that there is a great degree of uncertainty, not least about the arbitrary way in which the earnings link is to be restored, which has created uncertainty and will increase the amount of means-testing in the meantime. There is no guarantee that the state pension will be uprated by the greater of the increases in prices and earnings—the Labour party has dropped its commitment to that. More seriously, there is not even a commitment in the Bill to uprate pensions by a measurable and defined index, which the Engineering Employers Federation has said gives the Secretary of State almost carte blanche to determine the way in which the uprating takes place. That is worrying for all of us, because none of us knows which party will be in government in the future or how they might decide to reinterpret some of the changes made though the Bill. In a nutshell, if one goes to any pensioners' group in the country, one will find a parallel consensus on dissatisfaction with the uncertainty and the long time before the changes take effect. That is why although all of us here may be pleased about the pensions consensus, people in the rest of the country are not.

Secondly, because the restoration of the earnings link is being delayed and because, as the hon. Member for Birmingham, Selly Oak said, we are building on such a low foundation of the basic state pension—because the Chancellor has insisted that pensions reform take place in an environment where for 10 years we will not increase the share of GDP that goes to state pensions—we have an enormous amount of means-testing. In the short time left I shall not repeat the entire debate, but today I was interested to hear even the Minister start to moderate his claims about the number of people who will benefit from personal accounts. On Second Reading, the Secretary of State said that the vast majority of people would gain more than £2 for every £1 invested, but today we have been told that a good majority of people will be net gainers—in other words, the claims are being scaled back.

The Government have not yet been able to answer the point, so I continue to believe that half the target audience for the personal account—people on lower incomes, whose risk of becoming subject to means-testing is greater than it is for the rest of the population—could be subject to means-testing in 2020, 2030 or 2040. A large number of people might find

either that the £2 for £1 no-brainer offer that Adair Turner and his commission tried to deliver is not realised for them, or that—worse still—they fall into the small but not negligible category of people who will actually lose by investing in a personal account because of the effect of means-testing not only on the pension credit, but on housing benefit.

The Government's problem is that the more they deal with the mis-selling problem by not auto-enrolling various groups for personal accounts, or by not making sure that those groups get generic advice, the more they displace the mis-selling problem and make it a take-up problem, in which lots of people who should have personal accounts do not. The Government have yet really to deal with that problem. Some of us have concerns that the Government are building on an unsound foundation. If we are right about those concerns, the personal account part of the package, which we will hear about later this year, could be a failure, and if it is it will pull the rug from under a lot of the reforms, and that will affect what is delivered.

The final point on the parallel consensus is that people recognise that there are some huge issues with which the Government have not yet dealt. The hon. Member for Eastbourne touched on our disappointment today about pension compensation, but there are bigger issues with which the Government have not yet dealt, including the reform of public sector pensions, and the reform of tax relief in ways that are strongly hinted at in the Pensions Commission report and the Select Committee report.

The direction of travel is right, but the hon. Member for Cannock Chase (Dr. Wright) said earlier, on pension compensation, that he feels that the Government have half-built a house. Similarly, on pensions reform, we feel that the house is not yet complete. Given the degree of consensus, we hope that we will not have to advocate knocking down any of the walls in future, but there is a long way to go before the house is completely built, so that we can deliver the pension system that the country really needs for the future.

6.46 pm

Mr. Austin Mitchell (Great Grimsby) (Lab): Of course, as a loyal Labour Member, I welcome the Bill, but the welcome is fairly cool because the Bill is not as generous as I would have liked it to be. In any case, I have to welcome it, because I have not been able to express the dissent that I wanted to express on subjects that have been mentioned by my hon. Friend the Member for Birmingham, Selly Oak (Lynne Jones)—the earnings tie and the age of retirement. It is ludicrous that those two major issues, which are of overwhelming importance, are not even being discussed on Report. I hope that they can be covered far better in another Chamber, because they need to be discussed, and the situation needs to be changed.

I welcome the Bill because it is a solution to problems, and particularly because it improves the position of women, although it is not before time. The situation has been monstrous, but it will be changed, thanks to the Bill. I also welcome the Bill because it provides a platform for the future, when I hope that we can eventually be more generous, but it is not a platform on which I want to stand in Grimsby and tell my constituents, "However old you are, hang on until 2015, and you'll get a better deal." That is not the kind of result that I wanted from a Bill as all-encompassing and all-important as this one. It does nothing for current pensioners, and we could have tackled the two problems together.

First, on the earnings tie, some 21 per cent. of pensioners are now below the poverty line; that is 2.2 million people. The earnings tie could and should have been restored by now, or much earlier. We will restore it eventually, but eventually is a long, long time away, and many of us will not actually reach it. Let us face it, our pensions are among the lowest in the world. They are lower than pensions in many of the countries that are new entrants to the European Community, including Slovenia, Latvia and Estonia. The Cheeky Girls will not be retiring to Wales; they will go back to Latvia, Estonia or wherever to get better pensions than they would get if they stayed in this country. It is monstrous that our pensions should be so low, compared to those of those new entrants. We need to help.

Our poverty line is 60 per cent. of median earnings, and pensioners should not be required to live below that line. We can only ensure that they do not by restoring the earnings link earlier. I agree that pension credit goes a long way; it is a salutary innovation of the Government's that I have long welcomed. The pension credit, née the minimum income guarantee, is a welcome development, but it is means-tested, and because the increase to the basic pension is not as closely allied to the increase in earnings as it should be, means-testing, which is implicit for pension credit, will increase enormously. The gap between the pension credit and the actual pension will be much wider as time passes. Means-testing channels a limited amount of money to those most in need, but it is not claimed by many people who need the money, so it is an inefficient way of increasing pensions. We should therefore restore the direct tie to earnings.

My second point of dissent concerns the raising of the retirement age, which will be painful for many people. It is ludicrous to expect people in hard manual jobs whose physical strength is often broken by a life of hard manual labour to carry on working until they are 68. Fishermen, for instance, lead a tough life, and the pension arrangements in the industry are very bad. French fishermen retire on a full pension at 55. What am I to say to the former fishermen in Grimsby? Should I tell them to carry on fishing when they are over 65, over 60, or over 55? It is ludicrous to introduce such measures, as the system must be graduated. We must channel pension support to the poorest and to people whose jobs involve hard manual labour. After all, people in the poorest areas live 12 years less than people in the richest areas, and the pension system should be able to cope with that situation. I wish to brief, and I shall not wander over two previous debates, as the hon. Member for Eastbourne (Mr. Waterson) did. I welcome the Bill—it is a cool welcome—but I worry intensely that it does nothing for people now.

6.52 pm

Miss Kirkbride: I am grateful to be called to speak, and I shall make a brief contribution.

[Miss Julie Kirkbride]

I largely welcome the provisions of the Bill, even though I am disappointed that the Minister and some of his Back Benchers could not support the cross-party amendment that was tabled earlier—I pay tribute to the Labour Back Benchers who did support it—as it would have greatly benefited my constituents who worked at United Engineering Forgings, which became bankrupt, and at Kalamazoo. They would have greatly appreciated the lifeboat scheme proposed by the Opposition, as they are seeking immediate benefit, because they will not have the security of pension payments for some time. I very much hope that when the Minister has conducted his review, he can reannounce the proposals that the Conservatives introduced today in his own words, and that finally the benefits of the Pension Protection Fund will be available to people who must currently use the financial assistance scheme.

May I briefly put on record one aspect of the Pensions Bill that is lacking—and I do not think that the Minister will find this surprising? Yesterday, the Minister graciously agreed to meet some of my constituents who took early retirement and are particularly affected by the provisions of the Pensions Act 2004 which immediately cut the pension benefits payable to people who took early retirement. I am not sure that the House anticipated that when it introduced the Bill those people would be uniquely affected by its provisions. For many people, benefits were cut by at least by at least 10 per cent. and in some cases by 70 per cent. of what they were expecting, which has a knock-on effect on their wives' and, indeed, widows' pensions if they pre-decease their spouse.

A much wider issue is therefore involved. It clearly cannot be addressed today, as the Bill is about to complete its passage in the Commons, but fresh amendments could be tabled in the other place to try to improve the position of people who took early retirement. They are not asking for a great deal—they are just asking for an improvement to their present predicament. The Minister obviously has to cost that with regard to the existing PPF commitments, but we believe that there are ways of taking the issue forward. I implore him to take a further look at the matter, as he said that he would do so. I am grateful to you, Mr. Speaker, for giving me the chance to put that on the record in the Chamber.

6.55 pm

Kelvin Hopkins (Luton, North) (Lab): I entirely agree with everything that my hon. Friends the Member for Birmingham, Selly Oak (Lynne Jones) and for Great Grimsby (Mr. Mitchell) said, so I do not need to say it again, but I wish to make some other points.

The direction of travel has changed as a result of Turner and pressure from the pensioners' movement and Members of this House. We are starting to move in the right direction, very slowly, with very small steps, but I would say to my hon. Friends on the Front Bench that many Labour Members will be pushing to go much further than they are suggesting. The pension is far too low, it is still means-tested, and the earnings link has not been restored and will not be for some time yet. I make no bones about the fact that I want a substantially higher pension that is not means-tested—we should use the taxation system to redistribute income instead—with an earnings link restored when the pension reaches the level of 25 per cent., instead of 15 per cent., of earnings.

On occupational pensions, if the Government do not secure the system and ensure that people trust in it, believe in it and continue to support it, in the end the only fall-back will be a thoroughgoing state system. That would be perfectly acceptable for a socialist like myself, but not so acceptable, I suspect, for my hon. Friend the Minister. I leave that thought with him.

On affordability, I think that that is a nonsense word. If my children had said when they were young, "Can we have more pocket money?", and I had said, "I can't afford it", they would have said, "That's nonsense, dad—we know you can afford it", and they would have been right. What I would have meant was, "I choose not to give you any more pocket money", which is a very different matter. Compared with other countries in Europe, particularly those in Scandinavia, Germany and France, we have a lower gross tax take and a lower level of public spending on public services. I want to see much higher levels of both. The Scandinavian economies are very successful, and we could go much further in their direction. Affordability is a non-argument: what it means is, "We choose not to give you higher pensions because we don't want to pay for them." That is unacceptable.

I want much higher pensions for our pensioners that are comparable with pensions incomes in other developed countries, and I am perfectly happy to have a much more progressive system of taxation to pay for it. I understand from a recent written answer that there is a massive surplus of £73 billion in the national insurance fund. If the upper earnings limit on national insurance contributions was removed, that would equate to an extra £6.5 billion. There is plenty of money, but it happens to be in the wrong pockets. We should take the money from those who may have too much and give it to those who have too little, the majority of whom happen to be our pensioners. I want a redistributive taxation system and much higher pensions without means-testing.

6.58 pm

Mr. Dai Davies (Blaenau Gwent) (Ind): I will be very brief, as there is not much time left.

As a former trustee of the British Steel pension scheme, I think it important that we pay tribute to the union trustees who work extremely hard on protecting schemes. We should consult trustees more on how we can help to protect schemes; they should be fully involved. Having worked within Allied Steel and Wire for the Community union, formerly the Iron and Steel Trades Confederation, I think that occupational pension schemes are a great asset, but they need to be boosted and looked after.

In a borough such as mine, with an average wage of £14,000 a year and house prices averaging £100,000, how we encourage people to save through pensions will be very problematic. We need to start educating people now: we must talk to young people about how important pensions are and how they can be a protection for the future. I wish us luck in that battle

ahead, and when the Bill comes back I hope that some of the time scales as regards the state pension age and changes to the state pension can be improved. I am sure that that campaign will continue.

Question put and agreed to.

Bill accordingly read the Third time, and passed.

DRAFT CLIMATE CHANGE BILL (JOINT COMMITTEE)

Resolved,

That this House concurs with the Lords Message of 27th March, that it is expedient that a Joint Committee of Lords and Commons be appointed to consider and report on the draft Climate Change Bill presented to both Houses on 13th March 2007 (Cm 7040), and that the Committee should report on the draft Bill by 13th July 2007.

Ordered,

That a Select Committee of twelve Members be appointed to join with the Committee appointed by the Lords to consider the draft Climate Change Bill.

That the Committee shall have power—

(i) to send for persons, papers and records;

(ii) to sit notwithstanding any adjournment of the House;

(iii) to report from time to time;

(iv) to appoint specialist advisers; and

(v) to adjourn from place to place within the United Kingdom.

That Ms Celia Barlow, Mr David Chaytor, Helen Goodman, Nia Griffith, David Howarth, Mr Nick Hurd, Mr David Kidney, Mark Lazarowicz, Mr Graham Stuart, Dr Desmond Turner, Dr Alan Whitehead and Mr Tim Yeo be members of the Committee.—*[Claire Ward.]*

DELEGATED LEGISLATION

Ordered,

That the Social Security Benefits Up-rating Regulations 2007 (S.I., 2007, No. 775), dated 8th March, be referred to a Delegated Legislation Committee.—*[Claire Ward.]*

Gatwick Airport (Ground Handling)

Motion made, and Question proposed, That this House do now adjourn.—*[Claire Ward.]*

7 pm

Laura Moffatt (Crawley) (Lab): I am most grateful for the opportunity to raise an important matter on the Adjournment this evening. The millions of the travelling public who use Gatwick airport and the thousands of people who work there also believe that it is important.

My constituency—Crawley in West Sussex—has grown up with Gatwick airport since the 1950s. The airport is wholly within the Crawley constituency and, even in the worst of the Tory years, when recession, high interest rates and unemployment wreaked such havoc in so many communities across the UK, it sustained Crawley and we have always been grateful to it.

The year on year success of Gatwick is a key reason Crawley is the most successful of the new towns—but I would say that, wouldn't I? By sustaining high employment, the quality of all our lives is enhanced. I know from my frequent dealings with local business people how much they appreciate the quality of service that they get from Gatwick and its impact on the local business community. There can be no doubt that Gatwick is the premier business in the "Gatwick diamond" area, and a major draw for many other businesses locating there.

It consistently wins the airport of the year award and we are justly proud of that. Gatwick's status as a transport hub is crucial, which is why we so warmly welcome the Department for Transport's recent decision to retain Gatwick Express, through a reasonable compromise about which we are delighted locally.

I recently met around 100 local business people from my constituency when they came to the House of Commons for a business summit that I arranged the day after the Budget. It is a mark of the importance that the Treasury places on the business community in the Gatwick diamond area that my hon. Friend the Economic Secretary made himself available for the event.

We learned that the Gatwick diamond business community is vibrant, enthusiastic and extensive, with a GDP that is estimated at £38 billion. It ranks 56th out of 200 regions measured across Europe. Naturally, the business community is keen to promote the Gatwick diamond area throughout Europe and internationally. A central part of that promotion must be the airport.

People in and around Crawley are proud of their airport. The many thousands of people who work there take a genuine pride in the services that they provide and understand clearly the benefits that Gatwick brings. They jealously guard their safety and security reputation, and that is the reason for the debate today. All sorts of people contribute to that good reputation. They include catering staff, security staff, baggage handlers, customs officers, air crew, ground staff, engineers, cleaning staff, immigration staff and medical and nursing staff. I know that I have missed out many people. I simply wanted to mention the many teams that provide such an excellent service.

[Laura Moffatt]

We all know about the extra pressures that now face airports through the increased security that they have to provide. Staff at Gatwick have risen to the challenges and the heightened security, which has added to the pressures of their work. We congratulate them on their work. BAA is having to recruit many more staff to rise to that challenge, and I look forward to seeing them in place soon.

I have set the scene, and now I want to look in more detail at the issues that have arisen with ground handling services at Gatwick. Among other responsibilities, they cover the arrangements for handling the enormous quantity of luggage that inevitably accompanies the 35 million people who travel through the airport each year. For historical reasons, the Civil Aviation Authority has always set a limit on the number of companies involved in ground handling at Gatwick. That has not been a popular decision with everyone. Some felt that it was anti-competitive, especially those airlines operating within tight margins, for whom all cost savings are vital. With liberalised competition, however, things have changed substantially.

Recently, the CAA decided to review the four-operator limit, and held a consultation into the number of ground handling operators working at Gatwick. Of course, holding that consultation was the right way to proceed, but the online consultation was not well advertised, even though it needed to seek the views of people dealing with the issues day in and day out, as well as those of the airline representatives. There was general concern that the consultation process needed to include staff working in ground handling. Representatives of the Transport and General Workers Union and I pressed for the voice for all those staff to be heard to ensure that their expertise and experience was central to the debate.

Most of us do not fully understand the complexities and pressures involved in turning an aircraft round in as little as 25 minutes. There could be as many as 10 different service providers working on one aircraft, and the pressures on staff are enormous. Ensuring their health and safety, along with the safety of the aircraft, must be a priority. That is why I was delighted that the TGWU campaign and the petition to the CAA to extend the consultation period was successful. That allowed those voices to be heard, and I thank the CAA for responding positively. I also pay tribute to those in the T and G, particularly Ian McCullogh and Colin Terry, who worked so hard locally to ensure that these issues were raised. The trade unions have made an important contribution to ensuring that safety is at the heart of the Gatwick operation, with the publication of the charter, particularly from the T and G, which outlines minimum standards for the ground handling services for aircraft. The GMB union conducted a safety audit a couple of years ago, which also made a great contribution.

The concerns relate to the impact of increased competition on the health and safety of the workers and the aircraft. There has been unease, following the consultation, at the speed with which the decision was taken to allow a further ground handling operation at Gatwick. That ground handler was allowed on to the airport just one week after the decision was made. It is not surprising that that resulted in a widespread feeling of scepticism among the existing ground staff about the outcome of the consultation process, as they felt that they had made a good case for ensuring that there was not too much competition, and therefore pressure on the work force.

All staff and employers have a responsibility for health and safety under the Health and Safety at Work, etc. Act 1974. We all accept that. It must therefore be right that the CAA, the contractors and all other employers take into account health and safety issues when making decisions and agreeing any contracts. Many of my constituents involved in manual handling at Gatwick have raised concerns about health and safety since the work pressures on them increased. They say that the drive to reduce costs—which comes from all areas of the airport operation—has already had an impact on staffing levels, leading to a significant increase in manual handling per worker. We should also recognise that there have been significant improvements in the mechanical equipment used to move the vast quantities of cargo and luggage, but people still have to lift very heavy bags.

The facts clearly show that staffing levels have fallen at the same time as aircraft movements and passenger numbers have risen. The airport staff have my sympathy. As a nurse for 25 years, I too was in a profession whose members were susceptible to manual handling injury. Such injuries can be very disabling, and I understand how important it is to ensure that everything possible can be done to minimise the possibility of their occurrence.

Lines of responsibility in health and safety in the national health service are very clear, but I am not entirely sure that that applies to airport workers. It would be helpful if the Minister gave us assurances today on some of the measures that we believe would help us to retain Gatwick's jealously guarded good reputation. Perhaps she will also tell us whether there have been any impact assessments of the incidence of manual handling-related injuries since the introduction of more ground handling companies, and what other measures exist to ensure that standards are maintained as a further operator comes on board. I am not opposed to competition—competition is healthy—but it is reasonable and important to expect health and safety issues always to come first, especially at an international airport. Health and safety and security go hand in hand.

Two particular worries concern weight limits for individual items of luggage. There have been calls for implementation of the 23 kg limit, but it has not yet been enforced. It is not uncommon for cargo weights in excess of 100 kg to be manually handled by workers in airport holds. The provision of adequate chutes and lifts in areas where staff regularly have to handle items such as wheelchairs is essential, and is crucial to the well-being of airport staff.

Clarity on responsibilities for health and safety issues is vital. I thank the Minister for her helpful answers to my recent parliamentary questions, but they indicate that responsibilities currently fall between the Civil Aviation Authority and the Health and Safety Executive. I should like more information on the particular responsibilities of those bodies.

When I recently had talks with the new airport director, Andy Flower, I raised many of these matters with him. I look forward to receiving the further information that he has promised me, and to further discussions. I want to know how BAA can help to ensure that standards are maintained at Gatwick and that those standards embrace all staff, not just BAA staff. I am told that there has been quite a campaign of letter-writing to the airport director, and I know that many of those people look forward to replies from him on these important issues.

I am immensely proud of Gatwick airport and its entire work force. I want to see the airport go from strength to strength as it adapts to meet the challenges posed by a growth in the number of passengers to 40 million a year. Airport workers can be justly proud of their record on health and safety and security, and we want to ensure that it continues. That is why I have raised these issues today, and why I will continue to press to ensure that standards are maintained at Gatwick so that it remains the airport of choice for many people. The thousands who keep Gatwick airport functioning deserve the support of the House. If they are to keep us travelling, they need to know that they have our support, and that we care about the work that they do.

7.13 pm

The Parliamentary Under-Secretary of State for Transport (Gillian Merron): I congratulate my hon. Friend the Member for Crawley (Laura Moffatt) on securing the debate. She is a tremendous advocate for the people who work at Gatwick airport, and is highly respected both in the House and outside for being so.

I entirely agree with my hon. Friend that Gatwick airport is a great success story, not only for the local area—important though that is—but for the United Kingdom as a whole. It supports, directly and indirectly, thousands of jobs and the many business opportunities that underpin the success of the Gatwick diamond and the surrounding areas. I agree that the Gatwick Express announcement was good news for passengers and the local community, and I thank her for her support in the campaign that led to us getting that good news. We are adding more seats and trains on one of the country's busiest rail routes. The need to increase capacity is a great challenge facing the railway industry, and it is a priority for my Department.

As with all airports, the success of Gatwick depends on the contributions of the many and varied people who work there, including those, such as ground handling staff, whose contribution is often unglamorous and hidden from the public gaze, but without whom the whole operation would quickly grind to a halt. I extend my thanks and congratulations to those who work on the ground—literally—at airports, because without them the United Kingdom aviation industry could not continue to offer a first-class service to the travelling public during the many difficult times, such as those that we have gone through lately. I thank them for their co-operation and, in many cases, for their great flexibility.

I understand the concern of staff at Gatwick over the removal of the existing limit on the number of companies permitted to provide ground handling services. It might be helpful if I set out the regulatory position that gives rise to the situation. It is not correct that there has always been such a limit. Before 1998 there was no limit at all. In that year the Civil Aviation Authority, on an application from Gatwick Airport Ltd, made a determination under the ground handling regulations, which had been implemented in the UK the previous year, to limit to four the number of suppliers of airside ground handling services at Gatwick airport. The CAA subsequently modified the determination in 1999, again on application from the airport, so that the number of suppliers of airside bussing services would be limited to two, rather than four. Both decisions rested primarily on arguments relating to the space and capacity available at the airport at that time.

It is important to remember that in the 10 years since the ground handling regulations came into force Gatwick has been the only UK airport with a legal limit on the number of handlers allowed to operate. Gatwick Airport Ltd applied to the CAA in April 2006 to have both of the existing limits removed. On 30 May, the CAA published a proposal in its official record and on its website stating that in the absence of clear arguments to the contrary it was minded to accept the judgment of Gatwick Airport Ltd, as the responsible operator of Gatwick airport, that the existing limitations on the number of airside handlers should be removed.

The CAA asked for representations on this proposal to be made by the end of June. I appreciate my hon. Friend's comments about the effectiveness of the consultation process. The CAA extended the period for comments, which I welcome, following representations from the Transport and General Workers Union, to ensure that the union could make a written submission, which it did in October 2006. The TGWU raised a number of concerns about the possible effects of increased competition in the provision of ground handling services at Gatwick, particularly in respect of security, health and safety, and the capacity of the terminal facilities. The CAA considered the representations carefully and seriously, but found no compelling grounds for it to reject the judgment of Gatwick Airport Ltd. Consequently, it decided to revoke the existing limit on the number of companies permitted to provide ground handling services at Gatwick. The CAA's full decision is set out in its official record, published on 20 February 2007.

In view of the well-established mechanisms of safety oversight of airport operations by the CAA's safety regulation group and by the Health and Safety Executive, the CAA found no reason to believe that removing the limit would itself have a detrimental effect on health and safety levels. I expect the parties most directly concerned—such as the airport, the airlines and the handling companies—to ensure that any changes to the ground handling arrangements at Gatwick are implemented in a way that does not compromise the safety of staff, which is of paramount importance.

My hon. Friend asks specifically about the respective roles of the CAA and the Health and Safety Executive. The CAA is responsible for ensuring that risks to civil aviation safety are properly controlled. To this end it seeks to ensure that Gatwick airport is safe for use by

[Gillian Merron]

aircraft and that operators of aircraft have suitable safety arrangements in place both in the air and on the ground.

The role of the HSE is to ensure that risks to people's health and safety from work activities are properly controlled. There is a memorandum of understanding between the CAA and the HSE, the aim of which is to ensure co-ordination of policy issues, enforcement activity and investigation in respect of aircraft and the systems in which they operate. The memorandum is available for inspection in the safety regulation group section of the CAA website.

My hon. Friend also asks what measures are in place to ensure that standards are maintained as a further operator comes on board and whether any impact assessment of manual handling-related injury has been made since 2002. Prior to the removal of the limits, as part of the re-licensing process, Gatwick Airport Ltd undertook an audit involving existing handling companies and the potential new entrant that looked at health, safety, environmental responsibility, security and service standards. I understand that the potential new entrant received a favourable rating. I also understand that the airport is implementing an enhanced safety performance regime with the expectation of improved safety performance across the board.

My hon. Friend raised two specific health and safety concerns. On weight limits, I understand that the Health and Safety Executive has been successful in working with aircraft operators, ground handling organisations and airports to limit the maximum weight for hold baggage to 32 kg, and that talks are under way to reduce this to 23 kg. This, however, applies only to UK aircraft operators. Otherwise, ground handling operations come within the sphere of the Manual Handling Operations Regulations 1992. The regulations do not set specific weight limits for manual handling, but instead recommend that a specific ergonomic assessment should be made to take account of the specific circumstances of each activity to ensure that the health and safety of the work force is assured. I would expect the parties involved to take full account of those recommendations. In the light of my hon. Friend's representations, I have asked officials to look at ways in which that matter can be raised at a European level and I will be happy to get back to her on that point.

The provision of chutes and lifts in areas where staff regularly have to handle manual items such as wheelchairs is essentially a matter for the airport's management. As part of the development of the airport's capital expenditure programme, I would expect that to be the subject of consultation between the airport and its customer airlines, which are likely to have in mind the implications for their ground handling suppliers of investing—or of failing to invest—in facilities that support ground handling activities.

I am aware that concern has been expressed about the space to accommodate extra handlers. The CAA accepted Gatwick's contention that congestion was primarily a function of peak passenger demand at the airport, rather than being related to the number of ground handlers operating. In its 1998 decision, the CAA had noted that it would be possible to review the limit on the number of handlers should circumstances change significantly from those then prevailing at Gatwick. The CAA said that it now expected Gatwick airport to work with all handlers to ensure that adequate space was sought and used appropriately.

The CAA notified all interested parties of its decision to remove the limit on the number of ground handling service providers at Gatwick on 14 February 2007. Gatwick airport was therefore free to appoint a fifth handler at any time after this date.

I understand what my hon. Friend the Member for Crawley said about the speed with which a fifth operator was announced, and her observation that that generated scepticism about the consultation process among existing ground handling staff. However, I can assure both her and them that the airport's preparations had no effect on the CAA's decision.

I understand that the airport had to act rapidly to complete the appointment, as a number of the existing ground handling contracts were due to expire at the end of March. An orderly handover of business was needed, in the interests of the airport and of its customers and staff.

I thank my hon. Friend the Member for Crawley for speaking up on behalf of people who are an integral part of the Gatwick airport team. I assure both her and her constituents that I shall continue to take a close interest in the matters that have been raised in the House tonight.

Question put and agreed to.

Adjourned accordingly at twenty-five minutes past Seven o'clock.

House of Commons

Thursday 19 April 2007

The House met at half-past Ten o'clock

PRAYERS

[MR. SPEAKER *in the Chair*]

Oral Answers to Questions

ENVIRONMENT, FOOD AND RURAL AFFAIRS

The Secretary of State was asked—

Departmental Regulations

1. **Tony Baldry** (Banbury) (Con): How many new regulations were introduced by his Department in (a) 2005 and (b) 2006. [132352]

The Parliamentary Under-Secretary of State for Environment, Food and Rural Affairs (Barry Gardiner): In 2005, the Department implemented 144 statutory instruments and the figure for 2006 was 150.

Tony Baldry: I am grateful for that answer. DEFRA says that it has a commitment to reduce regulatory and administrative burdens by 25 per cent. The Minister shakes his head, but I have a written answer to a parliamentary question in which it says, in terms, that DEFRA is committed to better regulation and reducing the burden of administration by 25 per cent. I will send it to the Minister if he has not seen it. What is the evidence that DEFRA is providing anything other than empty words and actually doing something to reduce regulatory burdens? On the basis of what the Minister has just said, the answer seems to be not a lot.

Barry Gardiner: It is always advisable, before saying something in the Chamber, to check one's facts. The hon. Gentleman is quite right to refer to the 2005 notice where we did commit ourselves to a 25 per cent. reduction. I am delighted to be able to tell him that last December I published our simplification plan, in which we exceeded our own target, and we have now produced a simplification plan for a 30 per cent. reduction of administrative burdens. That is approximately £159 million taken off business—over and above the baseline that was independently assessed in 2005, which I believe is the hon. Gentleman's time scale.

Bob Russell (Colchester) (LD): I wonder whether any of those new regulations related to flood plains, where higher water tables could result in the flooding of new housing developments? Does he agree that there should be a regulation requiring those with responsibility for flooding to keep a public register, particularly when planning applications are granted, sometimes on appeal, to build houses on flood plains?

Barry Gardiner: I cannot tell the hon. Gentleman which one of the 150 statutory instruments would have dealt with the specific instance to which he refers. I understand that the hon. Gentleman raised this matter recently and it has been referred to the Department for Communities and Local Government. Members often talk about regulations as if they bring only costs or burdens. They do not. They often create new frameworks for markets, new jobs and wealth. They often simplify a previous regime. The hon. Gentleman will know that the Environment Agency, which is indeed part of the DEFRA family, has responsibility for flood regulation, but in so far as the specifics to which he refers, it is a matter for the Department for Communities and Local Government.

Dr. Brian Iddon (Bolton, South-East) (Lab): Does my hon. Friend think as I do that that is a very strange question coming from an Opposition Member because prior to 1997, the general public were clamouring for regulation in the food safety area, which is why the Government set up the Food Standards Agency—and even today, the Conservative party's own leader is clamouring for climate change regulation?

Barry Gardiner: I am grateful to my hon. Friend, who is absolutely right. If we simply add up the costs of regulation without then offsetting its benefits, what results may be convenient for a bit of parliamentary slapstick, but it does not provide the best picture of the true value of regulation. My hon. Friend referred to the position before 1997, which reminds me of a good example in the Animal By-Products Regulations 2005, which the present Government introduced. The impact assessment showed a total administrative cost of £7.58 million. I have no doubt that that was part of the reason why the hon. Member for Banbury (Tony Baldry), who tabled this question, did not pursue those regulations when he was a Minister at the Ministry of Agriculture, Fisheries and Food. Actually—

Mr. Speaker: Order. The Minister has already given a very full response.

Mr. Peter Ainsworth (East Surrey) (Con): Surely what matters as much as the quantity of regulation is the quality, particularly where there is a potentially serious risk to human health. Given that we learned half an hour ago that, as with foot and mouth, the Government have failed to establish the cause of the outbreak of bird flu in Suffolk, is the Minister satisfied with the quality of the regulations dealing with importing poultry meat? Does he not agree that many people will be astonished—bearing in mind that there must have been a serious breach of biosecurity at the Bernard Matthews plant—that under existing regulations nobody will be held responsible and instead the company concerned will receive £589,356.89 in compensation, funded by the taxpayer? Is it not time to look again at the regulations concerning the importation of poultry meat?

Barry Gardiner: Obviously the hon. Gentleman does not take a great deal of notice of his colleague, the right hon. Member for Suffolk, Coastal (Mr. Gummer), who is the local MP and who, only two weeks ago, praised the Government's handling of the whole matter. The hon. Gentleman will note from the report of the Food Standards Agency two weeks ago that it did not have sufficient evidence to prosecute in this case. The Government have received many plaudits for the way in which the whole matter of avian flu has been handled, including from his colleagues.

Fairtrade Farming

4. **Mr. Sadiq Khan** (Tooting) (Lab): What assessment he has made of the effect of the criteria attached to achieving Fairtrade status on the possible environmental benefits accruing from Fairtrade farming. [132357]

The Parliamentary Under-Secretary of State for Environment, Food and Rural Affairs (Barry Gardiner): The Government strongly support the principles of Fairtrade. The environmental standards required for Fairtrade accreditation are, of course, a key element of the scheme, complementing the better prices, decent working conditions and fair terms of trade for farmers and workers in the developing world, which are sometimes better understood by consumers.

Mr. Khan: I thank my hon. Friend for his answer. I have been working with Fairtrade campaigners locally to try to make Tooting a Fairtrade zone. One of the criteria that must be fulfilled before an area can be a Fairtrade zone is for the local council to pass a resolution in support of Fairtrade. Unfortunately, the majority group on Wandsworth council refuses to pass such a resolution. Does the Minister agree that Fairtrade initiatives and zones can help the Government's aim of tackling environmental degradation globally and what does he think about the stance of Wandsworth council, which is preventing Tooting from becoming a Fairtrade zone?

Barry Gardiner: I commend the extraordinary amount of work that my hon. Friend has done on this issue over a sustained period of time, galvanising the local community and really beginning to explain to people the benefits of Fairtrade and the importance of buying Fairtrade produce. It is nothing short of shameful that the Tory Wandsworth council is obstructing the move to make Tooting a Fairtrade zone. I wish him every success with the campaign. It is vital that these issues, which are not simply about justice and fairness, but which are, at their heart, about the environment as well, are taken seriously by all parties in the House.

Miss Julie Kirkbride (Bromsgrove) (Con): Surely the Minister will have noticed that some supermarkets now sell only Fairtrade bananas because their customers have pressed for that. Surely it must be right that the good citizens of Tooting or Wandsworth, or wherever it might be, should seek to choose to buy Fairtrade and should not have it imposed upon them by the local council if they do not want that.

Barry Gardiner: The hon. Lady clearly does not understand that this is not a matter of banning other produce from the whole of Tooting or Wandsworth. Free choice still prevails. But there are sometimes important symbolic issues in relation to a mark such as the Fairtrade mark, and to galvanise the people of Tooting to understand that is a commendable purpose. The measure would do nothing to stop people choosing freely in their supermarkets.

Mr. Tom Watson (West Bromwich, East) (Lab): Does my hon. Friend accept that, while Fairtrade is a method of getting poor countries out of reliance on aid, when we are firming up those local economies, it is important to chime a note of caution to campaigners who campaign on food miles? Fairtrade economies are criticised for extending the use of food miles, and yet they are a way of creating sustainable communities in those areas.

Barry Gardiner: My hon. Friend has raised an important point. The argument that there are more food miles involved is often used against produce from overseas. In fact, often more food miles are used up by people driving to the supermarket than by bringing that produce to market. It is an essential part of Fairtrade that we look at the whole supply system and the way in which produce is grown. It is right that we take into account all the environmental factors, including the energy used to produce goods and transport them to market, but the issue must be looked at in the round. He is absolutely right to raise that point.

Mrs. Ann Cryer (Keighley) (Lab): Part of my extended family comes from an area in Kenya around Nyeri. The people there who produced sugar got into deep problems—the sugar refinery had to close eventually—because of the production of sugar beet in the EU. I know that that will be phased out, as will the subsidy. What are we doing to support fairly-traded sugar in such places as Nyeri, instead of giving subsidies for sugar beet production in the EU?

Barry Gardiner: My hon. Friend is absolutely right. She will know that one of the real successes of the UK presidency of the EU last year was the reform of sugar subsidy and production. Many companies in this country have taken advantage of that. British Sugar maintains its quota and is looking to diversify into biofuels through that. There are many ways in which sugar farmers and companies can diversify their crops. The fundamental reforms were put in place during this Government's presidency of the EU and they have brought about the prosperity in developing countries about which my hon. Friend talks.

Carbon Emissions

5. **Stephen Hammond** (Wimbledon) (Con): What recent discussions he has had with ministerial colleagues on progress in reducing carbon emissions from the Government estate. [132362]

The Minister for Climate Change and the Environment (Ian Pearson): I am very glad to see the hon. Gentleman in the Chamber.

I, like my right hon. Friend the Secretary of State and other Department for Environment, Food and Rural Affairs Ministers, have held recent discussions with many colleagues from other Departments on the subject of reducing carbon emissions from the Government estate as part of wider discussions on combating climate change.

Stephen Hammond: I am grateful to the Minister for that answer—I am grateful to be here as well.

In June 2006, the Government said that their target was for the whole Government estate to go carbon neutral by 2012 and for emissions to be reduced by 30 per cent. by 2020. What progress have they made on achieving that?

Ian Pearson: We are making progress, but I have to admit that we are not moving as quickly as we would like, or as quickly as we need to to achieve our targets. We will meet our commitment of making the Government estate carbon neutral by 2012. I believe that the revised sustainable operations targets for the Government estate that were launched in June 2006 are stretching. We are making progress on a whole range of areas, such as on schools, about which an announcement has been made this week. DEFRA, along with other Government Departments, is implementing carbon management programmes that will have a significant impact in future years.

Mr. Barry Sheerman (Huddersfield) (Lab/Co-op): Does my hon. Friend agree that this is about not only the estate and buildings, but the people who work in those buildings? May we have a more vigorous education programme to raise the environmental knowledge and expectations of the people who work in those buildings? Will he especially consider the old Metropole building, which is just a stone's throw from this building? That massive, old Ministry of Agriculture building, which has fantastic architecture, has been boarded up for many years. If it were turned into a centre for small campaigning groups and environmental groups, the building would be brought to life and would represent a great use of the Government estate.

Ian Pearson: My hon. Friend makes the good point that people's use of energy in buildings is critical. That is one of the reasons why DEFRA is running a big switch campaign to encourage people to switch off lights and energy appliances when they are not being used, which can make a significant difference.

I hear what my hon. Friend says about the Metropole building and I will make inquiries into the situation. Over the past couple of years, DEFRA has been in a period of transition. We have moved into new buildings, refurbished buildings and vacated buildings that are still part of the DEFRA estate. That has not helped our carbon footprint, but we hope to make significant improvements in future years. I will examine the case to which my hon. Friend refers.

Sir Nicholas Winterton (Macclesfield) (Con): Does the Minister accept that it is sometimes better not to penalise people for doing what they have done for a long time, but to create energy that is less polluting? Why do the Government not direct more of their attention to the development of biofuels and clean-coal technology—that is, not to beating people, but to developing energy that is less polluting, and that therefore emits less carbon into the environment? I am sick to death of people being penalised, rather than being encouraged to do what is right through the Government's development of new forms of energy.

Ian Pearson: It is perfectly right to say that we need to encourage people to adopt lower-carbon lifestyles. That is one of the reasons why Labour announced earlier this week that it would provide free real-time displays that people can decide to put into their homes, and which will show them, in real time, the amount of energy use in their home. That can make significant difference. Evidence shows that people who take advantage of the displays save anything up to 15 per cent. on their normal energy bills by becoming more energy-conscious. It is right that we should focus on campaigns to encourage people to reduce their carbon dioxide emissions. That is one of the reasons why the Government launched our act on CO_2 campaign. A great deal can be done to raise people's awareness of their carbon footprint, and to encourage them to do more about it.

Joan Ruddock (Lewisham, Deptford) (Lab): Further to the Minister's answer, what discussions has he had with the House authorities? The issue is not just about the Government estate. When we look at the contribution that individuals can make, we should remember that there is a vast contribution that Members of the House, and particularly their staff, could make in their offices. I am delighted to say that there has been a major behaviour change on the part of staff in my office, and I would recommend such changes to others. I hope that the Minister will help to ensure that lights, and particularly PCs, are switched off, and that there are more and improved recycling facilities in the House.

Ian Pearson: My hon. Friend is right: there is a lot that we can all do. MPs and people in our offices, both in the constituency and on the parliamentary estate, can all do more to reduce their carbon dioxide emissions. My right hon. Friend the Secretary of State has had discussions and has raised the matter with the House authorities. There are clearly some difficulties with historic buildings that will never be massively energy-efficient, but there are things that can be done, including on the parliamentary estate, and people from right across Government need to consider them.

Mr. Nick Hurd (Ruislip-Northwood) (Con): Combined heat and power is a technology with great potential to reduce the amount of waste in our energy system. Will the Minister update the House on the progress that the Government have made on their target to deploy that technology across the public sector?

Ian Pearson: I agree with the hon. Gentleman about the importance of combined heat and power. We are seeing progress with CHP, but again, perhaps that progress is not as fast as we would like. That is one of the issues that we have discussed following the publication of the energy review, and in the lead-up to the publication of the energy White Paper. We believe that combined heat and power, which results in additional energy efficiencies, needs to be made more widespread, not just among those who use energy on a large, industrial scale, although there is significant potential in that regard, but when it comes to CHP district and community heating systems. Those are areas in which we are trying to encourage CHP, through the development of energy service companies, or ESCOs.

Mary Creagh (Wakefield) (Lab): Does the Minister agree that the issue is not just the Government's buildings, but their car service? As I cycle in and out of the Palace of Westminster, I have ample opportunity to observe the ministerial cars. I am delighted that everyone on the Government Front Bench this

morning is leading by example with their hybrid cars, but there are still some Cabinet-level Jaguars around the place. As a Coventry-born woman, I am reluctant to encourage people to get rid of their Jaguars, but there is a point at which politicians have to lead by example. Will the Minister encourage his Cabinet colleagues to take up hybrid cars?

Ian Pearson: I think that my hon. Friend will probably find that the whole DEFRA team walked here this morning, rather than getting in our cars. That is the right thing to do, because we always say that we should avoid CO_2 emissions first, then try to reduce them. Hybrid vehicles are certainly a way of reducing CO_2 emissions. I do not think that the data are particularly reliable, but there has been a significant 10 per cent. fall in emissions from the Government's road transport activities since 2002-03. As I said, the data are not as robust as we would like, and we need to do more to check them. We need to do more, too, on the procurement of new low-carbon vehicles. That is exactly what we are doing, as well as converting some Jaguars and other vehicles so that they can use biofuel.

Chris Huhne (Eastleigh) (LD): It is obviously crucial that DEFRA and the Government should set an example, and it is rather worrying that the figures from the Sustainable Development Commission suggest that DEFRA's own emissions have increased three times as rapidly as the overall national average. However, the quantification of the Government's impact is crucial, too. As I challenged the Secretary of State in the Budget debate, can the Minister give an estimate of the impact on carbon emissions of the country as a whole of the new measures announced in the Budget?

Ian Pearson: First, on the DEFRA office estate, if the hon. Gentleman was listening a few moments ago, he would have heard me say that DEFRA has undergone a period of transition, moving into new buildings, refurbishing some buildings, and vacating others that are still part of the Government office estate. That means that our carbon dioxide impact has not made as much progress as we would have liked. In fact, as he rightly said, it has gone in the wrong direction. However, if we look at Nobel house, out of which the ministerial team operates, in 2001-02, 573 kg of carbon per member of staff was emitted, but that has gone down to 446 kg of carbon per member of staff. That shows the sort of improvement that can be made through refurbished offices and more efficient use of office space. Regarding the question that the hon. Gentleman posed about the Budget and the way in which it addresses carbon targets, my right hon. Friend the Secretary of State, as he knows, has promised to write to him on the matter, and I am sure that that letter will provide all the clarification that he needs.

Chris Huhne: I find it astonishing that the Secretary of State could claim in the Budget debate that the Budget

"took important steps forward on curbing domestic emissions and contributing to international emissions reduction."—[*Official Report*, 26 March 2007; Vol. 458, c. 1180.]

I await his letter, as we still have no estimate from him of the impact of the Budget. How on earth can he make those claims if he has no idea what the impact of the Budget is? Clearly, given his failure to respond so far he still has no idea of the impact of the Budget. Well, I will tell him—it is 0.15 per cent. of carbon emissions or 330,000 tonnes, which is negligible.

Mr. Speaker: Order.

Ian Pearson: I do not think that we need to hear perorations or lectures from the Liberal Democrats on such issues, as they voted against air passenger duty increases, which will have the benefit of reducing carbon dioxide by 300,000 to 500,000 tonnes. We have a climate change programme that is on course to achieve our 2020 targets. The draft Climate Change Bill, as the hon. Gentleman well knows, will make us the first country in the world to legislate to put in place a legal framework for reducing carbon emissions. We will set up a committee on climate change, which will advise us on trajectories. I do not believe that any other major industrialised country has done more than we have done to tackle climate change, but we need to do more, and we are committed to do so. A range of policy initiatives in the energy White Paper and other measures in due course will show how we will continue to make progress on some stretching targets.

Gregory Barker (Bexhill and Battle) (Con): The Minister's reply to my hon. Friend the Member for Ruislip-Northwood (Mr. Hurd) was extremely worrying. We know that Labour Ministers are failing miserably to deliver their manifesto pledge of 10 GW of combined heat and power generating capacity by 2010, and a year of "Brains" at the helm has not made a jot of difference. Will the Minister tell us specifically how the Government are getting on with meeting their own target for CHP installation in their buildings? They were supposed to have 15 per cent. by 2010; will they achieve that figure? This matter is entirely under the DEFRA team's personal control. Can we have a personal assurance that the target will be met?

Ian Pearson: We are committed to our CHP target. The hon. Gentleman should look at the detail of our action, for example, on the phase 2 national allocation plans for the EU emissions trading scheme, where we have provided greater incentives to the emergence of CHP. In the Government office estate, DEFRA has been examining the potential not only for CHP but for the further development of renewable technologies. We think that there are significant opportunities for biomass, in which a number of hon. Members are especially interested, and we have just started construction of a new building in Alnwick that will use a range of renewable technologies. Approximately two thirds of the DEFRA estate's energy needs are met by renewable energy sources. The target for the Government office estate as a whole is 10 per cent., but we have achieved 63 per cent., which shows the progress that DEFRA is making. We are leading by example in renewable energy.

Fishing Quotas

6. **Mr. David Amess** (Southend, West) (Con): What plans he has to reform the quota allocation system for the under-10 m fishing fleet. [132364]

The Minister for Local Environment, Marine and Animal Welfare (Mr. Ben Bradshaw): As the hon. Gentleman will know because we discussed it in a recent meeting, we are examining the possibility of reforming the quota allocation system affecting the under-10 m fishing fleet as part of our current fish quota management change programme.

Mr. Amess: I am advised that while our inshore fishing fleet remained tied up, unable to go out and fish because of the 50 kg per month quota allocation, Belgian beam trawlers moved into our fishing area within the 6-mile limit and hoovered up thousands of tonnes of sole. Will the Minister tell the House what he is doing to speed up the revision of the fishing limits, so that Thames estuary fishermen get a proper limit of 12 miles and we stop the intrusion of foreign vessels?

Mr. Bradshaw: I would be surprised if foreign vessels had come within the 6-mile limit—*[Interruption.]* Actually, the hon. Gentleman did say that foreign vessels had come within the 6-mile limit. If he would like to provide details, I shall certainly look into the matter, because that would be against the rules. However, as I am sure he knows, if other countries have a tradition of fishing in the area between the 6 and 12-mile limits, they have traditional rights, just as we have traditional rights off the coasts of other countries. We cannot escape the fact that we have been seriously over-fishing some stocks in recent years and they are extremely depleted, so we will have to take tough action.

Mr. Bob Blizzard (Waveney) (Lab): My hon. Friend knows that the by-catch regulations for skate and dogfish, which were rushed through the Fisheries Council last December, are completely unworkable for the under-10 m fleet. I welcome what he said about trying to get those regulations changed, but will he tell the House the likely time scale and what prospects there are of securing change? While he is thinking about reforming the quota for the under-10 m fleet, will he give special consideration to long-lining, which is an environmentally sustainable form of fishing that needs to be encouraged? Long-lining involves just one hook and one fish, not great big nets full of dead fish which are then discarded, so can we treat it in a better way to encourage it? Long-lining is good for the environment, good for fishing and good for jobs.

Mr. Bradshaw: I concur with my hon. Friend that the long-lining off Lowestoft falls into the category of a sustainable fishery, but long-lining is not necessarily sustainable. It can cause environmental problems—for example, it can pose a threat to albatrosses in the southern Atlantic. However, I shall look into the points that he makes.

We recently managed to swap some sole quota with the Germans to mitigate the impact felt by some of the under-10 m fleet in the Thames estuary and around our south-eastern coasts. We shall consider carefully what more we can do through the change programme that I outlined earlier.

Mr. Colin Breed (South-East Cornwall) (LD): The Minister will know that hand-liners employ a very good way of sustainable fishing and are big users of under-10 m boats, yet they are still caught within quotas. Is there any movement at all on taking them out of any quota system?

Mr. Bradshaw: It depends on what stocks the hon. Gentleman is talking about. The simple answer is no. It would not be possible to create rules whereby fishermen using certain methods were allowed to catch whatever they liked whereas others were not. Quotas are an important means of controlling the level of fishing on stocks that may be depleted. However, the hon. Gentleman is right to imply that some of the hand-line catching that goes on off the Devon and Cornwall coast is very sustainable. I would encourage consumers always to ask about the provenance of their fish where possible, not least because of the pair-trawling problem with dolphins, and to go for line-caught, rather than net-caught, bass.

Bill Wiggin (Leominster) (Con): The Department's under-10 m factsheet refers to

"estimates that it is now clear were seriously inaccurate".

However, when I asked the Minister whether his Department had miscalculated the under-10 m quota, he simply answered—on 1 February at column 352—"No." Would he now like to apologise for his Department's miscalculation and put the record straight, because it is possible that he may have inadvertently misled the House?

Mr. Bradshaw: No, because the estimates to which the hon. Gentleman refers were made in the 1980s under a Conservative Government.

Eco-debt

7. **David Taylor** (North-West Leicestershire) (Lab/Co-op): Whether the Government have made an assessment of the UK's eco-debt; and if he will make a statement. [132365]

The Secretary of State for Environment, Food and Rural Affairs (David Miliband): DEFRA is currently researching ways of calculating the embedded carbon in imported goods and assessing the international biodiversity impacts of goods imported to the UK. We have also given great prominence to the ideas of the WWF about so-called one-planet living, which makes the point that if all citizens of the world lived as we do, we would need three planets to support us rather than the one that we have. That suggests the scale of the eco-debt that my hon. Friend mentions.

David Taylor: The world as a whole is consuming beyond the capacity of its ecosystems to regenerate, while in the UK our 2007 consumption patterns mean that we are living beyond our natural resources and start to eat into nature's capital from mid-April each year. Does the Minister agree that this arises mainly from declining UK food self-sufficiency, decreasing energy independence and ecologically wasteful trade? Should not our nation aim to live more sustainably within our environmental means?

David Miliband: My hon. Friend makes an important point. He is a member of the Environment, Food and Rural Affairs Committee, which is conducting an inquiry

that is relevant to his question; its Chairman is here as well. His point about energy independence is particularly important. We have been relatively independent over the past 20 or 30 years, but in an environmentally damaging way. The big challenge as our oil and gas supplies decline is to ensure that we replace them with low-carbon or zero-carbon sources of energy. That is what we are determined to do, because in that way we will tackle the flow of greenhouse gases and other pollutants into the atmosphere.

Dr. Vincent Cable (Twickenham) (LD): Countries such as China and India argue that rich countries like us have a large eco-debt in the form of carbon concentrations already produced, and that therefore they should not exercise the same degree of restraint until their living standards have reached the same level. Does the Minister accept that argument?

David Miliband: I wholly accept the argument that countries such as India and China have not only a right but a duty to help themselves to develop, but they also have a duty and an opportunity to avoid the mistakes that we made. The old choice was economic development versus environmental protection; the new choice is about whether development is high-carbon or low-carbon. Our duty is twofold. We must put our own house in order and grow our economy while cutting our greenhouse gas emissions, as of course we have been doing under this Government, but we must also ensure that we help countries such as India and China and some of the poorest African countries to develop in a low-carbon way. That requires massive flows of finance, primarily not through aid programmes, which may be relevant as regards issues such as deforestation, but through the markets for carbon reduction that have been created in Europe and elsewhere. That is why the European emissions trading scheme is so important and why measures such as the clean development mechanism are so vital.

It may help the House if I note that, this evening, I am meeting the Indonesian Forestry Minister. That is obviously important because of deforestation, which represents nearly 20 per cent. of the world's greenhouse gases, but I hope that it is also significant because Indonesia will be the host country for the next United Nations framework convention on climate change in December. The Minister for Forestry, who is visiting this country, will play a critical role, along with other colleagues in the Indonesian Government, including the Prime Minister. It is strongly in our interest to work closely with Indonesia.

It may also be useful if I report that Sir Nicholas Stern's visit to Indonesia—

Mr. Speaker: Order. The answer is far too long.

Lynne Jones (Birmingham, Selly Oak) (Lab): Why are aviation emissions excluded from the targets in the Climate Change Bill?

David Miliband: My hon. Friend knows that domestic aviation is included in the targets that were adopted under the Kyoto protocol. Clause 16 makes special provision to include aviation and shipping in our climate change targets as soon as two issues are resolved. The first is the international discussion on calculating the right level of aviation emissions because there are specific issues about emissions at high altitudes. The second is to which country aviation emissions should be apportioned. If one is flying from country A to country B, to which country does one apportion the emissions? As soon as we have resolved those matters, we can include aviation and shipping in the Climate Change Bill. We now have agreement throughout Europe to include aviation in the European Union emissions trading scheme by 2010 or 2011, which suggests that, although the time scale is longer than we would like, it is not beyond reach.

Mr. Peter Ainsworth (East Surrey) (Con): Given the plan to increase by 10 times the biofuels that we use in this country, what steps are the Government taking to make certain that they are ethically sourced and, as far as possible, from the United Kingdom, so that we do not go on contributing to the destruction of the rainforest in the name of the environment?

Sir Nicholas Winterton (Macclesfield) (Con): Now that is a good question.

David Miliband: I agree, though I could not help noting the element of surprise in the hon. Gentleman's voice when he complimented the shadow Secretary of State on an unusually good question. That he was surprised is the only conclusion that we can draw from his remark. I do not know whether I can provide an unusually good answer to match. I am sure that I cannot.

The hon. Member for East Surrey (Mr. Ainsworth) makes an important point. I presume that by "ethically sourced" he means sustainably sourced. If one is simply growing biofuels by tearing down rainforests, one does nothing for the environment. Obviously, we are pursuing the matter at European level. The Environment Council has done important work, including with Commissioner Dimas, to ensure that European targets involve sustainably sourced biofuels.

The hon. Gentleman made a critical point about British sourcing. There is a shared agenda about the reform of the common agricultural policy, especially set-aside. Ending set-aside provides potential for us to grow biofuels in this country in a way that does not compromise food or other environmental matters. We have made that point regularly recently. My recent discussions suggest that the UK agenda for CAP reform has growing support. The health check that Commissioner Fischer Boel will conduct next year offers a genuine opportunity not only to do something about milk quotas and other matters, but to take forward the set-aside agenda, which could have big environmental benefits.

Sir Nicholas Winterton: That was a better answer.

Bovine Tuberculosis

8. **Mr. Michael Jack** (Fylde) (Con): If he will make a statement on his future policy to eradicate bovine tuberculosis. [132370]

The Minister for Local Environment, Marine and Animal Welfare (Mr. Ben Bradshaw): The Government will continue to take measures aimed at bearing down on TB. Our decisions will be based on the science and

on what is practical and cost-effective, and will ensure a fair balance of the costs of the disease between farmers and the taxpayer.

Mr. Jack: In thanking the Minister for that answer, may I remind him that 58 weeks tomorrow will mark the start of the consultation exercise that the Government carried out on ways of controlling bovine TB using culling? He will also be aware that herd restrictions are now at their highest level for a decade, and that the cost to his Department of dealing with the disease is now about £90 million a year. The Independent Scientific Group will report at the end of April, but the Secretary of State has confirmed in a letter to me that, following the ISG's findings,

"We have no timetable for an announcement."

There is a great deal of uncertainty in the farming world. Will the Minister now tell the House what timetable is to be followed, and what criteria his Department will deploy to assess the ISG's findings and to come to a conclusion on this matter, once and for all?

Mr. Bradshaw: The right hon. Gentleman will know, because he chairs the Environment, Food and Rural Affairs Committee and because he has followed this issue closely, that we have not yet received the final report from the Independent Scientific Group that carried out the badger culling trials, although we expect it some time this summer. He will also know, because he has studied the matter closely, that this is a complex issue. There are no simple solutions, as some people claim, not least because the science shows that piecemeal localised badger culling could actually make the disease considerably worse. There would be considerable organisational challenges involved in any potential badger cull, but we have been discussing those with the farming industry over the past few months and trialling various culling methods. A decision will be made based on the science and on what is practicable and deliverable.

Charlotte Atkins (Staffordshire, Moorlands) (Lab): What conclusions has my hon. Friend come to about the levels of compensation to farmers hit by bovine TB? How do they compare with the overall economic impact on farmers hit by a bovine TB breakdown?

Mr. Bradshaw: I would refer my hon. Friend to a number of independent reports, including one from the National Audit Office that concluded that serious overpayment was going on under the previous individual valuation system. As I said in my answer to the original question, it is important when dealing with animal diseases such as these that it is not only the taxpayer who has to foot the bill, and that the agriculture industry itself should have a responsibility to maintain good biosecurity and disease control measures. We are obliged to pay compensation for cattle that are culled as a result of TB, but we think that the new table valuations provide a fairer balance between the costs that are expected to be carried by the taxpayer and those that are expected to be carried by the farmers.

Mr. Patrick McLoughlin (West Derbyshire) (Con): Some time ago, I asked the Minister what the total cost to his Department of bovine TB had been over the past 10 years. He was unable to give me the total cost at that stage. Will he do so now, and, if not, will he put the information in the Library?

Mr. Bradshaw: Yes, I will certainly do that. I can also tell the right hon. Gentleman that the costs have reduced significantly over the past year, partly because of the fall in the number of cases last year, but also because of the change in the compensation system that I have just outlined to my hon. Friend the Member for Staffordshire, Moorlands (Charlotte Atkins).

Mr. David Drew (Stroud) (Lab/Co-op): I hear what my hon. Friend has said. This is a devilishly difficult disease. Would he accept, however, that no country in the world will use a culling policy as the primary way of controlling bovine TB? Most scientists now recognise that there has to be a solution involving vaccination, yet that solution always seems to be 10 years away. Experiments are being carried out in my constituency and that of the hon. Member for Cotswold (Mr. Clifton-Brown) to determine whether a BCG vaccine can be used on badgers. Is it not about time that we put proper resources into such research and, along with our friends in Ireland and New Zealand, tried to eradicate this disease in the way that we have done with human TB, namely through vaccination?

Mr. Bradshaw: My hon. Friend is absolutely right to say that, wherever this disease occurs around the world, wildlife controls alone are not the answer. In fact, every other country that has bovine TB concentrates on cattle controls as the most effective and useful way of controlling it. We are investing a considerable amount of money in vaccine research—we have invested £10.5 million over the past seven years—and we have started to test candidate vaccines in naturally affected cattle and badgers. So we are making progress, but, as my hon. Friend will understand, we cannot always hurry science.

Mr. Owen Paterson (North Shropshire) (Con): Last night, I had a long conversation with a constituent from Hengoed who was desperate because bovine TB had now spread to that area, where it had not been seen before. The Minister's answers are complacent and unacceptable. I visited Michigan 18 months ago, and countries such as America are bearing down on the disease—

Mr. Speaker: Order. The hon. Gentleman should be putting a question.

Mr. Paterson: Will the Minister take lessons from countries such as America where, by bearing down on the disease in both cattle and wildlife, the disease has been eradicated?

Mr. Bradshaw: Of course we will learn lessons where we can from other countries that have had similar disease experiences. As I am sure the hon. Gentleman will know from all his globetrotting, this is a complex disease. We are not the only country in the world to face the challenge of it. Across the Irish sea, the Republic of Ireland has had an even more serious problem than we have. We have implemented a package

of measures. Opposition Members always concentrate on badger culling, but they have little to say about the very important cattle control measures, which my hon. Friend the Member for Stroud (Mr. Drew) referred to, which are far more important in terms of controlling the disease.

Mr. James Paice (South-East Cambridgeshire) (Con): Ten years ago, the then Minister responsible, the noble Lord Rooker, said that bovine TB was the most serious animal health issue facing this country apart from the tail-end of bovine spongiform encephalopathy, which affected us then. Yet here we are, with the number of incidents going up again, returning to the trend after last year's reduction, and still we do not have a decision on culling and have made no progress on many other areas—for example, the use of gamma interferon testing is at 1 per cent. of total tests.

Does the Minister agree that putting the issue into the too difficult file is not good enough for a disease that is affecting countless herds and, more seriously, countless families and households up and down the western side of the country? Will he introduce a comprehensive package of measures? Yes, we must develop vaccines; yes, we must use pre-movement testing, on which we support him, much to the disgust of some of people in the industry; but we must also test other systems, such as polymerase chain reaction, which we have constantly pressed on him, and actually make a decision. Rumours abound that the Government are about to announce licences on badger culling. Will he tell us: yes or no?

Mr. Bradshaw: The issue has not been put in the too difficult file. As the right hon. Member for West Derbyshire (Mr. McLoughlin) implied when he asked about how much it is costing, the Government—the taxpayer—are paying considerable sums, both in trying to control and reduce the disease and on research. As the right hon. Member for Fylde (Mr. Jack), who chairs the EFRA Committee, was gracious enough to acknowledge, it is a difficult and complex problem.

The hon. Gentleman will be interested to learn that we have rolled out a threefold increase in gamma interferon tests in the past few months. We think that we have managed to catch a significant number of animals and therefore avoid further spread of the disease in a number of areas.

Packaging Waste

9. **Sandra Gidley** (Romsey) (LD): What steps the Government are taking to reduce packaging waste; and if he will make a statement. [132371]

The Minister for Local Environment, Marine and Animal Welfare (Mr. Ben Bradshaw): Packaging recycling has doubled since 1997 and statutory binding targets will ensure further improvements in the years to come. All the major retailers and several major brands have also agreed to a Government request to reduce the amount of packaging in the first place, designing out packaging growth by 2008 and delivering absolute reductions in packaging by March 2010.

Sandra Gidley: Will the Minister consider implementing the principles set out in the Retail Packaging (Recycling) Bill, introduced by my hon. Friend the Member for Hazel Grove (Andrew Stunell), which would impose on larger retailers a duty to take back excess packaging from customers, a system that works well in Switzerland and Germany?

Mr. Bradshaw: I am afraid that I have not seen full details of that Bill. It would, of course, be subject to discussions with Government colleagues, but it sounds like a very good idea and I would like to have a look at it.

Mrs. Sharon Hodgson (Gateshead, East and Washington, West) (Lab): As we have just left the season that has some of the most wasteful packaging—the Easter period with Easter eggs—will the Government consider coupling the measures the Minister mentioned with a mandatory requirement or a strong recommendation for local authorities to consider recycling not only tin and glass when they offer such a facility to residents? They do that because those products are quite heavy and they reach their targets quicker, whereas the packaging on an Easter egg, for instance, is plastic and cardboard.

Mr. Bradshaw: A growing number of local authorities are recycling plastic and cardboard, but my hon. Friend is right to draw attention both to the excess packaging around Easter eggs and to the difficulties involved in our weight-based system for recycling targets. That is one of the issues that we are examining as part of the review of our waste strategy, and we intend to publish a new strategy shortly, which I hope will deal with the problem identified by my hon. Friend.

Marine Environment

10. **Anne Moffat** (East Lothian) (Lab): What his objectives are for new measures to protect the marine environment (a) around the UK and (b) in the EU. [132372]

The Minister for Local Environment, Marine and Animal Welfare (Mr. Ben Bradshaw): The measures in our Marine Bill White Paper published last month will, when enacted, make the UK an international leader in marine environmental policy. We are also continuing to play a leading role in Europe to improve the operation of the common fisheries policy, and to persuade the Commission and other member states to pay more heed to protection of our seas.

Anne Moffat: Does my hon. Friend share my concern about proposals for ship-to-ship oil transfers in the Firth of Forth, which runs up my constituency? Fin whales have been sighted in those waters very recently. Any catastrophe involving oil in that beautiful stretch of water would be devastating.

Mr. Bradshaw: I certainly share my hon. Friend's concern, and I will look into the matter, although as she knows it may well be devolved.

We have been working with the Scottish Executive and the Welsh Assembly in recent months on our Marine Bill White Paper, which will address some of my hon. Friend's concerns. I hope that that co-operation and commitment to the marine environment will remain after the Scottish elections in May.

Mr. Robert Goodwill (Scarborough and Whitby) (Con): Belgium and the Netherlands have placed restrictions on marine aggregate dredging in their waters. We now export 30 per cent. of the sand and gravel that is dredged from our waters to those countries and to France. Does the Minister intend to take measures to restrict the damage caused to our marine environment as a result of measures taken by other countries to protect theirs?

Mr. Bradshaw: Marine aggregate dredging is regulated in this country. I do not know whether the hon. Gentleman is calling for more regulation, in contrast to what his hon. Friends were saying earlier.

This is one of the important issues that we are considering in the round as part of our Marine Bill White Paper proposals. For far too long we have viewed the oceans in a piecemeal way, approaching the issue with different sectoral interests rather than bringing everything together in a strategic and holistic way as we hope to do when the Bill has been passed.

Linda Gilroy (Plymouth, Sutton) (Lab/Co-op): I welcome the Bill and the White Paper, which some of us will debate later today. Within what time scale—subject to legislation—does my hon. Friend expect the marine management organisation to be established, and will he ensure that the long-term data sets to which it will need access are protected in the forthcoming funding from the research council?

Mr. Bradshaw: I am afraid that the research council is not part of my brief, but I will ensure that one of my colleagues writes to my hon. Friend about it. As for the time scale, we want to introduce the legislation as soon as possible. It was a manifesto commitment that we would deliver it during this Parliament, and I am confident that we will fulfil that commitment. But we must get it right rather than rushing it, because it deals with a very important issue.

I note that my hon. Friend has already made a spirited bid for the marine management organisation to be based in Plymouth, championing her city as she always does.

English Farming

11. **Mr. Roger Williams** (Brecon and Radnorshire) (LD): What assessment he has made of the effect of the transfer of funds from pillar I to pillar II on the future viability of English farming. [132373]

The Parliamentary Under-Secretary of State for Environment, Food and Rural Affairs (Barry Gardiner): As a result of the decision to co-finance voluntary modulation for environmental schemes in England at a rate of 40 per cent., more funding overall will go into pillar II rural development, from which both farmers and the environment will benefit.

Mr. Williams: In evidence to the Select Committee, the National Farmers Union estimated that of funds used to support agriculture under pillar II, only 40 per cent. would accrue to the profitability of the industry. Before rushing into ever more voluntary modulation, as opposed to what the Commission has made compulsory, will the Minister ensure that farming businesses still exist to deliver the pillar II programmes which everyone considers so important, particularly in the hill areas?

Barry Gardiner: Our position is clear: we believe in targeting public money for public good. That means phasing out subsidy dependency and paying farmers for the environmental benefits and the landscape management that only they can provide. We are trying to make that compulsory in the health check, as I believe the hon. Gentleman is aware.

Bovine Tuberculosis

12. **Mr. Stewart Jackson** (Peterborough) (Con): When he expects to announce the Government's response to the public consultation on badger culling and bovine tuberculosis. [132375]

The Minister for Local Environment, Marine and Animal Welfare (Mr. Ben Bradshaw): As suggested in previous answers, we currently have no set date, but the final report of the independent scientific group that ran the badger culling trials is expected this summer.

Mr. Jackson: I listened with interest to the earlier debate and to the answers that the Minister gave to questions on this issue. He should bear in mind that the link between badger TB and bovine TB was established as long as 10 years ago in 1997 by Professor Krebs, and that up to May last year there were 859 new cases of bovine TB. When can we be given an exact date for when the consultation will be brought before the House and action will be taken to tackle this desperately important issue?

Mr. Bradshaw: We will have an exact date when we are ready to announce one. The hon. Gentleman is right that the link between badgers and bovine TB has been known for some time, but what was not known, because no previous Government—including previous Conservative Governments—had done the research, was the extent of the relationship between bovine TB and badgers and the infection rates in cattle. That is exactly why this Labour Government when we came into office in 1997 set up the badger culling trials. They took place over several years. They were delayed somewhat by the outbreak of foot and mouth but they have now finished, and the hon. Gentleman and other Members should read the final report before they reach their conclusions.

Business of the House

11.31 am

Mrs. Theresa May (Maidenhead) (Con): May I ask the Leader of the House to tell us the forthcoming business?

The Leader of the House of Commons (Mr. Jack Straw): The business for next week—the week commencing 23 April—will be:

Monday 23 April—Second Reading of the Finance Bill.

Tuesday 24 April—Opposition day; ninth allotted day. There will be a debate entitled "Modernising Medical Careers", followed by a debate entitled "The Future of Local Government". Both debates arise on an Opposition motion.

Wednesday 25 April—A motion relating to the Crossrail Bill, followed by opposed private business that the Chairman of Ways and Means has named for consideration.

Thursday 26 April—A debate on defence in the United Kingdom on a motion for the Adjournment of the House.

Friday 27 April—Private Members' Bills.

The provisional business for the week commencing 30 April will include:

Monday 30 April—Consideration in Committee of the Finance Bill.

Tuesday 1 May—Conclusion of consideration in Committee of the Finance Bill.

Wednesday 2 May—A motion to approve a European document relating to the protection of critical infrastructure, followed by consideration of Lords amendments to the Welfare Reform Bill, followed by a debate on a motion for the Adjournment of the House on a subject to be announced.

Thursday 3 May—A debate on policing in London on a motion for the Adjournment of the House.

Friday 4 May—The House will not be sitting.

Mrs. May: I thank the Leader of the House for telling us the future business. He has in the past announced his intention to improve the notice of oral statements to the House. Usually, advance notice of such statements is given in his response to business questions, but will he confirm to the House whether it is his intention in future to enable notice of such statements to be put on the Order Paper, regardless of whether they have been announced in business statements?

This morning, as referred to in Department for Environment, Food and Rural Affairs questions, the Government published their final epidemiology report on the outbreak of bird flu, but it is clear that we still do not know how bird flu came into Britain. Despite the Government finding serious failings at the Bernard Matthews farm, that company will receive more than £589,000 of taxpayers' money in compensation. Can we have a debate on the bird flu outbreak?

On Monday, the Defence Secretary came to the House to make a statement on the double fiasco overseen by his Department, but he failed to explain why, three years after the last such incident, the Iranians were allowed illegally to hold our people hostage. He said Lieutenant-General Sir Rob Fulton's inquiry would take about six weeks, but he did not set out a full and proper timetable. We need a clear timetable so that we can ensure that the Defence Secretary does not escape scrutiny by being moved to a new position by a new Prime Minister. Can we have a clear timetable, set out by the Government? The Defence Secretary also failed to say whether the whole House of Commons, rather than just the Defence Committee, would debate the findings of the two inquiries. Will the Leader of the House commit himself to such a debate?

One Minister who never says sorry is the Chancellor of the Exchequer. In 1999, he sold 400 tonnes of the Treasury's bullion reserves, when the price of gold was at a 20-year low. That cost the taxpayer £2 billion, but the Chancellor claimed that he had the backing of the Bank of England. Indeed, the Prime Minister told the House on 14 July 1999:

"We sold gold on the technical advice of the Bank of England"—[*Official Report*, 14 July 1999; Vol. 335, c. 403.]

However, the Bank's spokesman says:

"The Bank was not asked for advice."

Can we therefore have a debate on the Chancellor's response to the views of the Bank of England?

On the Chancellor's watch, more than 60,000 occupational pension schemes have been wound up, and only one third of final salary pension schemes remain open to new members. Typically, however, the Chancellor denies that that has anything to do with his £100 billion pensions tax. He claims that the Confederation of British Industry agreed with his decision, but its former director general says that it is completely—

The Parliamentary Secretary to the Treasury (Jacqui Smith): The Opposition want to talk about pensions again!

Mr. Barry Sheerman (Huddersfield) (Lab/Co-op): We dealt with this on Tuesday.

Mr. Speaker: Order. Members should let the shadow Leader of the House speak.

Mrs. May: The Government Chief Whip complains from a sedentary position that the issue of pensions is being brought up again, but it is one that matters to the many thousands of people who have lost their pensions under this Government.

The Chancellor claimed that the CBI agreed with his decision, but its former director general says that that is "completely untrue". The Chancellor's officials advised him that his tax decision

"would make a big hole in pension scheme finances",

but he ignored them. In addition, Lord Simon, a former Treasury Minister, said that the plan

"was a particular concern to us",

but he was ignored too.

We have had a debate on the Chancellor's mishandling of occupational pensions, but can we have one, in Government time, on the Chancellor's response to the views expressed by business, and by his officials and Ministers?

Again on the chancellor's watch, 125,000 people have lost at least part of their pension because their pension fund went bust. Yesterday, we tabled amendments to the Pensions Bill to help those who had lost their pensions, but the Government Whips—on the orders of the Prime Minister and the Chancellor—made sure that they were defeated. So can we have a statement on how the Government intend to support those people who have done the right thing and saved for their retirement but subsequently lost their pension?

We know what a Government led by the Chancellor will be like. He ignores the advice given by officials and business. He makes the wrong decisions, and then denies that anything has gone wrong. Will not the following be the hallmarks of a Brown Government—arrogance and incompetence, but never repentance?

Mr. Straw: Until just now, the identity of the right hon. Lady's scriptwriter was a mystery to me. However, I now realise that it is the shadow Chancellor, the hon. Member for Tatton (Mr. Osborne)—although I concede that she says her lines rather better than he managed on Tuesday.

I turn now to the points that the right hon. Lady raised. First, on the gold bullion: if she wants to put down a motion about that, I advise her to do so. In fact, the Government would welcome a further motion of no confidence in the Chancellor because my right hon. Friend would slaughter the shadow Chancellor's case once again, just as even Conservative newspapers concede that he demolished it on Tuesday.

Of course we accept that a serious problem exists as a result of the fact that many people lost their pensions when the firms that employed them—and consequently those firms' pension funds—went bankrupt. That is why my right hon. Friends the Secretary of State for Work and Pensions and the Chancellor have put in place arrangements to help compensate them that are far better than anything that existed before. Frankly, what the Conservative party indulged in yesterday was another example of blatant—and uncosted—opportunism.

Overall, I do not in the least diminish the problems faced by those particular pensioners, but nor do I diminish the work that we are doing to help them. In terms of the generality of pensioners, we have worked extraordinarily hard to ensure that the standard of living of pensioners overall is raised significantly. It was not me or any Labour Member, but the hon. Member for Cities of London and Westminster (Mr. Field), who said:

> "Nevertheless, despite orchestrated campaigns by today's pensioner groups, the fact is that today's pensioners have never had it so good."—[*Official Report, Westminster Hall*, 20 February 2007; Vol. 457, c. 69WH.]

I put that comment from a Conservative Member on the record for the right hon. Lady.

I accept what the right hon. Lady said about oral statements. A little while ago I announced that we would give notice on the Order Paper where notice of an oral statement had been given elsewhere in the House. I now accept that where notice has been given, even outside the House as it had to be, for example, in respect of the statement of my right hon. Friend the Secretary of State for Trade and Industry, and even if no notice has been given externally, if it is at all possible we will put notice of a statement on the Order Paper. It may be for the convenience of the House if I issue a comprehensive written ministerial statement about these new arrangements after consultation with the right hon. Lady and the hon. Member for Somerton and Frome (Mr. Heath), who speaks for the Liberal Democrats.

I know that the Bernard Matthews case was raised with my right hon. Friend the Secretary of State for the Environment a moment ago. Of course we will look for an opportunity to debate the matter. We are all uncomfortable about the reports of high levels of compensation to Mr. Matthews' firm.

On Lieutenant-General Sir Robert Fulton's report, the right hon. Lady will be aware that there is a debate on the defence of the United Kingdom next Thursday when there will be every opportunity to question my right hon. Friend the Secretary of State for Defence. She asked whether there would be a debate on the report. It will go in full to the Select Committee. Because part of it is bound to be confidential, not all of it can be made available publicly. We will certainly look sympathetically at whether there should be a debate on the Floor of the House, depending on what the Select Committee has to say about it.

Jim Sheridan (Paisley and Renfrewshire, North) (Lab): May we have a debate on discrimination in the workplace, particularly in relation to those who are discriminated against because of their political views? My right hon. Friend may recall the dark days of the Economic League, which denied decent, honest people the right to earn a living. There is now anecdotal evidence that the same organisations are operating within the construction industry, again denying people the opportunity to work. Could he use his good offices to send a clear message to these companies that are engaged in this heinous practice that they will be exposed and could be in danger of losing major contracts, particularly those surrounding the forthcoming Olympics?

Mr. Straw: I share the considerable concern of my hon. Friend and this side of the House about that practice. It is completely unacceptable to single out and discriminate against people who are simply exercising their rights as shop stewards on behalf of the members of their workforce. I will certainly take the matter up with our right hon. Friends the Secretaries of State for Scotland and for Trade and Industry.

Mr. David Heath (Somerset and Frome): There are about 70 sitting days until Prorogation and therefore the end of the Session, yet we have not had sight of two major Bills announced in the Queen's Speech: the criminal justice Bill and the counter-terrorism Bill. There may be some confusion about which Department is responsible for the criminal justice Bill, but given its importance and how often we have slipshod and spatchcock legislation from the Home Office, is it not proper that the House should have an early sight of what the Government intend so that we can debate it properly?

While on the Home Office, can we have yet another debate on Home Office IT procurement? I do not know whether the Leader of the House is aware of the Phoenix programme, under which a national shared

[Mr. Heath]

service centre was set up in Newport between the Home Office and the Prison Service to find

"new ways of working in finance, procurement, and HR, to reduce costs while providing consistent high quality support".

It has been in place for almost a year, yet it has no IT services to enable it to deal with about 400,000 paper invoices every year. Instead, we have 34 people doing it by hand on paper. May we have a debate yet again on the incapacity of the Home Office in respect of IT?

The Leader of the House will be aware of the public inquiry that has now opened, chaired by Lord Archer of Sandwell, into those who were sadly infected with HIV or hepatitis C through contaminated blood products in what has been suggested to be the worst treatment disaster in the history of the NHS. Given the importance of the inquiry, will the Health Secretary make a statement to the effect that her Department will provide full co-operation with the inquiry and will be committed to responding efficiently and effectively as the Government, and that there will be an opportunity for this House to debate the outcome?

I am sure that the Leader of the House will agree with me that no Member of the legislature should be non-resident for tax purposes. That being the case, will he find time to debate the Bill first introduced in 2004 by my noble Friend Lord Oakeshott of Seagrove Bay—the Life Peerages (Residency for Taxation Purposes) Bill—which he now proposes to reintroduce? Such a debate would enable us to make it absolutely clear that those who seek to sit in either of the Houses of Parliament and make laws in this country should pay tax in this country.

Mr. Straw: The criminal justice Bill and the terrorism Bill will be brought forward in due course. It is something of an irony that the hon. Gentleman normally complains about the number of Home Office Bills and the speed with which they are brought forward. No doubt he is looking for an opportunity to vote against yet another couple of sensible measures.

I will write to the hon. Gentleman about Home Office IT procurement. The hon. Gentleman referred to the inquiry chaired by Lord Archer of Sandwell—not to be confused, Mr. Speaker, with the other Lord Archer—[HON. MEMBERS: "Hear, hear."] I am glad to hear approbation from the Conservative Benches in that respect. My right hon. Friend the Health Secretary has already said, as of course she would, that there will be the fullest co-operation with the inquiry.

On the hon. Gentleman's last point, I do not always agree with him, but I agree about the need for at least life peers—those who sit in this legislature—to pay tax in this country. I think that we are all surprised and shocked that Lord Laidlaw, a Conservative peer, should turn out to be a tax exile, and were even more surprised when the hapless shadow Chancellor on the radio yesterday washed his hands of the matter and said that Lord Laidlaw's tax status was a matter for him and for the House of Lords Appointments Commission. I thought that it might be a matter for someone like the shadow Chancellor as well.

Mr. Barry Sheerman: Mr. Speaker, I know that you are aware of this, but is the Leader of the House aware that 180 years ago today one of our most famous poets of the environment, John Clare, published "The Shepherd's Calendar". Here is a poet who 180 years ago was forced to work on the enclosures. In an era when we seem to apologise for everything, is it not about time that we had a debate on what happened in the enclosures? In a move led by the other House, before there was true democracy in this Parliament, the English common land was stolen from English people. Is it not about time that we looked at what happened and whether measures could give back to the English counties the common land stolen from them by the House of Lords, the Tories and the Liberals?

Mr. Straw: I have personal reasons for welcoming such a debate, which is that my forebears were among those in what is now suburban Essex who fought the lords of the manor, including one John Whitaker Maitland, then lord of the manor of Loughton. In the end, they were successful in preventing the further enclosure of what is now Epping forest. It was a nasty, bloody battle that went on for 30 years in the middle of the 19th century, and I am proud that my great-great-grandfather and many others in that part of Essex were successful in standing up for the working classes of Essex, to ensure that Epping forest remained for the people of Essex and London for ever.

Andrew Rosindell (Romford) (Con): The Leader of the House will be aware of the widespread concern over the failure to fly the flag of our country from Portcullis House since its opening a number of years ago. He will also be aware that the early-day motion that I tabled has been signed by no fewer than 44 Members of this House. Will the Leader of the House give us a progress report and tell us whether the flag of our country will at last fly from the parliamentary building of Portcullis House?

Mr. Straw: I am delighted to give the hon. Gentleman some good news—after a lot of to-ing and fro-ing. There was a health and safety problem that I insisted on inspecting, although I was originally told it was too dangerous for me to do so, and I went up there yesterday. It is genuinely difficult to get to the flagpole. The problem was that two bronze trap doors, which were, as I saw, unsecured, were in danger of decapitating—literally—anybody who put up a flag. However, I am pleased to say that the House authorities have decided on a number of inexpensive safety measures and they have promised me that the flagpole will be fully operational—certainly by the recess and, we hope, well before.

Jeremy Corbyn (Islington, North) (Lab): The Leader of the House will recall that last month we had a good debate in the House on nuclear disarmament and the replacement of the Trident system. Before next week's debate on defence, will he make sure that the Secretary of State for Defence can set out what the Government's position will be at the non-proliferation treaty review committee preparation meeting in Vienna, which is due to open at the beginning of May, so that the House can be informed exactly of what the Government's position is on nuclear non-proliferation?

Mr. Straw: I shall do my best, because my hon. Friend makes an important point. Our position on the

revision conferences of the nuclear non-proliferation treaty has been consistent, and very much in the vanguard of reform. We in the United Kingdom led the case and the call for improvement and change at the revision conference that took place in May 2005, almost exactly two years ago, but I regret to say that other members of the Security Council—permanent and non-permanent—blocked the measures we were trying to introduce.

Mr. Andrew Mackay (Bracknell) (Con): Clearly, good work is going on in New York to secure a United Nations-sanctioned resolution to ensure a no-fly zone over Darfur that would allow its beleaguered people to have proper support and aid. Will the Leader of the House make absolutely sure that next week an appropriate Minister comes here to make a statement so that the whole House can express its horror about what is happening in Darfur and, we hope, congratulate Ministers on a successful resolution?

Mr. Straw: I am grateful to the right hon. Gentleman for referring to that point. I think the whole House will want to applaud the work of my right hon. Friend the Foreign Secretary and the fact that she went to New York and chaired a meeting of the Security Council where, frankly, she forced some pressure on the Sudanese Government and the Chinese, who had been supporting them, so that there is now a prospect of serious progress for the first time in a number of years. I shall certainly give consideration to a statement; indeed, I know that the whole House wants us to look for an opportunity for a debate on Darfur, too.

Chris Bryant (Rhondda) (Lab): As the Leader of the House knows, the Mental Health Bill goes into Committee next week and obviously there is important work to be done to make sure that the legislation is in the right shape before we finish with it. Is my right hon. Friend aware that the hon. Member for East Worthing and Shoreham (Tim Loughton) has written to many Members inviting them to what he calls a special all-party committee, which suggests that it is a Committee of the House and that it is all-party? In fact, it is a committee of only some Conservatives and Liberal Democrats, so bearing in mind the fact that the House makes it clear that there should be rules about all-party committees and groups, is it not wrong for people to pretend and abuse the public in that way? *[Interruption.]*

Mr. Speaker: Order. The hon. Member for Rhondda (Chris Bryant) has made a criticism of another Member. Did he notify the hon. Gentleman that he would make that criticism?

Chris Bryant: I tried to ring the hon. Gentleman's office earlier—

Mr. Speaker: Order. I call the hon. Member for Dover (Gwyn Prosser).

Gwyn Prosser (Dover) (Lab): Will the Leader of the House join me in paying tribute to the excellent work done by the Maritime and Coastguard Agency, in particular the volunteer rescue teams, to protect our seaways and coastlines? Does he share my surprise that the inadequate insurance cover those people receive means that if they have an accident that stops them carrying on their main occupation—their livelihood—the compensation does not meet their future requirements? Can he find a way to help us air that important matter in the House?

Mr. Straw: I certainly understand my hon. Friend's surprise and the distress of those affected by the inadequacy of the insurance policy. I promise him that I shall take the matter up with the Minister concerned and look for an opportunity to debate it.

Sir Nicholas Winterton (Macclesfield) (Con): I declare an interest as an honorary vice-president of the Royal College of Midwives. Will the Leader of the House request that a Health Minister come to the House next week to make a statement about the problems faced by independent midwives on account of the proposal that they should have liability insurance? They are a vital part of the profession and will be essential if the Government's proposals on maternity and midwives are to be effectively implemented. The matter is critical; otherwise many of them will be unable to practise and to be part of what the Government want—a successful maternity and midwifery service.

Mr. Straw: The hon. Gentleman raises a serious issue, which we acknowledge. Health questions are on Tuesday and although I am not certain whether there is an appropriate question in which the matter can be raised, I shall certainly ensure that my right hon. Friend the Secretary of State for Health is made fully aware of the concerns raised by the hon. Gentleman.

Mr. Jim Devine (Livingston) (Lab): May we have a debate in Government time about the behaviour of Tesco management, particularly in my constituency? They are moving a distribution centre 200 yd and are sacking the men, reducing their terms and conditions and de-recognising the trade union. Will my right hon. Friend join me in urging the company to go back to the negotiating table or to use the good offices of ACAS to resolve what could be a messy dispute?

Mr. Straw: I have certainly seen early-day motion 1304, tabled by my hon. Friend.

[That this House expresses its deep concern that drivers at the Tesco depot in Livingston have been threatened with dismissal unless they sign up to new terms and conditions proposed by the company; notes that the new depot from which the drivers would be working is only 500 yards away from their current depot; further notes that some drivers fear that the new terms and conditions would cost them up to £5,000 per year; is concerned about allegations of management attempting to bully the staff to accept the new conditions; and urges Tesco to come back to open meaningful negotiations with the drivers' trade union, the TGWU.]

Obviously, we understand my hon. Friend's concern and very much hope that the matter can be resolved satisfactorily, perhaps by the involvement of ACAS.

Mr. Nigel Dodds (Belfast, North) (DUP): Some months ago the Government announced that they would abandon the system of automatic, 50 per cent. remission for serious offenders in Northern Ireland. Unfortunately, it appears that the measure may not come into effect for some considerable time; we have yet to see the legislation, which is a matter for the House, not the Northern Ireland Assembly. I urge the Leader of the House to

[Mr. Nigel Dodds]

speak to his right hon. Friend the Secretary of State for Northern Ireland so that we can have a statement announcing when that will happen. People are fearful that there may be other cases and people convicted now will be able to benefit from 50 per cent. remission in years to come. That is something that appals the people of Northern Ireland right across the board.

Mr. Straw: Northern Ireland questions are on Wednesday and the hon. Gentleman may want to raise the matter with the Secretary of State. Meanwhile, I shall ensure that my right hon. Friend is made fully aware of the hon. Gentleman's concerns.

Mrs. Sharon Hodgson (Gateshead, East and Washington, West) (Lab): May I suggest a debate on the merits of setting up a national car-sharing scheme? I propose a website for such a scheme, so that it can be national rather than just local, and I have spoken to Transport Ministers about the idea. Local authorities are looking into supporting local car sharing, but a website along the lines of "Friends Reunited" could be a popular way of organising a scheme across the country.

Mr. Straw: My hon. Friend raises an interesting idea. Car sharing has an important contribution to make in reducing congestion at peak times, especially in certain travel to work areas—*[Interruption.]* I am not sure what the hon. Member for Blaby (Mr. Robathan) is muttering from a sedentary position—he is saying either that the matter is the responsibility of Government or that it is not. However, I shall ensure that my right hon. Friend the Secretary of State for Transport is informed of my hon. Friend's suggestion.

Mr. Michael Jack (Fylde) (Con): May I encourage the Leader of the House to respond positively to the request of my right hon. Friend the shadow Leader of the House for a debate on avian influenza? Could he extend the scope of that debate to include the whole remit of the agricultural element of DEFRA? It was December 2002 when we last had an agriculture debate in the House. Since then, we have seen the debacle of the Rural Payments Agency, the Government's vision document on the reform of the common agricultural policy, the proposed health check for the CAP, bovine tuberculosis, the DEFRA capability review and the introduction of modulation—to name but a few of the subjects that have never been debated since December 2002.

Mr. Straw: The right hon. Gentleman makes a strong case for a debate on agriculture, and I will do what I can. While I am on my feet, may I, in an ecumenical spirit, wish my hon. Friend the Member for Rhondda (Chris Bryant)—despite the fact that his question was ruled out of order—good luck in the marathon on Sunday?

Anne Moffat (East Lothian) (Lab): Will there be a debate on the proposed points-based system to control the flow of immigration, which was announced by the Minister for Immigration, Citizenship and Nationality yesterday? I appreciate that we need a balance and that we should welcome foreign workers with skills into the country, but not at the expense of indigenous workers. Virtually all the indigenous workers in a mushroom farm in my constituency have been squeezed out to accommodate foreign workers on reduced pay, terms and conditions. That is something that must be ruled out, stamped out and sorted out.

Mr. Straw: Yes, there will be an opportunity to debate that. Part of the purpose of the points-based system, which will apply to non-EU workers, is to ensure that job permissions and work permits are given to those from overseas, outside the EU, only where they are fulfilling an occupational need that cannot be fulfilled already by someone in the UK.

Mike Penning (Hemel Hempstead) (Con): Will the Health Secretary come to the House to explain why so many hospital trust boards are refusing to sign off their accounts? The West Hertfordshire Hospitals NHS trust, which has a huge deficit, refused to sign off the accounts this week. Should not the Secretary of State explain why?

Mr. Straw: The hon. Gentleman should take that up with the regional health authority. I will certainly take it up on his behalf with the Secretary of State for Health.

Sir George Young (North-West Hampshire) (Con): The Leader of the House will be familiar with the ministerial code, which says that when Parliament is in Session, the most important Government announcements should be made in the first instance to the House. He will also know that the Prime Minister has indicated that he plans to announce his resignation over the next few weeks. Does he agree that there can be few announcements of greater importance either to the Government or Parliament than the resignation of a Prime Minister? Can he give us an assurance that any such statement will be made in the first instance to the House and that the Prime Minister will then be invited to answer questions about why he feels he has to go?

Mr. Straw: That is a clever idea, but I cannot satisfy the right hon. Gentleman. As he is an expert on the British constitution, he well knows that the appointment of a Prime Minister is a matter for Her Majesty under her prerogative powers. It is not, therefore, a matter for this House.

Pete Wishart (Perth and North Perthshire) (SNP): Can we have a debate on business support or even on which party business is actually supporting? We have found that the Government have very little support in Scotland. Today, a letter drafted by the Scottish Secretary's special adviser and circulated to businesses in Scotland had to be withdrawn because no one was prepared to sign it. That is in the same week in which the Scottish Trades Union Congress gave grudging support to Labour by a majority of one. Given that the right hon. Gentleman is running the Chancellor's campaign, does he accept that a defeat in his own backyard, which looks likely in two weeks' time, will leave him fatally flawed and a lame duck Prime Minister?

Mr. Straw: The hon. Gentleman has done better than that in the past. He makes a rather complicated

point, which I believe is designed to encourage people to vote for his party rather than the Labour party in the Scottish elections. However, as I could not understand his point—and I would like to be able to understand it—I am not sure that he will have much luck with it. What I suggest the hon. Gentleman starts talking about is the Labour Government's record in Scotland, as well as in the rest of the United Kingdom over the past 10 years. That record is spectacular and it is one from which Scottish people have benefited with lower unemployment, higher output and much improved investment in education and health, all of which would be put at risk if ever the SNP came anywhere near power.

Mr. David Heathcoat-Amory (Wells) (Con): The Defence Secretary announced an investigation into the operational aspects of the Iranian debacle—an inquiry by Lieutenant-General Sir Rob Fulton—but will it cover personnel matters? Those involved in the operation showed such a compliant attitude and worryingly low state of morale and training that they actually thanked their captors after their release was secured. As the admirals and chiefs of staff have explicitly approved that performance, should it not form part of a separate debate by the House, so that we can help to restore the Royal Navy to its former pride and strength?

Mr. Straw: Although I am not privy to the inquiry's terms of reference and do not have them with me, it seems to me that the right hon. Gentleman's points are central to the inquiry, which is bound to look into those matters. In any event, if the inquiry failed to deal with them, I cannot imagine that the Defence Select Committee would refuse or fail to answer questions on them. I think that they will be dealt with as an inevitable part of the inquiry, but I will follow up the matter with my right hon. Friend the Defence Secretary and, if necessary, I will write to the right hon. Gentleman.

Dr. Julian Lewis (New Forest, East) (Con): Before the disastrous mismanagement of the sale of the sailors' story came to overshadow everything else, on 28 March, when they were still captive, the Foreign Secretary made a couple of important points—namely, that the co-ordinates supplied by the Iranians had initially shown the boat to have been in Iraqi and not Iranian waters, and that even if the boat had been in Iranian waters, the most the Iranians would have been entitled to do would have been to warn it off and tell it to return to Iraqi waters. In the light of all that, may we have a further statement from the Foreign Secretary explaining what action the Foreign Office has taken in the interim to bring before the UN what is clearly misconduct by the Iranians in respect of the Royal Navy fulfilling a task laid upon it in accordance with a UN resolution?

Mr. Straw: I note the hon. Gentleman's point, but I think that it is better to have the inquiry under Lieutenant-General Sir Rob Fulton and then to have it the subject of consideration by the Defence Committee. Any further questions that need to be answered should be dealt with at that stage.

John Bercow (Buckingham) (Con): Given that the number of people dead, dying and destitute in Darfur is increasing exponentially on a daily basis, may I tell the right hon. Gentleman that his answer to my right hon. Friend the Member for Bracknell (Mr. Mackay) is warmly welcome. In view of both the urgency and the magnitude of the issues and the imperative requirement on this House to debate how we will stop the genocide and deliver to the people of Darfur peace, freedom and security, would the right hon. Gentleman accept that a debate on the matter must not be relegated to Westminster Hall, but take place on the Floor of the House?

Mr. Straw: I understand the importance of the issue and accept what the hon. Gentleman says. We will look for a date.

Mr. Owen Paterson (North Shropshire) (Con): There is great anxiety throughout the country about the Government's plans for sub-post offices. I received a petition from several hundred of my constituents in St. Martin's about the future of its sub-post office, even though there is no formal proposal to close it at the moment. When will a Minister give a clear statement to the House about how the Government's programme will be implemented and how my constituents can fight it?

Mr. Straw: My right hon. Friend the Secretary of State for Trade and Industry has extended the consultation period. Because of public concern about the issue, I believe that after further consideration he will make a statement some time next month. Meanwhile, the House may wish to welcome the fact that WH Smith has announced its intention to open post office branches in about 70 of its more than 500 town centre stores, which is good news.

Mr. Stewart Jackson (Peterborough) (Con): Last month, two amoral mindless thugs were found guilty at Peterborough Crown court of an assault on a resident, Paul Machin, which left him in a persistent vegetative state, effectively destroying that man's life. They were sentenced to three years imprisonment. It subsequently became clear that the Crown Prosecution Service is unwilling to appeal against that grossly unsatisfactory sentence. When can we have a debate in Government time on the role and accountability of the CPS, especially its role in undermining people's faith in the criminal justice system, so that we can reach a position where the punishment fits the crime?

Mr. Straw: Of course I understand the great distress of the family of the victim and the public concern, but I am in no position to offer a comment on whether the sentence was appropriate. We have to be careful about second-guessing the decisions of the courts. My right hon. Friend the Attorney-General is assiduous in looking at all applications for appeals against lenient sentence and referring them to the Court of Appeal where appropriate. I do not know of a single case where he has refused to do so when there has been any merit in the appeal. I will take up with my right hon. Friend the matter that the hon. Gentleman has raised and will ask my right hon. Friend to write directly to him.

Philip Davies (Shipley) (Con): May we have a debate on NHS dentistry? In the surveys that I carry out across my Shipley constituency, the number of people who say that they cannot find an NHS dentist is increasing all the time. Given the anger and frustration that the situation causes to my constituents, and no doubt the constituents of other Members, may we have a debate on this important issue?

Mr. Straw: There are plenty of opportunities to raise the issue, including in Westminster Hall. There has in fact been a substantial investment in dentistry. Notwithstanding the scare stories about the new contract, my understanding is that there are now more patients being treated within the NHS than there were before. No doubt the hon. Gentleman can raise the matter with the Secretary of State for Health if he wishes.

Points of Order

12.11 pm

Sir Nicholas Winterton (Macclesfield) (Con): On a point of order, Mr. Speaker. May I seek your advice? The Leader of the House, in replying to my right hon. Friend the shadow Leader of the House in respect of questions that she put to him on pensions, quoted from a speech or statement made by my hon. Friend the Member for Cities of London and Westminster (Mr. Field). Would it have been appropriate for a Minister of the Crown—the Leader of the House—to have notified my hon. Friend that he intended to quote him during his responses to Question Time?

Mr. Speaker: It was not a criticism of an hon. Member; it was a factual record. Right hon. and hon. Members are entitled to use factual records and speak about them in the House during the course of their work.

Mr. Andrew Robathan (Blaby) (Con): On a point of order, Mr. Speaker. I know from your recent actions that you are keen to defend the rights of Members of the House who are here. The hon. Member for Rhondda (Chris Bryant), who is now in his place, referred to my hon. Friend the Member for East Worthing and Shoreham (Tim Loughton) in his question, and you quite rightly put him down. There is some confusion. I have spoken to my hon. Friend and he states quite categorically that somebody has been in his office since before 8 o'clock this morning and no telephone calls whatsoever have been received from the hon. Gentleman. I wonder whether you can guide us on this matter.

Mr. Speaker: I gave good guidance. I stopped the hon. Member for Rhondda (Chris Bryant), as I would stop any other hon. Member. In doing so, I consider these matters to be finished. The hon. Member for Blaby (Mr. Robathan) will note that I did not allow the Leader of the House to respond to the hon. Member for Rhondda. I wish the hon. Member for Rhondda well with the marathon on Sunday.

Mr. David Heath (Somerton and Frome) (LD): On a point of order, Mr. Speaker. As you will have heard, at Environment, Food and Rural Affairs questions considerable interest was expressed in the report on the epidemiology of the recent avian flu outbreak, which was released to the press at 10 o'clock this morning. Hon. Members were given to believe that the report was also available to them, but I am advised that, at least up until five minutes ago, it was not available in either the Vote Office or the Library. I wonder whether there is anything that you can do to impress upon DEFRA Ministers the need to ensure that the report is made available to all Members.

Mr. Speaker: If that is the case, I am very disappointed and I instruct the appropriate officials to look into the matter.

Bob Russell (Colchester) (LD): On a point of order, Mr. Speaker. I wonder whether I could seek your guidance on how Back-Bench Members of Parliament who table oral questions can be protected. You will have observed

that there were only 12 questions on the Order Paper today. An additional five that were published on Tuesday were subsequently rejected by DEFRA on the ground that they were not for that Department. The Table Office handles 400 or so questions every day and people in the Table Office know how to deal with questions. I suggest that the fact that almost a third of the oral questions were rejected by DEFRA indicates that perhaps DEFRA did not want to answer them. In a case like that, there ought to be some form of appeal system, because quite often dealing directly with people in the Table Office and tweaking a few words gets the message through without the question being rejected. I have to say that the fact that five out of 17 questions were rejected by DEFRA suggests that DEFRA did not want to answer the questions.

Mr. Speaker: The hon. Gentleman should perhaps be careful with his words. The questions were transferred by DEFRA, not rejected. That happens to us all. When I was a Back Bencher, those things happened. It is part of our job—it goes with the territory, as they say. The Table Office is without blame in this matter.

Dr. Julian Lewis (New Forest, East) (Con): On a point of order, Mr. Speaker. In entirely endorsing the way in which you handled the question from the hon. Member for Rhondda (Chris Bryant), who has many admirers on both sides of the House, including me, may I ask for your advice about one aspect of that issue? I think that the hon. Gentleman said from a sedentary position both that he had tried to telephone my hon. Friend the Member for East Worthing and Shoreham (Tim Loughton) and that he had only had the invitation five minutes—

Mr. Speaker: Order. I have said that the matter has been dealt with. It is finished and we will move on.

Public Accounts

12.16 pm

Mr. Edward Leigh (Gainsborough) (Con): I beg to move,

That this House takes note of the 35th and the 43rd to the 63rd Reports of the Committee of Public Accounts of Session 2005-06, and of the Treasury Minutes and the Northern Ireland Department of Finance and Personnel Memorandum on these Reports (Cm 6879, 6900, 6908, 6924, 6959, 6981 and 7017); and of the 1st to the 8th and the 10th Reports of the Committee of Session 2006-07, and of the Treasury Minutes and Northern Ireland Department of Finance and Personnel Memoranda on these Reports (Cm 7018, 7019, 7020 and 7035).

It is a pleasure to move the motion that stands in my name and that of other right hon. and hon. Members. Members will remember that the last debate on the Public Accounts Committee was held rather late at night. The uncivilised hour did not do justice to the important issues under discussion, so I am pleased that the usual channels have ensured that today's arrangements are more fitting. The Committee responsible for overseeing Government spending each year of more than £500 billion of public money should never be shunted into the graveyard slot.

The hour today may be earlier, but the Committee's output has in no way slackened since our last debate. Over that time, many have questioned whether some of our public bodies have the capability to deliver, or, as the Home Secretary might put it, whether they are fit for purpose. Some people say that Parliament has declined in the 150 years since the motion to create the Public Accounts Committee in 1857, but I do not think that anybody could argue that the Public Accounts Committee is less effective now than it was then. Indeed, I believe that it is very effective. All our reports are agreed by all Members of the Committee, but that does not stop them being hard hitting. It does not stop more than 90 per cent. of the recommendations in our reports being accepted by the Government.

There is no point, however, in simply accepting the recommendations. We have to ensure that the recommendations are implemented. With my encouragement, the Comptroller and Auditor General is increasingly returning to all the recommendations and Treasury minutes and ensuring that the recommendations are carried out. In that context, I say to Members on the Treasury Bench that timeliness is important. It is important that we get our reports out rapidly and that they are up to date. The Government should not use the excuse of saying that although a particular report is fine and that they agree with it entirely, it is based on a National Audit Office report that was published nine months or a year ago and therefore all the excellent recommendations are already being implemented—when, on certain occasions, the Government, or rather accounting officers and their civil servants, have delayed the whole process. The process relies on the National Audit Office reports being agreed between the National Audit Office and the Department and there is often a long period of negotiation.

That was particularly apparent in the recent important report on the NHS computer system—a system that is worth about £12 billion. I notice that the Government's response this week says, "Well, excellent report by the PAC, but we're doing all this—it's an

[Mr. Edward Leigh]

out-of-date report." I am going to call the Government's bluff. I have talked to the Comptroller and Auditor General about the matter and, following my encouragement, we are to have another NAO report on the NHS computer in the next year so that we can have an update to check whether all the excellent recommendations of the NAO and the PAC on this £12 billion computer system—that amount is equivalent to the entire cost of the Olympic games—are being carried out.

Mr. Sadiq Khan (Tooting) (Lab): I commend the hon. Gentleman for his remarks. It will also be important for the NAO and the PAC to scrutinise public expenditure on the Olympics. Does he welcome the fact that we will oversee expenditure before the Olympics, rather than after the event, to ensure that money is spent properly during the years leading up to the games?

Mr. Leigh: The hon. Gentleman is an assiduous member of the Committee. It is an important new departure that, following our encouragement and pressure, the Comptroller and Auditor General will quite rightly have a continuous oversight of spending up to the Olympic games. We do not want a situation in which there are massive cost overruns and numerous PAC reports have to be produced long after I have retired as the Committee's Chairman to point to lessons from the Olympics. Such reports would be too late because when would we have the chance to host another Olympic games?

Mrs. Theresa Villiers (Chipping Barnet) (Con): Is my hon. Friend worried by the fact that the budget has already nearly trebled? Will his Committee keep a close eye on the progress of the run-up to 2012?

Mr. Leigh: We are worried, which is why we are insisting on tight scrutiny now. The venue and timing of Olympic games are absolutely fixed, so many host countries have found that the private sector has held the public sector to ransom at the last minute. I hope that I am not speaking too soon or out of turn, but I think that we are putting in place mechanisms that will mean that that will not happen this time. We will be able to keep a close track of any profits that the private sector makes. We will attempt to be the guardian of the taxpayer.

Sir Nicholas Winterton (Macclesfield) (Con): Will my hon. Friend, who chairs the Committee with great distinction, indicate what sort of attention the Committee is paying to the sums that will be allocated to the Olympic games and the way in which they might reduce the amount available for other deserving and vital charitable organisations?

Mr. Leigh: My hon. Friend might have noticed the publicity surrounding the last National Audit Office report, which made precisely that point. The way in which many good causes are being put at risk because money is being drawn into the great bottomless pit of the Olympic games is a serious matter on which the Treasury must keep a close eye. Many such good causes have no other means of support and are beyond the help of the taxpayer, unlike the Olympic games.

Whitehall's capability matters deeply to the Committee because if there is a capability gap, a delivery failure often follows, with the most effective use of public funds being one of the casualties. The civil service publishes its own capability reviews. I want to highlight some of the key themes drawn from the work of our independent Committee. The Committee is genuinely independent and, in that context, I pay tribute to the majority party members of the Committee, who, without being party political, often have to make trenchant criticisms of the civil service. They do so with great courage, so we should pay tribute to them. The key themes from our work highlight where the Government must up their game if they are consistently to deliver the services that the public pay for and deserve.

The need for outstanding leadership in our public services has never been greater. The accounting officers who appear before our Committee not only have their formal duties, but are leaders with responsibility for driving through results. Their appearances before our Committee are often the only occasions on which they appear before a Committee. Permanent secretaries might appear before the relevant departmental Committee once a year, but they are held to account before the Public Accounts Committee.

Too often, poor leadership scuppers the effective implementation of public policy. Urgent leadership not only saves money, but can help to save lives. I am especially proud of our report on stroke care in the NHS, which I tried to push through as much as possible. The report called on the Department of Health to drive the message home to health care professionals that stroke was a medical emergency requiring a 999 response and rapid access to scanning to determine the most appropriate treatment, which is something that routinely happens in the rest of Europe. Encouragingly, the Department felt that implementing the Committee's recommendations could save as many as 10 lives a week and some £20 million a year in the NHS. That extraordinary outcome shows that our actions as a scrutiny Committee are not merely dry paperwork exercises, but can actually save lives.

On the other side of the coin, we have recently heard about the failure of leadership displayed at the Rural Payments Agency, which could hardly have made a worse job of paying the new £1.5 billion EU subsidy to farmers. The agency's disastrous handling of the single payment scheme brought distress to many, some of whom were my constituents. Indeed, there were some suicides, and farmers were driven mad with frustration, with some of their businesses threatened. The events should be recorded in a civil service textbook as an example of what not to do. The experience should be held up to every civil servant as an example of how not to run a project.

I am giving little away when I say that the Committee's forthcoming report will not pull its punches. However, it is being delayed because Johnston McNeill—I do not like naming civil servants, but I occasionally have to do so, although I have tried to avoid that during my time running the Committee—the former accounting officer who was suspended, has so far tried at every turn to avoid appearing before us, which is highly regrettable. The whole system of

parliamentary accountability, which has developed over many years, depends on accounting officers being held to account in front of a parliamentary Committee, however difficult that might be for them. Frankly, no one ever gets sacked in our system, so the least that people can do is to turn up and be held to account, but so far this man has not done so.

Mr. Richard Bacon (South Norfolk) (Con): Does my hon. Friend agree that it would be helpful if Helen Ghosh, the present accounting officer of the Department of Environment, Food and Rural Affairs, were to co-operate with the Committee? Although my hon. Friend said that civil servants never get sacked, Mr. McNeill was removed from office on 16 March 2006 and removed from employment on 1 December. I have calculated that he was paid a salary of about £80,000 during that time. He was probably paid another £120,000 on top of that in disbursements, payment in lieu of notice and so on. We are yet to hear from the permanent secretary an accurate account of the total expenditure of public funds since Mr. McNeill's removal from office on 16 March, although we have been asking for it for five or six months.

Mr. Leigh: I am grateful to my hon. Friend. Of course, I should not have said that civil servants never get sacked—they rarely get sacked. However, if they do get sacked, they have to be held to account over the often generous severance payments that are made to them. Parliament has a right to know about those payments. That is true not just for DEFRA, but for the Foreign Office, in which, as my hon. Friend knows, there have been other instances.

I am afraid to say that an increasingly unwelcome tactic is being deployed by accounting officers at our meetings. They give the enticing promise of notes containing golden nuggets of further information by saying, "I would like to answer the hon. Member's question, but I do not have the information now, so I will provide a note." Somehow, the notes do not arrive—tomorrow never seems to come. The notes continually fail to reach us, which delays our discussions and holds up our reports, which ensures that the Government can say that the reports are out of date.

I hope that it will be noted throughout Whitehall that accounting officers have specific duties to the Committee of Public Accounts within the terms of their appointment. Those duties exist for a purpose. Transparency and openness to scrutiny are hallmarks of strong leadership, not irritations to be avoided. We have a right to expect better from senior public officials than such a betrayal of their responsibilities.

Never again does my Committee wish to hear an accounting officer defending the unacceptable face of capitalism, as was the case during our hearing on the poor deal for refinancing the Norfolk and Norwich private finance initiative hospital. In that case, the private sector frankly took the public sector for a ride. Accounting officers' duties to my Committee are a reflection of their broader duties as stewards of public funds. Those duties should be borne in mind at all times if we are to avoid such failures as the loss of £5.2 million of taxpayers' money, spent while trying to save MG Rover. That is the subject of another report that we are considering today.

Mr. Bacon: Before my hon. Friend moves on from the subject of the Norfolk and Norwich University hospital, I am sure that the chief executive and the finance director of that hospital would like it placed on record that they would have liked the contract to contain a clause requiring a sharing of the refinancing benefits. It was not that they did not want such a clause; they were advised by their advisers to try to get one, but they were prohibited from doing so by Treasury guidance at the time, which made it impossible.

Mr. Leigh: I am glad that, thanks partly to the work of the Committee, we are now much more astute in dealing with refinancing gains, and I am confident that there will never again be a case similar to that of Norfolk and Norwich University hospital, although perhaps that is a dangerous thing to say.

Mr. Khan: I know that the hon. Gentleman is a big fan of the Office of Government Commerce and welcomed it as an innovation, but does he think that sufficient lessons are being learned? He said that he hopes that they have been learned, but permanent secretaries who come before us give the same excuses time and again, and do not learn the lessons. We hear Permanent Secretaries make the same points that they made when they gave evidence three, four or five months ago. Does he think that the OGC is doing a good job in that regard?

Mr. Leigh: The creation of the OGC, particularly when it was under the inspired leadership of Mr. Gershon, is a welcome innovation of the Government's, and of course his work has influenced other aspects of government. The hon. Gentleman is quite right: we continually find that lessons appear not to have been learned, and although the OGC has an excellent remit and does good work, it lacks the ability to enforce its will in Whitehall. Perhaps it needs to be raised in the pecking order, so that we can ensure that the private sector knowledge that it has acquired is reflected in the public sector's saving money, particularly in procurement. I do not want to be a merchant of doom. I see that there are people sitting in the civil service Box in the Chamber, and I acknowledge that we have to pay tribute to them. The civil service has thousands of committed people of outstanding quality at all levels, and we try to pay tribute to them when we can, particularly to individuals, including those civil servants, who are often younger, who take on a particular project and deal with it over a number of years with great dedication.

To turn to another key theme, I stress that those high-quality people have to work with low-quality information, poor systems and inadequate information technology. To come right up to date, yesterday we had before the Committee Mr. Ian Taylor, an interesting man. He has wide private sector procurement experience. Indeed, he is a past president of the Chartered Institute of Purchasing and Supply, so he is at the top of his profession in the private sector. He is now director of the centre for procurement performance at the Department for Education and Skills, and I congratulate the Government on bringing in a man with a particular skill. He told us yesterday that in his view, public sector people are every bit as skilled as those in the private sector, but the information systems in the public sector are so bad that no private sector firm could afford to put up with them. They would simply go out of business. They do not

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provide the data that public sector leaders need to manage effectively or to develop robust strategies for delivery.

In that context, the Home Office should step forward. The Committee has engaged in a persistent investigation of the Department's decision to release from prison foreign nationals, many imprisoned for ghastly offences, without giving any consideration to whether they should be deported. It is a well-known issue that cost the former Home Secretary his job. We revealed a Department entirely unaware of the scale and political sensitivity of the problem. The Department revised its calculations on that matter with such rapidity that we, and indeed the present Home Secretary, concluded that the Home Office staff were running around like headless chickens, unable to produce reliable information or a coherent response.

At this point, I must pay tribute to one member of the Committee in particular, my hon. Friend the Member for South Norfolk (Mr. Bacon), without whom the picture may never have emerged. We greatly welcome his assiduous work on the Committee, even if he is a bit of an anorak; we forgive him for that. Perhaps the age of Lincolnshire cavaliers such as I must give way to the age of East Anglian roundheads in time. We are grateful for what my hon. Friend achieved. It was actually achieved on the back of one of the notes that I referred to earlier. There had been persistent delay in providing a note. We had asked for it again and again, and my hon. Friend, just a day before the hearing that the permanent secretary was due to attend, ensured that the note was delivered. The rest, as we know, is history.

In the NHS, the Committee found that a lack of accurate information meant that no one had any realistic idea of how many people die each year in patient safety incidents. To compound that, nearly one quarter of incidents and a staggering 39 per cent. of near misses were simply not reported at all. We demanded that the National Patient Safety Agency make it simpler for trusts to report incidents and collect information on the factors that lead to death and serious harm in hospitals. Again, that is not some dry bean-counting exercise; it is about saving lives.

Too often, Departments lack the basic capability to measure the things that matter and to learn from them, and to pioneer new approaches. When new approaches are introduced, they do not always take into account the complexities of delivery, and that is the subject that I next want to discuss. The Department for Work and Pensions contact centres are often staffed by people working on flexitime contracts. One might think, "What a sensible arrangement to save money," but of course it means that they are not available when most of the telephone calls come in. We have all been at the end of a call centre line. Because IT systems are not linked up, customers have to give related Departments and agencies the same information time and again, and it drives them crazy. That wastes time, duplicates effort and infuriates customers. There is an obvious principle here that cannot be expressed too often: when developing strategies, put the needs of the customer first. The public sector is run not for the public sector producer, but for us, the public.

Reliable performance information is especially important when it comes to Government efficiency. We have had two hearings on the Government's efficiency programme in the past year, both of which highlighted how crucial it is to measure progress accurately. Our first hearing highlighted the important point that there is a lack of agreed baselines against which to compare progress, and there are weak systems of measurement and validation. Our second hearing identified the progress that the Government have made in improving the robustness of how gains are measured, but even so, over two thirds of reported efficiency gains still carry a significant risk of inaccuracy.

There remain big opportunities to improve public sector efficiency. We are in a new era of politics. As the parties draw closer together, more scrutiny will shift from issues of ideology to the terrain of whether particular Departments are efficient, and to how much can be saved. The sums that can be saved are staggering. First, the public sector must aim to redirect resources to the front line. Hacking away at the complexity in the benefits system is one way to achieve that. My personal opinion is that we are far too reliant on means-tested benefits, which makes it impossible, year after year, for a Department to ensure that its accounts are accepted by the Comptroller and Auditor General.

Secondly, as the Government are increasingly commissioning services, they must become a lot more commercially astute—we have already mentioned the OGC—and that will require a much better ability to manage contracts. Thirdly, we need to examine more closely how the Government estate is managed. That might sound a boring issue—how many debates are there on the Floor of the House about how the Government estate is managed? However, the potential savings are, again, enormous. We must include in any such study the potential for moving more civil servants to lower-cost locations beyond the Westminster village. We are often told that an agency or Department cannot move because it has to be close to Ministers, but how many civil servants ever actually meet Ministers? How many of them have to be in Westminster in central London, one of the most expensive places to locate in the world?

Fourthly, there is a tendency for Government to become more complex. To combat that tendency, Government must work to rationalise functions that have been duplicated and to eliminate entirely those functions and bodies that are unnecessary. I have been encouraged by a number of developments since the Committee's hearings. The Government have promised that, in future, before they claim efficiency improvements—this is an important point—they will take into account how much they have spent to achieve those improvements. One might think that that is an obvious point, but it is now on the record. The Chief Secretary—and I welcome what he has done in this area—agreed to publish a breakdown of departmental performance, again, after we applied some pressure. I am sure that he was going to do it anyway, but we applied that pressure. That agreement will provide welcome transparency which, as we all know, is essential in measuring and analysing performance. We have a great deal to learn from the way in which the Office of Management and Budget and the Executive

Office of the President in the United States ensure that there is complete transparency in all those areas to improve efficiency.

Reliable information, too, is a prerequisite for sound financial management. The effective management of public money is the bedrock, as we know, of successful policy delivery. It is at the very core, too, of the Committee's work. That is another key theme: sound financial management should be straightforward, but many parts of Government simply cannot get it right. For instance, Government must collect the tax which is owed to them—a simple point—but due to financial mismanagement lots of revenue is not collected by HM Revenue and Customs. We found that not all information on VAT debt recorded on the main VAT computer system had been transferred to the so-called trader register. That may appear to be an obscure point, but it meant that some £900 million of debt failed to appear on the debt case management system. That is hardly a first-rate example of financial management by a department that should be at the forefront of such matters.

We have discussed weak financial management, but "weak" is too kind a description of financial management in the Home Office, which somehow failed to reconcile its cash records with its bank statements. The manager of even the smallest corner shop knows that it is crucial to carry out such a basic reconciliation. At one point, the Home Office appeared to value the sum of all transactions going through it at £27 trillion—more than every single transaction in the world in the past year. That was the result of confusing the value of an invoice with an account code. Those people are entrusted with public money, but they apparently thought that the value of transactions going through the Home Office was £27 trillion. We are told that splitting the mismanaged Department into two is the answer—we will have to wait for the proof of that particular pudding.

It is good news that the Government have acted to tackle weaknesses in EU financial management, and I pay tribute, again, to what the Chief Secretary is trying to achieve. Almost a year has passed since the Comptroller and Auditor General called on each member state to produce a consolidated account for all EU funds spent in that state. One would think that that was an absolutely basic point: why on earth should we not know how an EU state is spending EU money? I urged the Government to set an example by preparing such an account for the UK, as we had not done so before. The Government agreed, and they are developing that with the National Audit Office. I congratulate the Government on being at the forefront of that initiative, and we will watch the outcome with interest, as it may be the beginning of an era of much better management of EU money.

I remain convinced that Government Departments and other public bodies must urgently improve their financial and commercial expertise. Thankfully, there has been progress in appointing commercial directors and professionally qualified finance directors, as recommended by the Committee on many occasions. Only yesterday, for instance, we looked at further education colleges, and we found that there was a worrying tendency for governing bodies not to be interested in procurement and for their business members not to be consulted. That is common, and virtually without drawing breath we could save £75 million that could go back into education. Audit committee members with business experience are increasingly involved in the work of Departments, but are those business members encouraged to influence the main areas of projects, programmes and measures? Despite the unarguable experience of many audit committee members in dealing with the strategic financial management issues with which some Departments are unable to come to terms, the extent to which those expert outsiders are welcomed to the hearth varies. The attitude that people with private sector experience should not be in the highest reaches of government is still too prevalent in Whitehall. That may be unfair, but we have encountered that tendency.

Across the board, the Government appear to have introduced more initiatives, projects and programmes than they can effectively finance and implement at any given point in time. No doubt all Governments have been guilty of that, but we see it especially in the defence and health sectors, as well as in our road-building programme. In our last look at major projects in defence procurement, we were concerned about what was happening in that area. Yesterday, in his inimitable way, the Comptroller and Auditor General told me that to get quarts into pint pots individual projects are drip-fed with resources—again, I presume that has always been Whitehall's way—time frames are stretched; and specifications are changed. The first consequence is often delay but, as night follows day, cost increases follow project delays. Those are the findings of a man who has a lifetime of experience at the highest reaches of Whitehall. That creates a vicious spiral: overruns cost more; budgets run dry and projects can progress only when extra funds can be freed up; time lines are further stretched; and specifications are subject to revision and reduction. In the end, as the Committee sees again and again, Departments pay more for something; they get it later than they wanted; and it does not do all the things that they need it to do. That worrying picture, I am afraid, is frequently seen in Whitehall.

The Government claim that efficiency savings will free up cash to spend on a host of valuable projects, and they produce anecdotes of isolated successes to cover up huge systemic failures. As we have made clear, however, they have massively overstated the savings that they have made to date. They still fall short of resources, and they continue to drip-feed and delay projects, winnow down their specifications and supply defective services to the citizens of this country. It is right for Departments to be ambitious in seeking to serve the taxpayer, but those ambitions, if they are to come to fruition, cannot but defy the iron constraints of Whitehall's defective capacity to deliver. I absolve Ministers of blame in many cases—they come, they go—but I repeat, if those ambitions are to come to fruition they cannot but defy the iron constraints of Whitehall's defective capacity to deliver and the Government's inability to fund all the programmes that they claim to be implementing.

The Committee seeks to be a strong force for good by taking a balanced look at what is going wrong and identifying where improvements need to be made. We do criticise, but we also advise and commend. These observations are, I hope, valuable and constructive. I am able to make them only as the result of a great deal

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of hard work by members of the Committee. I should like to thank everyone who has left the Committee since the last debate: the hon. Members for Burnley (Kitty Ussher) and for Portsmouth, North (Sarah McCarthy-Fry), as well as my hon. Friend the Member for Tiverton and Honiton (Angela Browning). In their place, we welcome the hon. Members for Hartlepool (Mr. Wright) and for Sittingbourne and Sheppey (Derek Wyatt), as well as my hon. Friend the Member for Ludlow (Mr. Dunne) I pay tribute, too, to the Committee staff, including those who have departed or joined since the last debate. Mr. Nick Wright was an excellent committee Clerk, and we greatly enjoyed working with him. We welcome from the Foreign Office—we forgive him that—Mr. Mark Etherton. I thank, too, Chris Randall, the Committee assistant, for all her support, and I welcome her replacement, Phil Jones.

Of course, we thank Sir John Bourn and the National Audit Office, whose continuing support to the Committee is invaluable. Unbelievably, on average, the NAO publishes a value-for-money report every six days for us to consider, and its support above and beyond that greatly enhances the Committee's effectiveness. During the period of direct rule, the Committee dealt with the reports of the Comptroller and Auditor General for Northern Ireland, but luckily that responsibility, thank God, is now about to be taken away. It is not that we did not enjoy it, but we always thought that it should be done locally in Belfast by people on the ground.

Our achievements were affected by other developments. In particular, I welcome the passage of the Companies Act 2006, which gives the Comptroller and Auditor General access rights to audit Government-owned companies. The Act was a long time in the making, but it is an important step. I should also highlight the Chancellor's request that the NAO work alongside the Better Regulation Executive to develop a process of external review.

Unlike the Chancellor on another occasion, I shall resist making a final dramatic announcement—I am not sure that I have any power to do so, anyway. I shall therefore conclude my speech by saying simply that, with the coming comprehensive spending review, we face the probability of the Government's tightening their money belt; we know that. True efficiency and sound financial management will be ever more vital in those changing circumstances. As we approach our 150th birthday, I can confidently state that the Committee on Public Accounts will continue to approach our scrutiny of public spending with the unbending commitment that Mr. Gladstone would have expected of us. The Committee is more than strong enough to take on the challenge, and I commend its work to the House.

12.50 pm

Mr. Alan Williams (Swansea, West) (Lab): I agree with our Chairman in welcoming the monitoring role being undertaken in relation to the NHS contract and the Olympics. Those are areas in which the Public Accounts Committee and the Public Accounts Commission could get together to devise a longer-term, more systematic way of ensuring that we identify individual cases that need to be reviewed, as well as a review procedure.

Like the hon. Member for Gainsborough (Mr. Leigh) and all hon. Members, I congratulate the National Audit Office on its work and thank it for the support that it provides. In fact, it is more than support, because without the NAO we would not be able to do our job; we would merely scratch at the surface of problems. We depend utterly on the reports that the NAO produces. Producing a report can take up to six months; the detail of the reports—albeit not necessarily the value judgments they contain—is agreed with the Departments concerned; and they can cost more than £100,000 each to produce. That sounds expensive when one considers that we get two a week to deal with, but when we look at the other side of the picture we see that the NAO is one of the best investments in the public sector because the return it gives to Government is eight times its total expenditure. The money it receives from the Treasury is, in effect, recycled back into the system via the measures that the NAO recommends, and so efficient has the NAO become that, as a result of a request from the Chairman of the Committee and myself as Chairman of the Public Accounts Commission, it aims next year to increase the rate of return from eight times expenditure to nine times—a remarkable achievement.

With my Liaison Committee hat on, I want to thank the NAO for its increasing participation in the work of the Select Committees. In the 17 years since I came back to the Public Accounts Committee—I was a member before I became a Minister in the '60s—I have noticed the other Committees' understandable envy of the quality of back-up that we receive. I am delighted that, increasingly, the NAO is providing support to the other Select Committees. I hope that the Chairman and I can discuss further with Sir John Bourn methods by which we can expand the NAO's work into new areas in which it can help Parliament.

In that context—I hope you will forgive me for straying from the subject of the PAC reports, Mr. Deputy Speaker—I want to take this opportunity to remind hon. Members that the NAO is Parliament's watchdog, not just the PAC's watchdog. It is a watchdog for individual Members of Parliament, who can take problems to the NAO. They should not go on fishing expeditions or question matters of policy; the NAO deals with value for money, probity and similar matters. If an MP presents sufficient evidence to start an investigation, the NAO will burrow into the case for them.

Many years ago, I had representations from UK shipping interests worried that, in the first Gulf war, Britain had received only five of the masses of contracts for shipping to the middle east. I delved for a while, but could not get very far, so I spoke to a member of the lobby with whom I had worked on matters royal. He—David Henke—got permission from *The Guardian* to make inquiries elsewhere in the country and we built up a dossier that we took to Sir John Bourn. He set up an inquiry, which led to a change in the contracting procedures of the Department involved. In the Turkish university case, impropriety was alleged against the institution. No impropriety was found, but inefficiency was, and although the inquiry had cost £80,000, the

NAO said that the Department saved more than that through the changes made as a result of the NAO getting involved.

I could cite various other examples of the way in which the NAO's help is available. It is not to be abused or pushed into the political arena, because that will undermine its standing, but it is there to be used effectively and wants to be used effectively. Sir John often says that he welcomes inquiries from Members of Parliament. Last year, he dealt with almost 100 inquiries from our parliamentary colleagues. It is good to know that they are beginning to realise that that asset is available to them.

I shall not talk today about matters of great importance such as the Gershon inquiry. I have made my views on that subject well known to the Financial Secretary, who has had to suffer my irreverence in the past. Instead, I shall speak about two reports that I think will not be dealt with in any great depth—indeed, I do not intend to go into them in detail—but which are important because of the long-term benefit to be gained from them.

The first is the report on child obesity. We were aware in general that there was a problem of obesity, but I was surprised to learn from the NAO that it costs the NHS £1 billion a year and the economy between £2.3 billion and £3.6 billion a year, and that those costs will have increased by a further £1 billion by 2010. Child obesity is therefore a financial problem but, more important, it is a life problem for our constituents, leading to high blood pressure, heart disease, type 2 diabetes and reduction of life expectancy by up to nine years.

I told the Committee that almost 10 years ago I attended a conference in the United States. At one session, we were told that brand preference had been identified in children as young as two, because of the use in advertising of toys and cartoon images, which created not an awareness of what the product being advertised was, but an awareness that the product gave access to something else that was desirable. Two-year-olds were being corrupted into nagging or wailing at their parents to get the product in question, which was probably grossly unhealthy. At that time—a fair while ago—the Americans were anticipating seeing in the near future heart attacks in patients as young as 14. The problem was that severe. We have a chance to act before the problem becomes that severe in the UK.

The incidence of child obesity has increased in this country. Between 1995 and 2004, the percentage of two to 10-year-olds who were obese increased from 9.9 per cent. to 13.4 per cent. The relevant Departments have been set a public service agreement target—it might not sound dramatic but will be difficult to achieve—of stopping the annual rate of increase in obesity between now and 2010. If they achieve that, they are to be congratulated. It is a little worrying that they did not have up-to-date statistics—they were at least two years old—but they have only relatively recently become conscious of the seriousness of the impending problem.

During our hearing, we were told that Ofcom planned to introduce restrictions on the advertising of foods high in fat, salt and sugar. Since then, it has done so, but those restrictions came under attack for their inadequacy. Which?—in my days as a Consumer Affairs Minister it used to be called the Consumers Association—is singularly critical of them and points out that the method used to define which television programmes are to be subject to restrictions does not cover those that are watched by the highest number of children. Those advertising restrictions relate to those programmes that are designed for children and fail to recognise that children watch programmes other than those designed for them. Indeed, the top 27 programmes most popular with children are all excluded from those restrictions because they are not children's programmes. The relevant index used shows that the majority of those programmes' viewers are adults, so, regardless of how many youngsters watch them, they are not covered by the restrictions.

Ofcom's self-assessment of its proposals claims that exposure to such advertising will reduce by 41 per cent. for 10 to 15-year-olds and by 51 per cent. for four to nine-year-olds. Which? carried out a survey in which 86 per cent. of its members said that that they want restrictions based on the time of broadcast, which would be more logical. It argues that the times when children are most likely to be watching television should be advertisement-free as regards particular products, and estimates that the introduction of such a watershed would reduce by 81 per cent. children's exposure to advertisements for foods that are damaging to them. I should like Ministers to ask Ofcom to look at the matter again, from the consumer and health point of view, and not so strongly from the financial point of view of the industry. I understand that financial considerations must be taken into account, but the case for profit as against child deaths, heart attacks and illness is not a difficult one for me to assess—I know which side I would be on.

I was a Consumer Affairs Minister many years ago. In fact, it was I who persuaded Harold Wilson to set up a Department for consumers. Having said that it would be better value for money if we gave more money to further education than to universities, I was discreetly moved to a competition remit. When I looked at it, my heart sank and thoughts of my political future disappeared. Then I saw that the last words were, "and consumer affairs", at which I thought, "This is promising." Since then, Departments for consumers have become stronger and stronger.

I welcome the revelation that primary care trusts have been asked to weigh schoolchildren annually. However, when I asked what information was given to parents, I was amazed to be told, "Oh no, we don't give information to parents, but we do feed it back to schools"—presumably in terms of broad statistics rather than individual instances.

Mr. Khan: Is not that lack of information one of the reasons why parents and carers wrongly thought that this was an example of Big Brother rather than the good thing that my right hon. Friend suggests?

Mr. Williams: Yes, exactly.

It seemed anomalous that information would be fed back to schools, PCTs, children's centres, local authorities and Government offices, but not to parents. When I asked for an explanation, the Department of Health provided a supplementary memorandum, which said, at paragraph 2(a):

"It is unethical to screen children (ie take children who do not know that they have a health problem and tell them that they do)

[Mr. Alan Williams]

and inform their parents, when services to treat overweight and obesity are not uniformly available".

Frankly, that is one of the most unethical comments I have ever heard, yet it was the unanimous decision of the expert advisory group. It is unethical not to be able to tell parents that their children are at risk, when the local trust knows that. Later on, the memorandum says:

"Schools are aware that parents can ask their PCT for their child's height and weight following measuring."

Schools are aware—note that—but no one tells the parents. It continues:

"We will take action to let parents know that they can do this."

That is a preposterous situation. This shows the value of a Select Committee-type inquiry. The Department was forced to backtrack between the time of the hearing and the time that it sent out the memorandum, but the original position remains implicit in the wording of the eventual submission.

I turn to a subject on which I want to get at the facts. I do not expect Ministers to be able to give me an answer today, as it is a very detailed issue; I will be perfectly happy if they write to the Committee subsequently. We had a recent inquiry about the gas distribution network and I asked questions about pipeline replacement. I discovered that 58,000 miles of pipe is regarded as being at risk and that it would take 51 years to replace it, although it represents a third of the total network. That does not mean that every pipe into every house, or anything like it, is at risk, and I emphasise that much of the mileage will be in the major pipelines. However, I suggested that 58,000 miles and 51 years was "staggering". Mr. Buchanan replied:

"It is very serious quite clearly."

I said:

"Not just serious, but very serious."

He replied:

"Yes, very serious."

We then established that the 51 years had been reduced to 30 years to try to accelerate the replacement process. It will cost approximately £430 million over a five-year cycle to replace the pipeline.

We discovered that there were three different types of pipe. The use of the original cast iron pipes started at the beginning of the last century and continued until 1970. Those pipes are subject to corrosion but, because they are cast iron, their vulnerability can be reasonably predicted, as long as no earth movements occur. A second type of pipe, called ductile iron, was introduced in 1970 to replace the cast iron pipes. However, it emerged that, although the old, cast iron pipes were subject to predictable failure, the failure of the new pipes was unpredictable. That is clearly serious. People have no idea where to start work.

I asked whether a major part of the new piping was in new housing estates that were built since 1970, and that was the case. To be fair, the matter was not the witness's direct responsibility. He said that he guessed that

"the large majority of it would be in urban areas".

That applied to the cast iron and the ductile iron piping. I asked when the pipes would be replaced, but it was a frustrating series of questions. I asked three times when work would be completed and got no answer. Eventually, I asked for a report.

We had a written report from Ofgem, but it is not the easiest to read. It is two pages and I assure hon. Members that I shall read only a bit of it. It is important to stress that I do not want to be alarmist. The encouraging aspect of the report is:

"HSE required Transco to decommission all medium pressure ductile iron... mains within 30 metres of property by 30 April 2003."

As far as I can make out from the report, that happened. We understand from the Health and Safety Executive that that resulted in more than 2,800 km—1,750 miles in my non-metricated language—being decommissioned.

However, buried towards the end of the two-page report is the line,

"serious concerns remain about the integrity of MPDI mains; and... any additional lengths which are found or become at risk must be replaced as soon as reasonably practicable and in any case within 12 months of being found."

I appreciate that it is not the Financial Secretary's Department's responsibility—and I do not mind if a response comes from a Minister who is responsible—but I want to ask him whether the precise "serious concerns" will be spelled out and whether a risk assessment will be conducted of the pipeline network.

I am sorry to have spoken for so long.

1.14 pm

Mr. Paul Burstow (Sutton and Cheam) (LD): I begin by paying tribute to the work of the Public Accounts Committee and the National Audit Office. They are the jewels in Parliament's ability to scrutinise the Executive and the Government. I was struck by the remarks of the right hon. Member for Swansea, West (Mr. Williams) about the development of the NAO's work and its support for other Select Committees. As a former member of the Health Committee, I can tell the Chairman of the Public Accounts Committee that some of our work would have greatly benefited from input from the NAO. We all benefit from work such as the report on hospital-acquired infections and many other issues, which the Chairman mentioned.

So many reports are outstanding—in both senses of the word—and are worth the House's time today. The hon. Member for Gainsborough (Mr. Leigh), who opened the debate, referred to the previous occasion when the House debated outstanding reports as a "graveyard slot." I fear that a Thursday so close to local elections almost gets into that category. Nevertheless, it is an opportunity for good quality contributions, such as those that have already been made, to draw attention to the work of the Committee and the NAO.

I underline and echo comments not only about the value of the work of producing reports and making recommendations, but about the essential element of following up and ensuring that recommendations are acted upon. For example, the Committee has produced more than one report on hospital-acquired infections over the years and I am struck by the number of recommendations from the first report, which was published

more than 10 years ago, that were not implemented. The NAO had to upbraid the Department of Health in its subsequent report of a couple of years ago. I await with interest further reports on the subject to ascertain whether substantive progress has occurred. I fear that much remains to be done.

I want to concentrate briefly on three reports, which are on the Norfolk and Norwich private finance initiative hospital; urban green space, and diet and exercise in prison.

The Norfolk and Norwich PFI hospital is an astonishing example of Government miscalculation, perhaps even negligence. Indeed, the Chairman described it when opening the debate as taking the public sector for a ride. The Committee covered the refinancing of the Norfolk and Norwich PFI hospital in its 35th report in the last Session.

The right hon. Member for Swansea, West mentioned the role of individual Members of Parliament in using the NAO to flag up issues that it evaluates and then pursues, if it sees fit, through inquiry. The NAO's investigation of the scandal that I am considering was in response, at least in part—a significant part—to referral by my hon. Friend the Member for North Norfolk (Norman Lamb) who, with others, rightly drew the matter to public attention.

In 1998, Norfolk and Norwich University Hospital NHS Trust let one of the first PFI contracts to a private sector consortium, Octagon. As one of the first examples of a PFI scheme, Norfolk and Norwich was something of a guinea pig. The trust might, therefore, reasonably have expected to experience the teething problems that are normally associated with new initiatives. However, it could not have expected that, in 2003—a mere two years after the completion of the hospital—Octagon would refinance the project, tripling the rate of return for its investors from 19 per cent. to a staggering 60 per cent. On the other hand, the Department of Health appears to have expected that to happen. In its response to the report, it states that the

"potential for gains from a refinancing were recognised prior to the contract being signed".

Indeed, it goes on to state that the policy at the time was not seek a share for the public sector partner

"while the market was still so volatile".

The Department did not want profit sharing in case it scared off potential investors. It feels as though the intention in trying to secure the implementation of this change in public policy and the financing of major capital undertakings was an attempt to grease the wheels to get the policy off the ground.

Mr. Bacon: I agree with the hon. Gentleman's last comment about greasing the wheels. Does he agree that one of the most astonishing aspects of the refinancing of the Norfolk and Norwich hospital—which is on the borders of my constituency and which many of my constituents use—was that, at the time of the refinancing, the main contractor, Octagon, ladled on to the contract an extra £106 million of debt? This was not done in order to build an extra ward or the cardiac unit that Norfolk badly needs; it was done solely for the purpose of accelerating Octagon's rate of return, thereby enabling it to get most of its profit up front without having to go through the bother of running the contract for the subsequent 33 years. What does the hon. Gentleman think that says about the likelihood of Octagon's running that contract effectively, efficiently and in the interests of the people of Norfolk, when it has already had its profit out of it?

Mr. Burstow: It says that the Public Accounts Committee and the National Audit Office will be spending many years to come looking at these issues and their impact on the public purse, and at the burden that they will place on the taxpayer. It also says something about profiteering, which was certainly a hallmark of the early pathfinders in respect of PFI.

In addition to the obvious short-sightedness involved in all this, such attitudes shows scant regard for the risks that were being faced by the public sector in these situations, not least in regard to the increasing emphasis in public health policy on being flexible and moving more services into the community. PFI locks NHS organisations into models and structures of care for many years while they are paying the debt costs involved.

The trust secured the right to receive less than one third of the total gain from refinancing—just £34 million of the £116 million gained. In exchange for that, the minimum period of the PFI contract was increased by five years, and the trust faced having to pay up to £257 million more, in the event of early termination, than originally agreed. I really must question what kind of a deal that was. While Octagon walks away with the lion's share of the cash, the trust has been left to shoulder the burden of debt. This smacks of the worst kind of profiteering, and the fact that it was Government sanctioned is a disgrace. I am assured by my hon. Friend the Member for North Norfolk that the impact on the Norfolk health economy has been severe, and that the PCT now faces a £47 million deficit. No account has been taken of this in the Government's drive to balance the books in the NHS, yet it is a direct consequence of Government policy that the local NHS in Norfolk finds itself in this position.

Some lessons have been learned. PFI contracts are now expected to include provision for the profits from refinancing to be shared equally between public and private sector partners. However, there are still grounds for concern. Does the NHS have the ability, or the Department of Health the will, to prevent such profiteering from happening again? If the Government are to avoid a repeat, NHS staff must be appropriately trained, supported and instructed in how to conclude deals of this kind. The Department of Health, in response to the Committee's recommendations, agrees with this proposition. It speaks of the need for staff to refer to the code of conduct and the application note, and to consult the refinancing taskforce. Codes, notes and taskforces are all very reassuring, but the Department goes on to say that staff in the trust

"commissioned experienced advisers to assist them in reviewing the private sector's proposals, including the value for money of the refinancing".

This leaves a simple question: if Norfolk and Norwich had assistance from experienced advisers, how did it end up agreeing to this deal? And if other trusts have only the benefit of this kind of assistance to rely on, how can we be sure that they, too, will not find themselves involved in such refinancing fiascos? The

[Mr. Burstow]

report acknowledges that the lot of public sector partners in PFI deals has improved as a result of what happened in Norfolk. Yet the adequacy of training and support for staff involved in these deals is still in question. The Department, and the Government as a whole, must ensure that these matters are addressed, if the taxpayer is not to be ripped off in future.

I would like to turn to the issue of urban green space, an issue that was addressed by the Committee in its 58th report of the last Session. I represent a constituency on the outskirts of London, and this is an issue of real concern there. I have seen for myself the passions that a threat to treasured open space can provoke in my constituents. Surrey county council recently sought to grab control of the management of Nonsuch park, which is adjacent to my constituency. Since its joint acquisition in the 1930s by the Sutton and Epsom borough councils and the Surrey and London county councils, the park has been managed and paid for jointly by Sutton and Epsom. For 70 years, Surrey has taken no interest in it and made no contribution towards the running costs.

Then, out of the blue, and without consulting residents, park users, local councillors—anyone, really—Surrey county council announced its intention to draw up plans for the park, including disposing of an historic house. A public outcry, the largest public demonstration that Surrey county councillors had seen in years, and a compelling legal and moral case forced a rethink. The sell-off plans have been dropped, but the unilateral action continues, and concern remains about Surrey's intentions.

I refer to this local example because the report on urban green spaces highlights the importance of public engagement—something that had been lacking in the case of Nonsuch park. The Committee's report draws some interesting and alarming conclusions. In one in six of the areas assessed in the report, the quality of open space is declining. Sixty-five per cent. of authorities have not completed an audit of current green space provision, and 70 per cent. have made no assessment of future needs. Two thirds of authorities have not considered the needs of children and teenagers—a key demographic when considering planning green space and, indeed, when tackling issues such as antisocial behaviour and obesity.

The report makes it clear that more must be done to target resources at the areas in most need. It also makes the point that the areas of greatest deprivation need green space the most, yet they often lack such facilities. There is a black hole in terms of provision and needs assessment. Planning policy guidance note 17 requires local authorities to plan for open space by undertaking assessments of both community need and current provision. However, the report found that, four years after the guidance was introduced, one in three urban authorities had not yet started to assess need, and one in five had yet to begin to audit current provision. Given that £700 million of public money went into green space provision in 2004-05, this lack of robust assessment should be a cause for concern.

As I have already said, the involvement of local people in decisions about the provision of green space is crucial. Yet the report found that the needs of one group— children and young people—are

"seldom well reflected in councils' green space priorities".

The fact that the needs of this vital group are not even being addressed, let alone met, highlights a serious failure to engage. As the right hon. Member for Swansea, West has already pointed out, another recent Committee report, on childhood obesity, shows that the rate of obesity among children aged between two and 10 has risen from 9.9 per cent. 12 years ago to 13.4 per cent. in 2004. Save the Children, in two reports on "Child Wellbeing in the UK", identified the overall decline in the amount of available play space and freedom to play between 2002 and 2005 as a key concern. The Committee report speaks to that concern and demands more action. The decline of available play space and the increase in childhood obesity are far from coincidental. In the war against childhood obesity, urban green space is a key battleground, yet the one group whose needs are not adequately addressed are young people.

The report makes it clear that Government investment in green space provision has helped to halt the decline in the quality and quantity of urban green space. However, much of that money is being wasted because of inadequate targeting, planning and engagement with key groups. It is good to see that the Department responsible for these matters accepts those findings, but it will be a critical test to see whether it will translate that into action. It is critical to the health and well-being of local communities that the Government now act.

Finally, I would like to turn to diet and exercise in prisons, which was addressed in the Committee's 56th report of the last Session and in a previous report in 1998. The question of diet and exercise in prisons is important, not simply because of our duty of care for those in prison, but because of the clear link between nutrition and behaviour. In 1997, a study was carried out on 231 prisoners at Aylesbury young offenders institution. It showed a statistically significant link between a nutritious diet for prisoners and a reduction in antisocial behaviour in prison. The study is now 10 years old, yet the Committee found that the Prison Service had not acted on the findings of the research. It was felt by the Prison Service that further research was needed, but no such research has yet been undertaken. A clear evidence base has been in existence for 10 years, yet nothing has been done. The Prison Service response to those findings is, to say the least, rather vague. It speaks of efforts that are being made to commission further research and bemoans the "complex and expensive nature" of the research. Unfortunately, that is far from the only example of the service's failure to act on the Committee's recommendations. Two other key recommendations made in its 1998 report have not yet been met by an alarmingly high number of prisons.

In 1998, the Committee recommended that meals should be served within 45 minutes of cooking. Yet in 2006, 37 per cent.—more than a third—of the prisons visited by the National Audit Office failed to meet that recommendation.

Mr. Bacon: On prison behaviour and diet, did the hon. Gentleman notice in one of the appendices of the report the analysis of the number of prisons in the United Kingdom where porridge is available to prisoners?

It became obvious that porridge is not available in a significant number of prisons despite the fact that it is well known not only to reduce cholesterol but to have various other life-giving properties, including the ability to help the body to produce serotonin, which lifts the spirits and reduces the appetite. Does he agree that all prisoners in the United Kingdom should have daily access, if they wish, to porridge?

Mr. Burstow: I could not but agree. Indeed, all hon. Members have access to porridge in the Members Dining Room every breakfast time. It is unfortunate that prisoners cannot avail themselves of that health-benefiting food and do their porridge in that way. Those comments reflect the work of research done in 1997 which shows clear links between behaviour and nutrition. That is why I wanted to draw the report to the attention of the House and the Minister.

Another aspect of the recommendations from the 1998 report was that prisoners should not wait more than 14 hours between meals. Yet in 2006, half of all prisons failed to meet that recommendation. Once again, the Prison Service's responses are poor to say the least. On the question of the waiting time between cooking and serving, it said:

"The Prison Service will continue to aim to meet this recommendation"—

hardly a real commitment to change. On the question of the time between different meals, it said that it "accepts the conclusion" but that "fully implementing the recommendation" would be "highly expensive"—hardly a resounding admission of change on the way.

We have had three recommendations from the Committee on prisons and nutrition; three failures to act by the Prison Service; and three responses that demonstrate a lack of respect for the Committee by the Prison Service. My fear is that in a further 10 years or so another piece of research or another report by the Committee will find that those things still have not been acted on. For me, this is not about being nice to prisoners—it is not about giving porridge to them because it is a nice thing to do. It is about helping to reverse the cycle of violence in our prisons—violence and disruption that undermine their ability to rehabilitate offenders and cut re-offending rates.

The three reports may seem unconnected, but I believe that they tell a bit of a story: a story of Government who have a desire to jump into bed with the private sector at the cost of waiving crucial protections for taxpayers' money; a story of a Government whose desire has led them to pour money into urban green spaces without targeting, planning or regulating their expenditure; and a story of a Government who are happy to allow a public body—the Prison Service—run with public money to ignore the recommendations of an important Committee of this House for 10 years. Taxpayers deserve better.

1.33 pm

Helen Goodman (Bishop Auckland) (Lab): It is a great please to take part in the debate, as indeed it is a great pleasure to serve on the Public Accounts Committee under the chairmanship of the hon. Member for Gainsborough (Mr. Leigh), who fulfils his role not just with great energy, but with great good humour. I shall begin by addressing thematic points that are illustrated by several of the reports and then consider two or three reports on which we have played a fruitful and productive role in improving public services.

My first point comes back to the original purpose for which the Committee was set up, which is to ensure that public money is properly used and that propriety is followed at all times. Two reports that we considered in the past 18 months demonstrate that it is still necessary to focus on that. The first was the 46th report, "Governance issues in the Department of Enterprise, Trade and Investment" in Northern Ireland. It tells a bizarre and complex story, which I cannot possibly repeat, of a number of inappropriate relationships and a failure of the Government Department overseeing that body to ensure that there were no serious improprieties. The second report, "The joint venture between Dr. Foster and the Department of Health", was considered more recently. In that case, taxpayers' money was used to inject equity without a clear rationale or open competition. In both cases, family connections and a mediaeval approach to public money had taken hold. That is totally unacceptable. It is a very good thing that the NAO delved into those labyrinthine problems and that we can speak out on that important issue.

My second point—which should be fairly straightforward to deal with, but clearly is not—is the simple issue of significant cost overruns. There are two recent examples of that. One is the road building programme, where there seems to be a systemic failure, with continuous increases in the region of 25 to 30 per cent., which is significant on a large capital programme. The other example, obviously, is the Olympics. The cost at the time of the initial bid was £3 billion; the latest estimate is £10.6 billion. When we took evidence, there was a great deal of confusion about what items of expenditure on the Olympics would be part of the legacy and what would be part of the two-week sporting event itself. Even taking account of the legacy, it was not clear that there would be value for money. For example, the officials said that there would be 4,000 homes, but there could have been 100,000 homes for the amount of money that is being spent. Altogether, it is a most unsatisfactory episode.

One of the things that concerned me was the attitude of the officials. I felt that once they move into something in which the numbers are very large, they begin to lose sight of the principles at stake and to be ignorant of the issues at stake. I asked whether they knew and were satisfied with the cost of the temporary structures. They immediately realised that I would draw an analogy between those and Henry VIII's field of the cloth of gold, but they did not know that they were spending $240 million. The culture of irresponsibility should be looked at systematically.

We need to consider two things to shift people's attitude and behaviour: the skill level and accountability. The British civil service has a number of important strengths, but delivery, practical implementation and management capacity do not generally rank among the greatest of them. Many of us have a feeling that there is not a high price for failure in terms of practical implementation and that there is an insensitivity to management realities and time scales. Obviously, the skills needed vary from Department to Department.

[Helen Goodman]

The Foreign Office and Treasury are largely policy oriented, so a policy approach is perfectly sensible and effective. In the case of the Treasury, its delivery has been largely hived off to the Inland Revenue and the Bank of England. However, in many Departments delivery is the essential business of the Department. Policy is about delivery.

Over the past 40 years, numerous attempts have been made to broaden the practical experience of senior civil servants. Generally they have not succeeded, for a very good reason: the world is too complex. When we expect people to know about giving policy advice to Ministers, being sensitive to political realities, and drafting legislation and steering it through the House, and also to know how to run large bureaucracies, we are expecting them to be good at two completely separate jobs. We need to get away from the idea that civil servants can be superbly gifted in every field. We can run a system of government on the basis of a cadre of able, intelligent, committed people, but we cannot run it on the basis of exceptionalism.

It is interesting to note the instances when things seem to have worked well. When the Committee took evidence, I was struck by what had been achieved when vital technical skills were imported from specialist professions. There have been two success stories. The seventh report of the Session 2006–07, "Department for Work and Pensions: Using leaflets to communicate with the public about services and entitlements", might appear obscure, but it has a very interesting background. The Department took a broader look at its problems and, having encountered considerable difficulty in organising information on benefit entitlements, recruited a logistics expert from the Canadian army whose previous job had been directing United Nations operations in Sarajevo. There was a person who really could crack the problem. We recently produced a report on national health service food procurement, in which there had been numerous inefficiencies. The Department of Health had recruited someone from the financial sector, who had also had a significant impact.

Departments need to build up skills within the civil service and the public sector. We recently considered their use of consultants, which was not a particularly happy experience. We concluded that although expertise was being brought in, we were not achieving very good value for money.

I think that all the Committee's members have been probing the issue of whether particular groups working in the public sector should be paid significantly more than other mainstream civil servants. It is clearly a tricky issue for the Chief Secretary, because we do not want public sector pay to go rip-roaring off. Medical consultants are an example of that. A report published only yesterday shows that sometimes we are too generous. However, in other instances, because we underpay staff in the public sector, we buy in services from the private sector. That means paying not just for the people providing the services, but for profit margins, marketing and so forth, so that the whole exercise becomes much more expensive. It is quite pleasing that both the Office of Government Commerce and the Shareholder Executive, whose representatives we met recently, have said that they want to build up groups with, in particular, financial expertise to solve that problem.

As I said earlier, I believe that accountability matters. On a number of occasions, weaknesses in accountability have led to overspends, inefficiencies and poor value for money. Obviously, there will be a problem if there is a long chain of command in a large organisation, but it strikes me as a basic, simple principle that in the public sector accountability should be to the public, either in their role as users of services or in their role as citizens. All chains of accountability should flow to them. However, we have seen too many instances when things do not work in that way.

When we examined NHS deficits, the National Audit Office produced an amazing spaghetti junction-type diagram. The most alarming information was that foundation hospitals are accountable to Parliament. When I asked the officials how that was to be effected, they said "Through you". That filled me, at least, with horror, because I did not believe that we were capable of fulfilling such a role in respect of all the foundation hospitals in the country. The idea that the buck could stop with us in any systematic way struck me as rather unrealistic.

For the fifth report of the Session 2006-07 we looked at a regulatory body, Postcomm. Under the structure that had been established, the industry would report to the regulator, who would then report to us. One of the problems that struck me as we took evidence was that Postcomm was not very sensitive to the needs of post users. It had not taken adequate account of the costs of lost or late mail, or of the needs of rural areas. Having decided on a strategy and introduced the market, it then proposed to consult the public. Again, we saw a weakness in the chain of accountability.

A third example, mentioned by the hon. Member for Gainsborough, is the Rural Payments Agency, which failed to pay farmers their entitlements. The chief executive has been relieved of his position and there have been some ministerial changes, but we are bound to ask whether that was a reasonable response to the circumstances. Did responsibility for those failings lie at ministerial or official level? There is a case for saying that the English system was too complex in comparison with the Scottish and Welsh system and that the policy design fault lies with Ministers, but it is clear that there was also considerable incompetence at civil service level.

Ministers cannot be expected to line-manage their staff in such detail. It is perfectly reasonable for Ministers arriving at a Department to assume that, by and large, the Department can either tell them that something is not possible, or deliver what it says is possible. If there is not that relationship between Ministers and officials, Ministers lack the levers that they need in order to implement policy. We need to strengthen ministerial control. In the name of neutrality, Ministers have been left with no leverage. For example, a Minister cannot ask a permanent secretary to leave if the relationship between them breaks down. That would not be tolerated in any part of the private sector. The chief executive of BP, for instance, was recently asked to leave by the chairman because the relationship was not functioning adequately.

Another possibility is that we simply rely on professional standards. I am sorry that that my hon. Friend the Member for Great Grimsby (Mr. Mitchell) is not present, because he alerted us to the different patterns in different parts of the public sector. If we assume that professionals are able to distinguish their personal interest from the public interest, we can use professional standards as a form of accountability. The report, "Progress in implementing clinical governance in primary care" found that the Department of Health used that system. There is no inspection of the doctors; their professionalism is relied on. We found that the standards of governance were directly related to the quality of patient experience, albeit more work needs to be done to improve both of them. That is in stark contrast to the situation in schools. We produced a controversial report, "Poorly performing schools"—the 59th report of the 2005-06 Session. Interestingly, the evidence was largely gleaned not by the National Audit Office but by Ofsted, the regulator. There is a completely different system of accountability in respect of schools.

To summarise, I suggest that good policy delivery requires having the right skills in place, strengthening public accountability—partly through democratic structures and for citizens as well as consumers—and relying on both professional standards and independent inspection and regulation.

I want to give some examples of where I think that the NAO and the Committee have helped to improve services and service delivery. The hon. Member for Gainsborough mentioned the inquiry into reducing brain damage by addressing stroke care—the 52nd report of the 2005-06 Session. That is a serious problem: it is the third biggest cause of death, and there are huge costs to the individual and the economy. Early action has a significant impact on outcomes. I was interested in the report as this is a significant health problem in County Durham, because of the health overhang from the heavy industrial work many people there did in the past and because of lifestyle. In my local hospital—Bishop Auckland general hospital—there is an excellent centre led by the consultant, Mr. Mehrzad. Last December, the local patient and public involvement forum held a one-day conference on stroke facilities in the area and stroke care. It brought together patients and practitioners and it used the PAC report as a basis. We now know that the Department of Health is taking this matter seriously and that they will prepare a proper strategy that will be produced later this year.

Like my right hon. Friend the Member for Swansea, West (Mr. Williams), I was interested in the eighth report on tackling childhood obesity. Again, there was a delivery chain that looked like spaghetti junction; 27 agencies were involved in that process. We took evidence from three Departments: the Department for Education and Skills, the Department of Health and the Department for Culture, Media and Sport. The Department of Health has huge NHS costs that are projected to rise significantly, but in the DCMS and DFES this matter is not a priority, yet they are the Departments that have the policy levers. There has been a certain dilatoriness in respect of how the policy has been pursued. When we took evidence in May last year, the DFES permanent secretary was unaware that the extra money that it had provided was inadequate to equip school kitchens. Since then, great progress has been made. The School Food Trust under Prue Leith is tackling the problem.

There is a similar problem in the DCMS. My right hon. Friend the Member for Swansea, West talked in detail about the proposed controls on television advertising which Ofcom will produce. Action was originally promised in 2004, and we were told that if voluntary action was not achieved by 2007 we would have legislation. That timetable has now been pushed back to 2008. It is becoming increasingly unlikely that the 2010 target will be achieved. In an interesting intervention, Stephen Carter—the previous head of Ofcom—wrote an article in the *Financial Times* in which he straightforwardly admitted that it was not his first concern to regulate the broadcasting industry in the interests of public health. He said that if that is what Parliament wants, it should set things up differently. He said that his first concern was the broadcasting industry and its health. We need to think more clearly about how cross-departmental efficiency is to be achieved. Members might wish to take a look at early-day motion 404 on controls on television food advertising to children and join with the 211 other colleagues who have agreed that they need toughening up; I commend doing so.

If we are to be successful in fighting childhood obesity, we also need to look at non-broadcast promotions. Yet another structure has been set up to deal with that. The Committee of Advertising Practice looks at matters such as texting, posters and press advertisements. Which? has described the code that the CAP has produced as "woefully inadequate" and as

"vague and open to interpretation."

It wants there to be consistency between the non-broadcast code and the broadcast code, proper Food Standards Agency nutrient profiling and an approach that covers the whole under-16 age group.

With another hat on, the DCMS is promoting sport and children's play as a solution to the problem. We have examined the Olympics. New evidence has come out suggesting that if we wanted to maximise the participation of children and young people in sport, it is highly unlikely that we would go about that by spending £10 billion on the Olympics. However, the DCMS was pleased to tell us of the £155 million that the national lottery is putting into children's play, and that is a positive new development. If Members want to ensure that the money for children's play is not siphoned off to the Olympics, as might also be threatened in respect of some other lottery moneys, they might like to attend the meeting of the all-party group on play next month, at which we will meet the lottery to discuss this issue.

As the hon. Member for Sutton and Cheam (Mr. Burstow) said, this matter is also related to the 58th report, "Enhancing urban green space". I take issue with one aspect of his remarks. I think that the story in this respect is basically a success story, as more than 90 per cent. of urban authorities have satisfaction levels of 60 per cent. However, he is right in that when we probed the Department for Communities and Local Government on the situation in respect of children, we found that their needs were not well understood. We found that two thirds of local authorities had not considered the needs of children and young people.

[Helen Goodman]

The official who appeared before us used a wonderful expression—he said that thought was being given to consolidating parks and urban green spaces. He did not mean that they would be consolidated, of course, because how can anyone consolidate something that is two miles away from something else? What he meant by that was that lots of money will be spent on some of them to make them really nice and that builders will be allowed to have the others.

That is of relevance to what my right hon. Friend the Member for Holborn and St. Pancras (Frank Dobson) found when he conducted a review of children's play, which is that what children really want is things that are local to them and that they can easily access so that they can go to them independently without their mums or dads. In that connection, we looked at interesting maps for antisocial behaviour. Again, it is a shame that my hon. Friend the Member for Great Grimsby is not here, because he pointed out the striking contrast between Hull and Grimsby. The level of antisocial behaviour is much higher in Grimsby than in Hull, and he did not know why as both areas are very similar, sociologically. However, I can tell the House that Hull city council runs a very good play programme. It would be interesting if the NAO looked more widely, initially in London, to determine whether there are similar correlations around the country.

I do not want to take up more than my fair share of time, so I shall conclude by saying something about the work that we did on the NAO report entitled "Gaining and Retaining a Job", which focused on the support for disabled people provided by the Department for Work and Pensions. The original report compared the broad range of schemes run by the DWP with the Remploy factory network. The Remploy factories fared extremely badly in the comparison. I was interested in that as I have a Remploy factory in Spennymoor in my constituency. I have talked to the people who work there, and I know that they value the factory very much. The NAO review found that £330 million is spent on getting disabled people back into work, of which £120 million goes to subsidising the Remploy factory. However, only 9,000 people work in those factories, compared with the 120,000 to 150,000 who access other schemes.

At first blush, the Remploy factories seem to be 10 times more expensive than the other schemes, but two things became clear when we looked into the matter in more detail. First, we discovered that we were not comparing like with like. The Remploy factories get a full subsidy so that they can offer permanent jobs, whereas the other schemes offer small interventions with the aim of trying to help someone to find a job. Although it is possible that the job might be permanent, it is far more likely to be the sort of short-term employment that people with disabilities do not value nearly so much.

Secondly, we were able to get to the bottom of the management costs problem that had aroused much conflict. The trade unions believed that the main problem was that management was wildly inflated, and that no other changes would be needed if that problem could be cracked. In contrast, management adopted a very defensive position. Our report was able to uncover some of the relevant facts. The House will know that there have been many changes in Remploy as a result of a ministerial review. This afternoon, the trade unions will publish a strategy document compiled by the accountants Grant Thornton. As I understand it, the strategy will enable most of the factories to stay open and to remain within the financial envelope that Ministers, quite reasonably, have set.

That is an example of how the work done by the PAC, in respect of a very serious matter, has increased the level of facts available and reduced the amount of conflict. The PAC is sometimes critical of organisations or of how public funds are used, but I hope that the examples that I have given of how we have acted constructively demonstrate that the Committee is not against the public sector. We do not look at public sector organisations and say, "They've messed everything up. It's clear they can't manage anything and everything has to go to the private sector." The examples of how we have improved public sector efficiency demonstrate that it is possible to deliver better public service for all citizens.

2.4 pm

Mr. Richard Bacon (South Norfolk) (Con): It is a pleasure to follow the hon. Member for Bishop Auckland (Helen Goodman), and I should like to start by agreeing with her about the importance of accountability. She also mentioned the possibility of paying some civil servants more, something that Partnerships UK has shown can be done. The Shareholder Executive to which she referred is looking into the possibility of doing the same and, although whether what has been done with the director general of the NHS IT service produced value for money is still open to question, it is true that civil servants can be paid more, and sometimes should be.

The hon. Lady was also right to say that the PAC must make sure that we are not regarded as being against the public sector just for the sake of it. There are some very good examples of good work being done in the public sector, and perhaps we could do a little more to make that clear. However, the PAC deals with public accounts, and that means that we must look at the accounts of public bodies. When things go wrong, the people in charge—the accounting officers—should expect to be accountable.

The PAC's Chairman, my hon. Friend the Member for Gainsborough (Mr. Leigh), earlier called me an anorak, and I have decided to try to rise to the challenge and prove him right. To that end, I can tell the House that the Comptroller and Auditor General has qualified 22 accounts including the armed forces pension scheme, the Assets Recovery Agency, the Department for Work and Pensions—which has had its accounts qualified since 1988—the House of Commons Members' account, the NHS pension scheme, the NHS compensation for early retirement scheme, the Revenue and Customs prosecution office, and the Home Office.

In addition, a further 15 non-resource accounts are also qualified. They are Energywatch, the Ordnance Survey, the Marine Fisheries Agency, the Council for Healthcare Regulatory Excellence, the Nuclear Decommissioning Authority, the HMRC's trust statement—which is a mere £1 billion or so adrift because of tax credits—the Civil Nuclear Police

Authority, the social fund, the Child Support Agency client funds account, the NHS Pensions Agency administration account, the Northern Ireland national insurance fund, the British Transport Police, the Public Health Laboratory Service board, NHS Direct and the Health Professions Council.

I have read out the names of all those accounts to make sure that they are on the record. I believe that every one of the accounting officers involved should, as a matter of complete routine, be required to report to our Committee to explain why their accounts were qualified. Their job is to be the legal guardian of public funds voted to them by Parliament, and to account legally for how that money is spent. If, by marking the accounts as qualified in some way, the CAG is telling us that he is not able, in certain respects, to form an accurate opinion of how the moneys have been spent, the PAC ought to know about it. We ought to know why he has qualified the accounts, and we ought to discuss the matter with the accounting officers concerned. In many cases, of course, we do know those things. The HMRC chairman is a regular customer of ours. His accounts have been qualified in the past three or four years because of tax credits, but that is a relatively new development. However, I think that we ought to establish, as a routine principle, that accounting officers come before us when accounts are qualified.

The Chairman of the PAC mentioned the Home Office, whose accounts are qualified this year. They were disclaimed last year, and one member of the Committee asked Sir John Bourn what that meant. He replied that a disclaimer signified that he had no information at all with which to form any opinion whatsoever. My hon. Friend was right to mention that the Adelphi accounting system showed the Home Office accounts to have £27.527 trillion. In the Home Office's defence, I point out that there was £27 trillion in both the credit and debit columns, but the total is 2,000 times the size of the Home Office's actual turnover—and 1.5 times the gross domestic product of the entire planet. The Australian auditor who had been put in charge of the account inserted a rather blunt note to the Home Office audit committee to the effect that there might be something awry. The figures suggest that he might have been right.

My first point, then, is that I believe that all such matters should be referred to the PAC as a matter of routine because accountability is so important. My second point has to do with gateway reviews. That matter is a hardy perennial, and in the past the Financial Secretary has made speeches explaining why gateway reviews cannot be more public. I heard his predecessor—who is now the Secretary of State for Communities and Local Government—use exactly the same wording, and people who scrutinise the trade press will know that the Secretary of State for Work and Pensions has used it too. It is clear that someone in Whitehall knows how to do copy and paste, but that does not alter the fact that not holding gateways in public has a deleterious effect.

Several colleagues have mentioned the Rural Payments Agency. Extracts from the gateway reviews are published in the back of the report into the episode involving the RPA, which was in many ways disgraceful. That means that they are available now, although they were not at the time. After a rosy start in March 2001 where the

"report concluded that the proposed change programme has strong stakeholder support and a focused and energetic management team",

three years later by May 2004, the gateway review, now marked as red, stated:

"This is a complex Programme requiring fundamental change in the way the Agency operates. In respect of releases 1a and 1b, although testing has been delayed the process is under good control, the problems are understood and we believe that delivery will be successfully achieved in the coming weeks."

Again and again one of the key points is testing being delayed or compressed, and it was testing being compressed to a point where it was inadequate which was one of the big problems in relation to tax credits. The review went on:

"In respect of releases 2 and 3, the combination of the timescale left, the number of serious risks identified and the fact that the final policy decisions will not be made until July, with the system well into design and build, result in a critical situation that will require urgent action."

They were designing and building a system although they did not know yet what the policy was, which takes us back to what the hon. Member for Bishop Auckland said earlier.

Some seven or eight months later, in January 2005, the gateway review, still at red, found the review team under strong leadership but said that

"there is no room for further change requests, which would lead the programme into serious difficulties and overload the operation of the Agency."

Six months after that, in June 2005, still at red, the review said:

"The programme is in considerable difficulties."

Anybody with a farming constituency could have told the team that. The review continued:

"The Agency have sought to keep to the February timescale, but the risks of failing have continued to increase. The team were concerned that there is not a finalised and secured contingency plan, nor clarity about when it could be invoked."

There was still a further nine months before the chief executive was removed from office.

In May 2006, some two years after the first red review, the next red review said:

"The computer system performed well technically but the business processes required to use it, in order to make full payments in the early part of the payment window, were not fit for purpose."

When read twice that seems to contradict itself. It basically says that the computer system performed well but was not fit for purpose or that the processes required to use it were not fit for purpose. That is the sort of double Dutch with which the public, farmers and Parliament are confronted. The conclusion, as if we did not know it, was:

"The Agency is now in crisis management."

My point from all that is that had everything been more widely discussed and publicised earlier, something might have been done earlier. The Financial Secretary might say that I do not understand, as if the gateway review had been public, these things would not have come out. The point is that we were all able to tell from our own experiences at the rock face that things

[Mr. Richard Bacon]

were badly wrong, yet the process by which things were put right was extremely slow.

Although several hon. Members including our esteemed Chairman have referred to the Rural Payments Agency, everything that I have just said is outside the terms of this motion because we have not yet had a reply from the Treasury in the form of a minute. In future we should change the wording of our motion slightly because we are unduly hidebound. I refer to the Rural Payments Agency, the Olympic games, NHS IT and the Dr. Foster NHS information services, to which the hon. Member for Bishop Auckland referred. All four are important and of central concern to the Committee, but all are outside the terms of this motion.

We tend to rely on our esteemed Speaker or one of his deputies being not au fait with the anorak work that we do to such a degree that on any particular interstice or minutiae he or she cannot say whether something is within the terms of the motion. It is unfortunate that we should have to rely on that, as I found to my cost when I was trying to place on the record some points about NHS IT last July only to find that the Speaker had noted that they were outside the terms of the motion. I brought my remarks to a slightly more rapid conclusion than I had proposed.

Choose and book, the doctors' appointment system, on which the NAO did a report to which we have replied, and which has been the subject of a Treasury minute, accounts for a small proportion of the total national programme for IT in the health service. Although NHS IT is costing, depending on whom one believes, at least £12 billion—if one believes the NAO—and although it was thought of in February 2002, the contracts were being let from autumn 2003 and here we are in the spring of 2007, it has yet to be discussed properly in a debate in Parliament. Earlier this week we issued a report saying that there is a significant danger that the clinical benefits will not be achieved by the end of the contract period. Our motion should be amended to take account in particular of the reports to which the Treasury has issued a minute in response and, more generally, to take account of the work of the PAC and the NAO. We unnecessarily hamstring ourselves if we cannot talk about matters such as NHS IT and the Olympic games.

A very good article appeared in *The Daily Telegraph* on Tuesday on that subject and I shall make it available to the Minister. I can probably be forgiven for saying that I thought it was a very good article because I wrote it myself. *[Laughter.]* It is certainly worth his attention and I shall make sure he gets a copy.

Finally, since I know that two other Members wish to speak, I want to talk about the efficiency programme. I am pleased to say that it is certainly within the terms of the motion. The NAO produced a review of the efficiency programme, on which we took evidence and on which the Treasury has issued its minute. In the original NAO report a chart showed the overall likelihood of delivery against the Gershon savings and said that although significant chunks of the programme were good, requiring only refinement, some were mixed with some aspects requiring substantial attention and some were problematic requiring urgent attention, a small percentage required urgent and decisive action and were "highly problematic". In December 2004 that amounted to 3 per cent. of the programme, but by December 2005 that had increased by a third to 4 per cent. When I asked the then chief executive of the Office of Government Commerce which Departments were being referred to, his reply was, "I can't tell you that. That's advice to the Prime Minister."

Earlier this year we had an interesting seminar with the Chief Secretary and chief executive of the Office of Government Commerce, to which a number of members and former members of the PAC came. I showed the Chief Secretary a chart which I got from the Office of Management and Budget website. When the Committee visited the United States last summer we had the opportunity to meet Clay Johnson, the deputy director in charge of management inside the federal Government. They have a different approach. Their score card is completely public and can be downloaded from the website. Not only do they say which Departments are responsible for which particular scores, but some Departments, for example the US Department of Justice, put their traffic light scores in the lobby of the Department so that all employees can find out where they stand. We could learn a great deal from their much more open approach.

Last summer I spoke at a conference at the French Ministry of Finance. One of the other speakers was Barry Anderson, a senior official at the Organisation for Economic Co-operation and Development. He used five words which are apposite. He said:

"Sunshine is the best disinfectant."

We understand what we are here to do, which is to scrutinise public money—money paid in taxes by constituents to the Government for public purposes—and to discharge a trust. That trust can be better discharged if there is greater openness and transparency. I hope that the Treasury will take that on board because there is still some way to go.

2.19 pm

Mr. Sadiq Khan (Tooting) (Lab): One of the problems when one is the seventh speaker in a debate is that almost everything that can be said has been said, so I apologise if some of my remarks are a repetition of some of the excellent points made by previous speakers.

One of the biggest advantages of the peace dividend in Northern Ireland is that we in the PAC have now examined the last ever Northern Ireland departmental report. That is a source of joy and pleasure for me, as I am sure it is for other members of the Committee.

First I pay tribute to the Comptroller and Auditor General, Sir John Bourn, who showed tremendous enthusiasm and a remarkably dry sense of humour in his use of words such as "disclaim" before the PAC, and to all those at the NAO who do such a tremendous job. I also pay tribute to Mark Etherton, the Clerk of the Committee, and other of his colleagues for their work in servicing the PAC. I pay tribute, too, to the witnesses. Those permanent secretaries who come to the Committee who are open and straight, and get to the point, make far better witnesses, even when they are concealing mistakes, than those who dither, beat about the bush and waffle.

A wry smile crossed my face when my hon. Friend the Member for Bishop Auckland (Helen Goodman) mentioned the good humour of the Chairman. I suspect that the good humour is shared only by those of us who sit around the table rather than those who sit behind the desk. I pay tribute to the Chairman. The way in which he conducts the meeting is remarkable. He is non-partisan; the Committee is non-partisan. Only one thing disappoints me, and I made this point last time. I understand the reasons, of course, but sometimes when the media pick up on the excellent work of the PAC it appears to the lay public that we are being critical of Government policy. I am sorry that the hon. Member for Sutton and Cheam (Mr. Burstow) is not in his place now. Towards the end of his speech, he was being political. I was disappointed; it shows that he does not understand the PAC culture when we talk about government inefficiencies and the things that we can do to make government more efficient.

I also smiled at the reference to the hon. Member for South Norfolk (Mr. Bacon) as an anorak. There is a rumour circulating that the reason the anti-stalking and harassment legislation was introduced is the forensic skill that he demonstrates both on the Committee and outside it when he chases up the written questions that he has asked and the memos that he has sent. The Chairman of the Committee referred in passing to the fact that the PAC's constitution requires a Chairman to step down after two terms. It also requires the Chairman to be a member of Her Majesty's official Opposition. I look forward to the hon. Member for South Norfolk being the Chairman after the next general election.

One of my concerns is the fact that when it comes to public discourse on our work the PAC appears only to be critical of the work of Departments and permanent secretaries. The reality is that we often commend innovative work by Departments. A recent example is biometric passports; an innovation led to a project being completed not only on time but under budget.

When we have an unprecedented level of public investment, it is clear that after 10 years there will be significant inefficiencies. We must not forget that we have helped to uncover some inefficiencies and that that has led to savings. I believe that, because there has been so much public investment, there is a duty on those of us who voted in favour of it to scrutinise it and ensure that every pound is spent properly and we have proper value for money and maximum potential for saving.

I want to talk about two PAC reports. The first deals with the National Offender Management Service. My interest in NOMS stems from the fact that Wandsworth prison is in my constituency. One of the matters that we looked at is the increased numbers in custody, which has a direct bearing on the ability of Wandsworth prison and its excellent governor Ian Mulholland to do as good a job as possible in rehabilitating those who are guests of Her Majesty's prisons.

The report examined the challenge of accommodating record numbers of prisoners and the action taken to do so. It considered the impact on education and other training of prisoners. It is worth thinking about the context of our report. One of the frustrations that all members of the PAC share is the time lags between the National Audit Office doing its work, the report being agreed by the relevant Department, the report reaching the PAC, the PAC interviewing witnesses, the publication of our report and the Treasury responding with its minute.

Helen Goodman: The point that my hon. Friend makes is right. On average, the time between the initiation of the NAO report and the Treasury minute is 18 months.

Mr. Khan: That demonstrates the point. I am sure that the Minister on the Treasury Bench will accept that due to the hard work of the PAC millions of pounds have been saved. Clearly, if it takes a minimum of 18 months between our making recommendations and change on the ground—it takes time for Departments to change their practices—there is a question about whether the PAC can provide value for money.

We looked at the prison population between 2002 and 2004, during which period there was a 17 per cent. increase. One thing that was clear from the report was that the rising numbers of prisoners caused major operational problems for NOMS. The real problem is that it is difficult to predict further increases in prison numbers. We cannot predict levels of crime, the success rate in securing convictions or changes in court sentencing powers. However, we have learned from the experience in 2002 that there is a need for the Prison Service to put in place contingency plans because sometimes things go pretty badly.

We know why prison overcrowding is a major problem. It means that prisoners cannot receive a suitable level of care or be properly rehabilitated. I know from my own experience in Wandsworth that it leads to increases in the incidence of self-harm and suicide. More than 700 prisoners are transferred to hospitals under the Mental Health Act because they live in overcrowded prisons. It also leads to disruption of the education and training of prisoners. I am afraid that all those points did not reach the same sunshine that the hon. Member for South Norfolk maintains led to his neighbour, my right hon. Friend the Member for Norwich, South (Mr. Clarke), losing his job as Home Secretary and to the excellent changes that were made with regard to foreign prisoners, which would not have come about were it not for the work that we did.

One of our recommendations was for the courses that prisoners follow in prison to be provided in shorter modules. When prisoners are transferred, if their education files are not transferred with them, it can lead to real problems, especially when it comes to the most ill-educated prisoners. If we magnify the problem with education files being transferred, we can see one of the reasons why there is a huge problem with foreign prisoners. Information may not be transferred between the immigration and nationality directorate and prisons when prisoners are transferred. It leads to debacles such as that which led ultimately to the Home Office being declared not fit for purpose.

The second report that I want to focus on is on improving poorly performing schools in England. All MPs have primary and secondary schools in our constituencies, so we are all interested in this report. We examined poorly performing schools, the development of relationships between schools and other organisations,

[Mr. Khan]

strengthening school leadership and dealing with deep-rooted failures. It is worth looking at the context of the report. Earlier, I referred to the massive public investment of the past 10 years, and although there have been significant concerns about inefficiencies, now for the first time we have the data that will enable us to examine what has been happening to schools and whether improvements can be made.

In conclusion, there are thematic lessons that can be learned from the work of the PAC, and my hon. Friend the Member for Bishop Auckland referred to some of them. In a previous PAC debate, the Chairman told us of his discovery that the first PAC meeting was held not in Gladstone's time but in 1690. Tongue firmly in cheek, the hon. Gentleman also told us of his concern that he could not find a Treasury minute of that first meeting. I hope that my colleagues on the Treasury Bench will have heard the concerns about time lags raised by me and other PAC colleagues and that there will be fast progress so that we can reap the rewards of the PAC's work and learn lessons from it.

2.29 pm

Mr. Philip Dunne (Ludlow) (Con): I am grateful for this brief opportunity to address the House. As a new member of the Committee, I was not present for much of the time when these reports were under consideration, so I do not feel qualified to comment on them. However, I want to make a few quick points to address two themes that other Members have touched on, including the Chairman of the PAC.

The first point is the issue of responsibility. Too often, when there is a problem and individuals from a Department or agency who are responsible for creating it or for overseeing the Department or agency are asked to come before the Committee, we find that they have either been shuffled off to another Department or given another responsibility. The people who actually appear before us can then hold up their hands quite legitimately and say, "Not my problem, sir, although I recognise that there was one". That is a particularly unsatisfactory means of holding individuals to account. The most extreme example relates to the chief executive of the Rural Payments Agency—mentioned by the Chairman. The individual concerned refused to appear before the Committee. I hope that the House will look carefully at the responsibility of accountable officers to appear before the Committee when required to do so in such cases.

Another issue arises in relation to ministerial responsibility. Again, the most extraordinary situation involved the RPA. Despite a record fine imposed by the EU for the RPA's mishandling of the single payment system, the Minister who was ultimately responsible—the Secretary of State—found herself promoted to Foreign Secretary. Of course, that may be more a reflection of the political manoeuvring to succeed the Prime Minister and of his wanting the right allies in place than of the right hon. Lady's responsibility for doing her job.

I want to refer in particular to the report on the Olympics. It is extremely encouraging that the PAC will regularly review that substantial public spending commitment. I speak as a recently appointed vice-president of the London 2012 cross-party group, so I am a supporter of the Olympics. In the nether reaches of the NAO report, there was a reference, which was not picked up during the hearings, to the funding implications of cannibalisation of lottery proceeds as a result of the requirement to fund the Olympics.

We did not touch on that matter during our hearings on the first Olympics report as they took place before the budget was reassessed, but I draw the attention of the NAO to paragraph 48 of the report of 2 February, which noted the estimate that 59 per cent. of Camelot's £750 million funding stream might come from players switching from existing games. The report states that in fact 77 per cent. of games money was being cannibalised and the discrepancy would be significant for other good causes, especially bearing in mind that an extra £400 million will be needed from the lottery to fund the Olympics. I look forward to encouraging the NAO to scrutinise that matter in greater detail in its subsequent reports so that we have a proper picture of the impact of lottery funding for the Olympics on other good causes.

2.33 pm

Mrs. Theresa Villiers (Chipping Barnet) (Con): I pay tribute to the work of the PAC and its Chairman, my hon. Friend the Member for Gainsborough (Mr. Leigh). As we have heard this afternoon, the Committee carries out an invaluable role in scrutinising the spending of taxpayers' money and it is a great privilege to take part for the third time in the debate on its work. As the Chairman said, the Committee is a force for good and over the past few months its members have demonstrated the unbending commitment to which he referred. The PAC's work would not be possible without the dedication of the Comptroller and Auditor General and his staff at the National Audit Office. I am certain that the House would like me to convey its gratitude to Sir John, his staff and the NAO, as well as to the members of the PAC and its staff.

As to the contributions to today's wide-ranging debate, the Chairman of the PAC kicked off with a speech focused on financial management, leadership strategy and delivery. He highlighted the catastrophic failure of leadership at the Rural Payments Agency and outlined some of the tragic consequences— including, in some cases, suicide—of its administrative problems. He rightly highlighted it as a textbook study of how not to run a project in government. He also highlighted the Committee's concerns that officials often promise notes with further information, but they do not arrive or are delayed, so holding up reports.

My hon. Friend the Member for Gainsborough was also right to underline the outstanding quality of many public officials, emphasising that although the Committee has serious criticisms of many projects undertaken in the public sector, that should not be taken as a criticism of public officials and civil servants across the board. Of course, most of them do an excellent job. Interestingly, my hon. Friend also highlighted another continuing problem in the public sector—low-quality data and information systems. Those problems have been manifested in respect of patient safety and the lack of reliable recording systems for those sorts of incidents.

The right hon. Member for Swansea, West (Mr. Williams) spoke with great insight about child obesity and the Committee's valuable work on that issue. He spoke in favour of strengthening the proposed restrictions on advertising to children.

The hon. Member for Sutton and Cheam (Mr. Burstow) talked about the report on the Norfolk and Norwich hospital, to which I shall return. He also rightly highlighted the report on urban green spaces. Although it was one of the Committee's less controversial reports, it underlines a matter of enormous importance. I shall return to that report later in my speech.

The hon. Member for Bishop Auckland (Helen Goodman) expressed in strong terms her concerns about cost overruns. She referred to a culture of irresponsibility among certain officials and expanded on two particular issues, both important in that context—the need to ensure that civil servants have suitable skills and that they are properly accountable.

My hon. Friend the Member for South Norfolk (Mr. Bacon) spoke with his usual insight on the importance of ensuring that this debate, which we have every year, is effective. I share his concern that so many of the Public Accounts Committee's recent reports are not formally on the agenda today because of delays in receiving official Treasury minutes. I join other hon. Members in urging the Treasury to speed up its response and to consider amending the procedure relating to today's debate so that we can discuss the most up-to-date work from both the PAC and the National Audit Office. My hon. Friend also talked with great insight about efficiency programmes and how to improve them.

The hon. Member for Tooting (Mr. Khan) referred to an important report on the National Offender Management Service. He was absolutely right to highlight the importance of dealing with prison overcrowding, because overcrowded prisons result in significant interruption to the education and training programmes that are vital for prisoner rehabilitation. Overcrowding also poses the risk of greater incidents of self-harm. The hon. Gentleman's remarks on poorly performing schools provided another useful contribution to our debate.

My hon. Friend the Member for Ludlow (Mr. Dunne) highlighted the importance of keeping track of the cost of the Olympics—another issue to which I shall return later.

Today's debate has demonstrated that the PAC's work over the past few months has been wide ranging. I cannot cover every report, so I have grouped them into three areas: reports on less controversial matters where the Committee had important advice for Government organisations but did not identify critical major failings; reports where significant failures were identified in terms of value for money; and reports outlining more serious systematic failure and lack of competence.

In the first category, I shall first mention the PAC's report on urban green spaces—a matter of huge importance to my constituents in Chipping Barnet. One of the report's most interesting aspects is that, as well as emphasising the obvious environmental benefits of such green spaces, it underlines the importance of wider policy goals such as improved health, urban renewal and better community cohesion. A number of Members have talked about the importance of open spaces in the campaign to tackle the important problem of child obesity. The Government and local authorities would do well to heed the concerns of the PAC about ensuring that there is as much public involvement in running green spaces as possible. The involvement of community and voluntary groups can be successfully improved on. That is something that runs well in my constituency. Local authorities across the country would do well to listen to those concerns about green spaces. The PAC highlighted the fact that, although public green spaces are classified as greenfield sites for planning purposes, back gardens are not and hence enjoy inadequate planning protection. I would like the Government to look at that.

Another issue of concern for many of my constituents is the quality of postal services. I was concerned to read in the Committee's report on Postcomm that insufficient attention was given to the 15 million items of mail that are lost, stolen or damaged each year by Royal Mail.

We have heard from a number of Members about the important advice given by the Committee on improving care to those who suffer a stroke. The Committee continues to be at the forefront of the debate on improving health care in our country. The Department of Health admitted to the Committee that it needed to do more to improve rapid access to brain scanning and to deliver a greater proportion of care through specialist stroke units. As the Chairman has pointed out, implementing the recommendations of the Comptroller and Auditor General could save the NHS £20 million a year and could save as many as 10 lives a week.

Some good news was contained in the PAC's report on the tsunami, which described the response of the Department for International Development as "both rapid and impressive". It is important to include the good news, as well as the bad news.

The news is less good in my second category of reports, where significant failings were identified. I would like to look at the latest of the PAC's influential reports on skills. When taking evidence, my hon. Friend the Member for Tunbridge Wells (Greg Clark) extracted the admission from the chief inspector of schools that, in the period under consideration by the PAC, the percentage of substandard schools had increased. Commenting on the matters in the report, Sir John Bourn said:

> "It is unacceptable for any school to carry on providing a poor education over a period that can take up a large part of a child's school career and deprive them of future prospects and opportunity."

The Committee returned to some of the problems in our education system in its report on improving skills for employment. It expressed concern that money intended for employment-related skills training was being used to make up for failings in the school system. It is being used to equip people with basic literacy and numeracy skills, which they should have acquired in the school system. The Committee's recent report on the matter was the latest in a series of quite hard-hitting reports on the chequered history of the Government's skills initiatives, including the debacle on individual

[Mrs. Theresa Villiers]

learning accounts, when the Government were forced to withdraw a flagship scheme following allegations of large-scale fraud and abuse running to £97 million.

A key role for the PAC is scrutinising the Government's efficiency programmes. Here again, some significant concerns were raised. The Committee's report on Gershon in July last year concluded:

"While progress has been made, reported efficiency gains should...be considered as provisional and subject to further verification."

When the NAO reported again on Gershon in February, it concluded that only 26 per cent. of the efficiency gains so far claimed by the Government stood up robustly to scrutiny. The rest were uncertain or impossible to verify. The Comptroller and Auditor General's verdict was:

"Many reported efficiency gains still carry a significant risk of inaccuracy."

We have heard that there has been progress in terms of the measurement of baselines, but I want to highlight measurement problems, including the failure, in many cases, to include the cost of an efficiency programme in calculating overall savings. In the light of the continuing dispute and uncertainty surrounding the measurement of Gershon savings, a transparent approach from the Government is vital if the programme is to have any credibility. Yet the PAC told us that the Office of Government Commerce refused to provide it with

"basic factual information about the likelihood of departments achieving their efficiency targets."

I welcome what the Chief Secretary said about making the programme more transparent in future, but it is vital that we have clear figures on the split between cashable and non-cashable savings. So-called non-cashable savings are difficult to quantify or verify, so much so that the Education and Skills Committee has accused the Department for Education and Skills of trying to redefine the concept of money with its claims on non-cashable savings. The Chairman of that Committee warned that the Department was laying itself open to the challenge that it was claiming "fantasy savings", not real ones. Getting clear figures on the proportion of genuine cashable efficiency is of significant importance to an assessment of whether the Gershon programme will work.

Many have expressed concern that the Gershon programme is having a negative impact on service quality. The PAC recently stated:

"Greater assurance is needed that the quality of public services is not being adversely affected. Service quality needs to be measured robustly to ensure the Programme achieves true efficiencies rather than just cuts in public services."

We would do well to consider the example of the Department for Work and Pensions because that Department bears a significant part of the burden of implementing the Gershon programme. The PAC identified that more than 20 million calls to the DWP went unanswered in 2004-05. Of course, the switch to call centres was triggered in large part by the Gershon efficiency programme. The Work and Pensions Committee also reported that Gershon programmes had contributed to a "catastrophic service failure" at Jobcentre Plus.

The reports in the third category cover some of the more systematic failures in Government administration. I should mention the devastating report on the refinancing of the Norfolk and Norwich hospital. As we have heard this afternoon, the PFI contractor managed to treble the rate of return for its investors to 60 per cent., while leaving the public sector partner with greater risk and a wholly inadequate share of refinancing gains. The Committee concluded that that was unacceptable

"even for an early PFI deal".

It was worrying that we heard this afternoon that the trust was directed by Whitehall officials not to try to include a clause on refinancing gains in the contract. I will not dwell on the report on that matter because we discussed it on the last occasion we debated such reports on the Floor of the House, but it is worth noting that the incident was not isolated. Investors in the Ministry of Defence joint services command and staff college increased their return by 72 per cent. after refinancing, while the investors in Darent Valley hospital and Fazakerley prison both increased their rate of return by 144 per cent. after refinancing.

The Committee's more recent work on the health service has documented the continuing troubles with the national programme for information technology, which is running two years behind schedule with no firm implementation date yet settled. We found out from the report that staff remain to be convinced of the benefits of the programme and that it has not been integrated into a wider programme to improve the way in which the NHS works. We can see serious danger signals, so I hope that the Government will now get a grip on the programme before it goes very badly wrong.

It is primarily the PAC's hard-hitting work on the Home Office on which I would like to focus while considering the third and last category of reports on more problematic matters. In January 2006, Sir John Bourn started a ball rolling that eventually revealed the full extent of the crisis in that troubled Department when he gave a disclaimer of opinion on the 2004-05 Home Office accounts. Frankly, that was a staggering step. As we heard from my hon. Friend the Member for South Norfolk, Sir John Bourn did not give a qualification of the accounts. The errors and mis-statements were so serious and numerous that the Auditor General could not reach an opinion at all on the state of the accounts. It was not surprising that when the permanent secretary of the Department gave evidence to the Committee, he felt compelled to offer it an apology.

Mr. Bacon: It should be pointed out that the then permanent secretary, Sir David Normington, signed the accounts only because he was told that he had to so that they could be presented to Parliament, even though they were being presented unaudited. It was his predecessor as permanent secretary, Sir John Gieve, who was responsible during most of that period. What does my hon. Friend think that it says about the system that, after having presided over such a fiasco, Sir John Gieve was promoted to be the deputy governor of the Bank of England in charge of financial stability in the banking system?

Mrs. Villiers: It certainly does not give me a great deal of confidence in the method used to appoint members of the Bank of England committee, but it is probably more constructive to focus on the system, rather than the individuals involved, although I share a number of my hon. Friend's concerns on that point.

To be fair, the situation as regards accounts is improving, but it remains a matter of concern that Sir John has qualified his opinion of the accounts for the past two years, and the report by the Committee details a continuing major problem concerning the release of foreign prisoners. It concluded that between February 1999 and March 2006, more than 1,000 foreign nationals were released without being considered for deportation. They included four murderers, 14 rapists, 15 child sex offenders, eight kidnappers, 107 other violent criminals, and 184 drug dealers. Sir David Normington admitted under questioning in the PAC:

"I cannot defend that. That is not acceptable."

The Committee reached the deeply worrying conclusion that

"The Home Office does not have a grip on the issue of foreign nationals released from prison and not deported, and was unable to provide full information to the Committee about the numbers or locations of such offenders. It could not provide any assurance that foreign nationals are no longer being released from custody without consideration of deportation, or that definitive action is being taken to improve the situation."

It identified

"systemic failings affecting the whole Department"

that were

"symptoms of a deeper lack of leadership and co-ordination."

As we have heard, there were continuing problems in the Home Office in relation to the state of our prisons, with overcrowding undermining the ability of the Prison Service to monitor those who may be at risk of self-harm or suicide and producing a highly disruptive effect on the education programmes that are so vital for effective rehabilitation. The Committee was critical of the use of temporary portakabin units to house a sudden growth in the prison population in 2002. A number of the units had not been tested or used for prison accommodation before, and could not be properly secured. Many of them of suffered from leaks, condensation and security problems. Some were of such poor quality that prisoners had to be given their own keys because of the fire risk. In the PAC's study on tagging offenders, it noted with concern one case in which more than £8,000 in compensation was paid to two offenders who were returned to prison because of damaged tags. The Home Office had destroyed the tags before their appeal was completed, and could not prove that the offenders had been responsible for the damage.

In conclusion, it is clear to me that the Government probably have a long way to go before they can instil in the public sector the real culture of efficiency for which the Comptroller and Auditor General, the National Audit Office and the PAC have long been calling. I shall close by referring to a speech that I made in January last year, when I first had the pleasure of winding up a debate on the reports of the PAC. In that speech, I pointed out how important it was for those in charge of the London Olympics to listen to the advice of the PAC on project management and safeguarding taxpayers' money, and I hope that they will do that in future. I expressed the hope that that would help them to avoid many of the mistakes that have characterised Olympic projects in the past. It is therefore with anxiety and disappointment that we have witnessed the Olympic budget treble in a matter of months. I hope that in future years we will not, as I predicted in January last year, be standing here discussing PAC reports on what went wrong with the preparations for 2012.

2.53 pm

The Financial Secretary to the Treasury (John Healey): It is my privilege to respond on behalf of the Government to this debate, which has reflected the hallmarks of the Public Accounts Committee. Like the Committee, it was serious, wide-ranging, authoritative, sometimes highly critical, but at all times conscious of the need to be constructive and concerned to ensure that the Government are delivering services that are better value for money to the public. The debate was led in exemplary fashion by the hon. Member for Gainsborough (Mr. Leigh), who chairs the PAC, in a way that exemplified the qualities of his Committee.

In many ways, Winston Churchill caught the way in which a confident Government should respond to the PAC when he said:

"Personally, I am always ready to learn, although I do not always like being taught."

Although Ministers may sometimes flinch or wince at the conclusions that the Committee draws—certainly, a PAC hearing is one of the least favourite appointments in any accounting officer's diary—the Government share many common aims with the PAC. In its 63rd report, which was published on the day in July when we last debated the PAC's work, the PAC said:

"Providing high quality and cost effective public services is not easy."

It said, too, that people

"want public services that work. They want them to be easy to find out about, simple to use and responsive to their needs."

The Committee's work is a valuable contribution to efforts to achieve that challenging task.

May I pay formal tribute, too, to the Comptroller and Auditor General and the National Audit Office? The PAC has high expectations of the NAO, which rises admirably to the task of meeting both the specific need of supporting the Committee's work and the wider needs of Parliament in holding the Executive to account. When we debated the PAC's work in July, I promised that the Company Law Reform Bill would extend the NAO's remit and reach. I can confirm to the House that, working in collaboration, the Treasury and the NAO have identified about 80 non-departmental public companies to which the Comptroller and Auditor General can be appointed as auditor when the Bill's provisions come into force in April next year, including Investors in People, the UK Film Council and the Student Loans Company.

The NAO audits over 500 accounts, so that will be a significant addition to its workload. However, I know that the Comptroller and Auditor General and his staff will work hard to ensure a smooth transition when the Bill's provisions come into force. In recent years, there has been a significant growth in the NAO and a very significant growth in the resources allocated to it. The £90 million budget for the NAO this year is almost

[John Healey]

double its budget in 2001. Oversight is the responsibility of the Public Accounts Commission, but we all look forward to the NAO achieving efficiency gains in the same way as the Executive are rightly expected to do.

May I turn to the contributions to the debate before making some points about the Government initiatives in which the Public Accounts Committee is interested? I knew about the extraordinary experience of my right hon. Friend the Member for Swansea, West (Mr. Williams), but I did not know that he was a member of the PAC in the 1960s, before becoming a member of the Government. He concentrated on two reports, both of which he rightly said have the potential to achieve long-term benefits. He was concerned about childhood obesity, which is the subject of the Committee's eighth report. It is clear from the report and from his remarks that that is a complex issue and that the challenges are long-term. However, the strategy that is in place has started to produce results. I agree with a specific point that he put to me—it is wrong not to give parents the information that they need about their children's weight. I shall look into that for him, and ensure that he receives a reply. I shall take up, too, his concerns about the replacement requirements in the gas distribution network, and similarly ensure that he receives a response giving the Government's view about his concerns and about the risks for the future.

May I welcome the hon. Member for Sutton and Cheam (Mr. Burstow) to his first PAC debate as the Liberal Democrat spokesman? He dealt with the PAC's 35th, 56th and 58th reports, and brought to bear on them his established reputation and interest in social policy. He made some serious points about the report on prisoners' diet and exercise. I thought that we would be deflected by the interventions by the hon. Member for South Norfolk (Mr. Bacon), just as the Committee's evidence-taking session last year was deflected. I am fortunate enough to receive the minutes of evidence, and the hon. Member for Tunbridge Wells (Greg Clark) spent almost his entire allotted time for questioning exploring the nature of porridge and its place in the penal system. I had not realised, however, until the intervention by the hon. Member for South Norfolk that porridge helps the brain to release serotonin. In fact, I had not realised that there was such a thing as serotonin.

More seriously, the hon. Member for Sutton and Cheam said that the two crucial questions are these: have the lessons from PAC reports been learned and, more to the point, has action been taken as a result of the assertion that lessons have been learned? I believe that the PAC's reports, including the ones that he mentioned, help Members of Parliament both independently and as members of departmental Select Committees to pursue the continuing concerns that the PAC has raised and therefore the answers to those two questions.

My hon. Friend the Member for Bishop Auckland (Helen Goodman) rightly said that skills and, in particular, accountability are the hallmarks of good governance and good Government. She acknowledged that although the British civil service has many strengths, management capacity is not generally one of them. She spoke not only from her experience on the PAC but from her experience in the British civil service, so her comment is especially telling. She referred to five reports during her speech and drew the important conclusion that good public services and good delivery of those services depend on the right skills, strong democratic accountability and regular regulation and inspection.

The Chairman of the Committee described the hon. Member for South Norfolk as "a bit of an anorak"—a soubriquet that the hon. Gentleman was happy to accept—and "an East Anglian roundhead". To be frank, I prefer the latter description, which is more swashbuckling and more in keeping with the energy that the hon. Gentleman brings to the PAC's work and to this afternoon's debate. The hon. Members for Chipping Barnet (Mrs. Villiers), for Gainsborough and for Sutton and Cheam and my hon. Friend the Member for Tooting (Mr. Khan) all paid tribute to the work of the hon. Member for South Norfolk in triggering the exposure and assessment of the problems in the Norfolk and Norwich hospital PFI project.

The hon. Gentleman expressed general concern about transparency. I welcomed the recognition by the hon. Member for Gainsborough both in today's debate and in the Budget debate of my right hon. Friend the Chief Secretary's move to consolidate the breakdown of departmental performance in the efficiency programme. The hon. Gentleman described his comments in the Budget debate as a bouquet for the Government. We do not get many of those from the Opposition, so we are happy to accept that one.

The other concern expressed by the hon. Member for South Norfolk centres on the publication of the conclusions of Office of Government Commerce gateway review processes. He made it clear that he has heard me explain the position before, so I shall not repeat that explanation. He knows the concerns about compromising the value and purpose of those reports and that process, but I confirm that I am considering the general approach to the release of information on gateway reviews.

Given the comments made by my hon. Friend the Member for Tooting about delay in the PAC receiving Treasury minutes, I can only hope that the minute dating from 1690 that could not be found is not one that the PAC is still waiting for, but has been mislaid. My hon. Friend is right to say that through its work the NAO has contributed to savings of millions of pounds. He is also right to draw attention to some of the wider issues in the 44th report, because although most attention was given to records about foreign prisoners and their release, the report set out some other important detailed concerns that set an agenda for the Home Office to pursue in future.

The hon. Member for Ludlow (Mr. Dunne), who is new to the PAC, was unfortunately short of time to speak in the debate. I know the serious contribution that he has made to a succession of Finance Bills on which we have served together, and I am sure that he will make a valuable contribution as a member of the Committee.

The hon. Member for Chipping Barnet caught the tone of the debate well. She talked about both good news and bad news. She talked more about bad news than about good news, but perhaps that is her job. She was right to conclude by commenting on the serious

failure in the system of Home Office accounting which resulted in the accounts being disclaimed by the Comptroller and Auditor General. Progress has been made, as the Public Accounts Committee has acknowledged, not only on the accounting side but on the policy and delivery side.

Let me turn to some of the initiatives that the Government have been taking that the PAC will be interested in. They are very much in line with looking for a more economic, effective and efficient delivery of public services. In the Budget, my right hon. Friend the Chancellor set out how the 2007 comprehensive spending review will build on the strengths of the public service agreement system to drive improvements in the areas that we regard as our policy priorities, while at the same time developing a framework for supporting performance management that enables a more user-focused and devolved approach to public service delivery. That will include each Department publishing at the CSR a new comprehensive set of strategic objectives that it will use to manage and report on performance and to inform resourcing decisions. Alongside a smaller set of cross-cutting public service agreements, those developments will allow a more coherent and better aligned framework for performance and financial management across the board.

On better links between performance and financial management and monitoring, I have today informed the Treasury Committee that we in the Treasury intend to pilot combining the departmental report and resource accounts for 2006-07. At least one other Department—the Department of Trade and Industry—will participate in the same pilot. One of the main benefits that I expect is a reduction in the overlap of information and the confusing differences between estimated out-turn figures in the departmental report and actual out-turn figures in the resource accounts, which are published within a few weeks of each other. It will also lead to closer links between reporting on outputs and performance, on the one hand, and inputs and spend, on the other, with spending data being audited and hence more reliable. Our work in the Treasury on our 2006-07 annual report and accounts is on track for publication in early June.

The hon. Member for Gainsborough dwelt on a specific concern that he described as the first of his four components of capable Government—financial management. For the past two years, with support from the PAC, a major drive has been under way to improve the professionalism of finance functions in Government. In passing, I should like to pay tribute to the work of the Treasury's finance director, Mary Keegan, who has led this work. I am pleased to be able to tell the House that as a result more than 90 per cent. of Government spend is now being overseen by professionally qualified finance directors, with additional work ongoing to strengthen financial skills across Whitehall.

Competent Government and improving financial management is about more than just the finance function within a Department, however. Also critical are overall governance arrangements and the financial management capability of general managers throughout Government organisations. In the previous PAC debate in July, I was able to advise the House that a new learning facility to help managers in Government to improve their financial skills had just been launched. Today, I can confirm that access to this tool is being made available to all Members of Parliament; we can expect to find further details in *The House Magazine* shortly.

In his opening speech, the Chairman of the Committee referred to the value of departmental capability reviews. I welcome the way in which the review teams are working with Departments that have thus far been reviewed to offer practical support in following up the recommendations. I want to underline the fact that the Government take very seriously the lessons that are emerging from those capability reviews and see them as an important opportunity to improve service delivery.

As Minister responsible for the Office of Government Commerce, I felt that the model of a capability review was so useful that I borrowed the discipline and built it into the reform plans that I set out in January in the document, "Transforming Government Procurement". The reforms that we are now pursuing are designed to deal with the two points that the hon. Member for Gainsborough urged on us, namely, that the Government need to become more commercially astute and that the OGC should be raised up the civil service pecking order. The plans for reform will achieve that. They are intended precisely to recognise that good procurement is essential to good public service delivery and good government as well as good value for money in both.

I want briefly to consider the initiative that the UK has led in Europe on financial management and monitoring European spend. I am heartened by the PAC Chairman's response and that of others. If all member states work with their national audit institutions and Parliaments to improve their control and scrutiny of EU funds, we could make significant progress in getting a positive statement of assurance on the EU budget from the European Court of Auditors. The Netherlands and Denmark are taking a similar initiative to that of the UK and Sweden has said that it will do the same. In our annual White Paper on EU finances, which is due next month, we will present further information on the UK initiative.

I said earlier that the PAC's work is not always comfortable for the Executive—it should not be. It is inevitable and right that the PAC's work focuses on things that have gone wrong, although it acknowledges examples of good practice, as we heard this afternoon. When things go wrong, the central challenge for the Government is to learn the clear lessons and act to ensure that things are better in future.

I ended the debate in July with a quote from a Roman poet. That is the advantage of having such learned as well as skilled officials to support me as a Treasury Minister. Today, I should like to end with a quote from an American theologian, Tyron Edwards, who said:

> "Some of the best lessons we ever learn we learn from our mistakes and failures. The error of the past is the wisdom and success of the future".

The PAC's work undoubtedly helps ensure that the Government can build success out of the lessons of the past.

3.12 pm

Mr. Leigh: It is a great pleasure on behalf of PAC members to thank the shadow Chief Secretary and the Financial Secretary for their positive and non-partisan summing up of the debate.

I especially thank the Financial Secretary for his comments about taking up various recommendations that the Committee has made, especially on EU spend, the capability reviews and public service agreements. We are grateful to him for taking our work seriously. I am sure that he agrees, given his interest in theology and history, that those who do not learn from the mistakes of the past are condemned to repeat them. We pay tribute to his work as a member of the Committee. He is, uniquely for a Minister, a member of the PAC. I do not know why that is the case, but the Financial Secretary—not the hon. Gentleman personally, of course—has been a member of the Committee for several centuries.

I thank all hon. Members who took part in the debate. It is a pleasure to hear Ministers and shadow Ministers going through all those who spoke and referring to their contributions in detail. Sadly, that does not often happen in other debates.

I hope that the suggestion of the right hon. Member for Swansea, West (Mr. Williams) about child obesity will be taken up. It is important to ensure that parents are told if a child is found to be greatly overweight. If the debate achieves one thing, it is important for the Government to take that point on board.

I also hope that the Government will take on board the point of the hon. Member for Sutton and Cheam (Mr. Burstow) that it is unacceptable for recommendations that the PAC made in 1998, and that the Government accepted—about prisoner diet, including that there should not be more than 14 hours between meals served in prisons—to remain on the table 10 years later.

The hon. Member for Bishop Auckland (Helen Goodman), with all her Treasury experience, made an important speech. We still have not got matters right. We expect too much of civil servants: we want them to wear the hats of brilliant policy advisers and of those capable of delivering successful projects. I know that the Government are aware of that problem, however, and in the past few years we have made enormous progress in moving away from the mandarin culture.

I hope that permanent secretaries will take note of what my hon. Friend the Member for South Norfolk (Mr. Bacon) has said today. He listed all those departmental accounts that had been qualified. There is too casual an attitude about this; some Departments think that if they have their accounts qualified, they will not have to appear in front of the Public Accounts Committee.

I would say to the hon. Member for Tooting (Mr. Khan) that I wish there would be a front-page splash in the *Daily Mail* saying, "Public Accounts Committee Congratulates the Government", but it will not happen. However, we will do our best to try to be positive whenever we can.

I thank all those who have spoken in the debate, especially the Front-Bench spokesmen and, of course, my hon. Friend the Member for Ludlow (Mr. Dunne) who, sadly, did not have time to deliver all his speech. We on the Committee will continue to do our best to hold the Government to account in a positive and unpartisan way.

Question put and agreed to.

Resolved,

That this House takes note of the 35th and the 43rd to the 63rd Reports of the Committee of Public Accounts of Session 2005-06, and of the Treasury Minutes and the Northern Ireland Department of Finance and Personnel Memorandum on these Reports (Cm 6879, 6900, 6908, 6924, 6959, 6981 and 7017); and of the 1st to the 8th and the 10th Reports of the Committee of Session 2006-07, and of the Treasury Minutes and Northern Ireland Department of Finance and Personnel Memoranda on these Reports (Cm 7018, 7019, 7020 and 7035).

Marine Environment

Motion made, and Question proposed, That this House do now adjourn.—*[Mr. Bradshaw.]*

3.16 pm

The Minister for Local Environment, Marine and Animal Welfare (Mr. Ben Bradshaw): May I say how delighted I am that the House has been given this opportunity to debate this important subject? The United Kingdom has a proud maritime history and this Government have taken unprecedented steps, as have previous Governments, to protect the marine environment and to promote its sustainable use. Over the past 20 years, inputs of heavy metals such as mercury and cadmium into our seas have been reduced by more than 70 per cent. We no longer dump industrial waste or sewage at sea. More than 99 per cent. of UK coastal bathing waters now pass the mandatory standards required under the bathing water directive, and 76 per cent. of bathing waters pass the stricter guideline standards needed to qualify for a blue flag award. That is why UK beaches received 136 blue flags last year—the highest ever number, up from just 37 in 1997. In UK inshore waters, there are now 146 marine protected sites. These include 78 special protection areas for birds, 65 marine special areas of conservation and three statutory marine nature reserves.

Our seas are generally cleaner than at any time since the industrial revolution, but they are still under pressure. About half of the UK's biodiversity—more than 44,000 species—is found in our seas and further action is needed to protect it. Climate change is now the biggest environmental challenge that the globe faces. Its effects on the marine environment, such as sea level rise and ocean acidification, pose an unprecedented risk to marine habitats and species. At the same time, our oceans play a vital role in our battle against climate change because of their role in absorbing carbon dioxide, and a number of marine technologies that could play a vital role in reducing and mitigating the impact of climate change are in the process of being developed. It is clear that tackling climate change and protecting our seas are closely linked. On 13 March, we published our draft Climate Change Bill—the first of its kind in any country. It will provide a legally binding framework to address climate change and to put into statute the Government's long-term goal to reduce carbon dioxide emissions by 60 per cent. by 2050.

Climate change is not the only pressure that we need to address to safeguard our seas. Back in 2005, my Department's report "Charting Progress" provided the UK's first integrated assessment of the state of our seas. It identified unsustainable fishing as the other major threat to our marine environment. Within Europe, we welcomed the reform of the common fisheries policy in 2002 to put fishing on a more sustainable footing. A degree of progress has been made and some fisheries are now managed more sustainably, but there is still a long way to go and much more work is needed to secure a genuinely sustainable future for the fisheries sector. In particular, we must ensure that the environmental impact of producing and consuming fish is acceptable. That means tackling discards and by-catch and achieving a level playing field across the EU.

My Department is consulting on its draft fisheries contract, which sets out what we would like the fisheries sector to look like in 20 years' time. It also identifies the roles and responsibilities of different people in delivering sustainability. Globally, it is estimated that 52 per cent. of fish stocks are fully exploited and 25 per cent. are depleted. Illegal, unreported and unregulated fishing is a particular concern. It is estimated to cost the international community about $9 billion every year. The UK, through my Department and the Department for International Development, has committed considerable sums over the years to fight that problem. With our support, the European Union is now also moving to propose a new regulation against illegal fishing, with measures to block the import of illegal fish into EU ports and on the use of certification schemes to help to control fish imported into the EU.

Last December saw another important step forward, with the United Nations agreeing to a regulatory framework to stop destructive bottom trawling in the high seas by the end of 2008. That will protect key vulnerable ecosystems, such as coral reefs and seamounts, and put deep-sea fisheries on a sustainable basis.

The United Kingdom has also played, and will continue to play, a prominent role in maintaining the International Whaling Commission moratorium on commercial whaling. I know that that concerns many hon. Members and their constituents. Most recently, we have produced a new publication entitled "Protecting Whales—A global responsibility". It was endorsed by my right hon. Friend the Prime Minister and Sir David Attenborough. Copies are available in the Library of the House.

The publication has been sent to 57 countries as a way of urging worldwide action to protect those magnificent creatures. If you have not seen it, Mr. Deputy Speaker, I suggest that you take a look if you have time. It has been widely acknowledged as being excellent. It was followed up by a joint letter from my right hon. Friends the Secretary of State for Environment, Food and Rural Affairs and the Foreign Secretary to a dozen EU and accession states, encouraging them to join the IWC. We have already had some success with Cyprus, Croatia and Slovenia joining in time for next month's meeting of the IWC in Alaska. Several more countries have committed to joining the IWC in time for next year's meeting. However, the Government cannot meet that challenge alone, and I urge hon. Members on both sides of the House to play their part. It is vital that we all use our contacts as parliamentarians to persuade like-minded countries to join the IWC, to help to maintain the moratorium on commercial whaling and also to influence those in the caucus of Japan.

Closer to home, we are for the first time in our country's history preparing to introduce comprehensive marine legislation. It will be the jewel in the crown—or perhaps I should say the pearl in the oyster—of the Prime Minister's pledge in 2001 to bring forward new measures to improve marine conservation and promote marine stewardship.

Andrew George (St. Ives) (LD): I am happy to endorse and support the Minister's statements on whaling and the conservation of fisheries. Before he moves on from the exploitation of fish in the sea, I seek

[Andrew George]

his reassurance on paragraph 7.65 in the marine White Paper. It deals with the number of sea fisheries committees, which undertake excellent work on inshore fishing. The proposal is to reduce them from 12. Will he confirm that he will not do that without the full support of the sea fisheries committees? They are important because they understand how the inshore sector works and is best managed.

Mr. Bradshaw: I accept what the hon. Gentleman says about the important role of sea fisheries committees. That is why we did not accept the option to get rid of them altogether. We agree that they provide local knowledge and a level of democratic accountability to local marine management. However, I think that the committees would be the first to accept that they are overdue modernisation. Their structure, number and make-up have been the same for a long time. I think that they would accept that they need to be more strategic and to be given more powers, and that there may well be good arguments for some rationalisation across the country so that they can do their work more effectively. All the proposals in the White Paper will, of course, be subject to consultation and to the scrutiny of the House. I look forward to the hon. Gentleman playing a full role in that.

I was talking about the marine White Paper, which we published last month. It fulfils the manifesto commitment that we made at the last election to introduce a new framework for the sea based on marine spatial planning that balances conservation, energy and resource needs. We are committed to legislation in the current Parliament.

The marine Bill will give us a modern, streamlined, forward-looking approach to deliver our vision of clean, healthy, safe, productive and biologically diverse oceans of seas. On 15 March, we published the White Paper as the next step towards turning that vision into reality. It followed our marine Bill consultation last year, which enjoyed widespread support from more than 1,000 individuals and organisations.

The White Paper was widely welcomed. The campaign director of the WWF, Paul King, said

"There is a lot in the Marine Bill White Paper that we are excited about. It is a vital tool for restoring our seas to good health."

The Bill will contain a package of measures to promote sustainable development, better regulation and governance fit for the 21st century. It will contain something for everyone who relies on the seas for their livelihood and cares about their protection. It will introduce a marine planning system, which will be a first for the United Kingdom and will help us to take a forward-looking, holistic approach to maintaining the resilience of marine eco-systems and optimising the use of marine space. It may help to mitigate the effects of climate change by promoting the development of offshore renewable energy and carbon capture and storage.

The Bill will provide a new way of viewing interactions between different activities and their cumulative impacts on the environment. It will help us to become more efficient in our use of marine space by considering activities that are compatible, even mutually beneficial, when put together. It will also enable us to highlight potential conflicts between different uses of the sea, or with the environment, before many of them arise.

The Bill will streamline regulation. It will provide a modern, efficient and transparent environmental consenting process to reduce risk, delay and cost to business, as well as cutting bureaucracy. It will enable us to designate marine conservation zones to conserve biodiversity, which will protect nationally important habitats and species that do not qualify for protection under European law. It will modernise arrangements for managing inshore fisheries and provide a more proactive approach to the management of recreational sea angling. It will strengthen fisheries enforcement powers and provide a power to recover the costs of fishing vessel licence administration. Last, but by no means least, a new marine management organisation will be established to help deliver many of our marine objectives and to provide an holistic approach to managing the marine environment, including marine planning, licensing and enforcement.

Mr. Paul Morley (Scunthorpe) (Lab): I congratulate my hon. Friend on these measures. He knows the extent to which they are supported both in the House and outside. Will he tell us a little more about the structure of governance? Good governance will be essential to a proper, integrated eco-system and proper management of our seas. That includes our devolved Administrations, because there must be both a United Kingdom and a regional basis for the system. Will he also tell us whether research is under way to identify areas that need priority protection, so that it can be implemented as quickly as possible after the Bill is passed?

Mr. Bradshaw: I thank my right hon. Friend and congratulate him on initiating the work in the Department. I merely picked up the baton; he, more than anyone else, is owed the credit for the progress that we have made. As Members on both sides of the House know, he has a long and admirable record of fighting for the marine environment and for environmental issues more generally.

My right hon. Friend put his finger on an important point about data. One of the challenges that we face in planning and managing the marine environment holistically is that we do not know nearly as much about what goes on in that environment as about what happens on land. I assure my right hon. Friend, however, that mapping and planning work is already in progress. If we are to have a proper and credible marine spatial plan, we must know what is going on in the water and on the sea bed, and what features are where. The Government are firmly committed to that work.

My right hon. Friend was also right to refer to the importance of joined-up working between the United Kingdom Government and the devolved Administrations. We have experienced good co-operation with the existing Administrations in both Edinburgh and Wales, and I only hope that that continues after the forthcoming elections. I am concerned that if certain parties—particularly in Scotland—do well in the elections, they might spend more time in wrangling about who has responsibility for what and where than in getting on with us and delivering this very important piece of legislation for the marine environment. I hope that all the voters in Scotland who care about the marine environment and who want something to be done—and who do not want this work to go into a quagmire of wrangles about the

devolution settlement—are well aware of that; there are certainly thousands, and probably millions, of such voters in Scotland.

This groundbreaking legislation will ensure that we are well placed to meet our international commitments, notably the implementation of the proposed European Union marine strategy directive and the forthcoming EU maritime policy. Most importantly, it will deliver a lasting legacy so that future generations will continue to benefit from a clean, healthy, productive and biologically diverse marine environment.

The sustainable management of our marine environment is the second most important environmental challenge that the globe faces, after climate change. Because of the ocean's role in helping to regulate our climate, those two issues are intricately connected. I am therefore delighted that we have found time to debate this subject, and I look forward to listening to Members' contributions and to responding to them.

3.31 pm

Bill Wiggin (Leominster) (Con): In 2002, we were promised improvements in the marine environment. In the 2002 document, "Working for the essentials of life", the Department for Environment, Food and Rural Affairs stated:

> "DEFRA is working to improve marine conservation, to reduce pollution and to promote the sustainable use of the seas' natural resources."

In 2004, the Prime Minister promised a marine Bill. He said that

> "on the marine environment, I believe there are strong arguments for a new approach to managing our seas, including a new marine bill",

and he made a personal commitment to producing one as part of DEFRA's five-year strategy. In the 2005 Labour manifesto, a marine Act was promised. The Minister has suggested that the White Paper is a fulfilment of that promise, but it is not because the manifesto states:

> "Through a Marine Act, we will introduce a new framework for the seas, based on marine spatial planning, that balances conservation, energy and resource needs."

In the Queen's Speech after the Labour Government's re-election, we were promised a draft marine Bill in that parliamentary year. In its 2006 departmental report, DEFRA listed the delivery of the marine Bill as a key task for it in 2006. We are now in 2007. The Minister must let us know when he plans to introduce the marine Bill and whether it will be in draft form—and I doubt that even he can guarantee that sufficient time will be available to enact the Bill prior to the next general election.

It is important that all the non-governmental organisations, the fishermen and the industries that rely on marine spatial planning have some certainty that the Bill will make it on to the statute book. That is also important for all the people who care about the marine environment, such as the Wildlife Trusts which are fighting hard to protect areas such as Lyme bay, and all those who worked so hard on the consultation process and will continue to help guide both the Government and the official Opposition.

Martin Salter (Reading, West) (Lab): Before the hon. Gentleman drowns in crocodile tears, will he remind the House how many marine conservation Bills were introduced in the 18 years when his party formed the Government of this country, and name them?

Bill Wiggin: When it comes to crocodile tears, I have to give way to the hon. Gentleman. We have been waiting for the Bill to which I am referring to be introduced, and for this Government's manifesto commitments to be fulfilled. Conservative Members will do our best to ensure that that Bill remains in the best possible shape on its parliamentary passage.

The Minister owes the House and everyone who has put in so much effort an explanation for the delays. We have become aware of differences between Government Departments and devolved Administrations that have delayed proceedings, but we must be given further details on why that has happened. If DEFRA is incapable of leading a consultation, what hope is there of getting a Bill through? There is strong feeling in all parts of the House that a marine Bill is needed; we are all anxious to deliver, but we are all waiting for DEFRA.

Mr. Robert Goodwill (Scarborough and Whitby) (Con): On delivery, much of the improvement that has taken place over the past 25 years is due to European legislation produced when the last Conservative Government were in power and supported by us. The delivery of clean beaches, cleaner seas and cleaner waters has largely been done on our watch.

Bill Wiggin: My hon. Friend is right, and the Minister admitted as much in his opening remarks when he listed the beaches that had already received a blue flag at that time. Perhaps I should have been more open in my response to the intervention by the hon. Member for Reading, West (Martin Salter), but his reference to crocodile tears was just too good to leave.

The general public outside the House have an expectation, or at least a vague hope, that the Government will deliver on their promises. Almost two years ago, the Wildlife and Countryside Link's marine Bill campaign delivered a petition of more than 165,000 signatures to the Prime Minister. Within a year, DEFRA had managed to deliver a draft climate change Bill, but it has had almost twice as long to produce a draft marine Bill and we are still waiting.

I accept that the marine Bill will be very complicated, but the delays could have been shortened. We know from last year's Environmental Audit Committee report on the marine Bill that DEFRA had not grasped the nettle and shown strong leadership in its dealings with the devolved Administrations or other Departments; for example, oil and gas licensing is to remain the preserve of the Department of Trade and Industry.

The EAC also pressed DEFRA to establish a timetable for enactment as early as possible in the 2007-08 Session, as it recognises the importance of the legislation. Although the marine environment did get a mention in the Secretary of State's correspondence with the Prime Minister in May and June last year outlining the priorities for DEFRA, it is disappointing that no promises were made or targets set for the

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timetabling of the marine Bill. If the Minister could promise a timetable for enactment today, I am sure that the House would be grateful.

There are two main reasons why we are all so eager to see the Government produce the first marine Bill and why we have been putting them under pressure to do so. First, such a Bill is most certainly needed. Secondly, we have little confidence in the Government's current policies to protect the marine environment.

Historically, the marine environment has not been offered the same level of protection as terrestrial habitats. In 2004, the Environment, Food and Rural Affairs Committee reported:

"Protection of the marine environment has lagged behind that of the terrestrial environment."

In view of the increasing demands that we place on the sea, it is imperative that urgent action is taken to prevent further decline in the marine environment. Currently, less than 0.001 per cent. of the UK's 867,000 sq km of seas are protected by law. The Lundy main nature reserve covers just 3.3 sq km, which on land would equate to a reserve the size of Kensington gardens. That is home to the famous statue of Peter Pan, who was famous for living in Never Never Land—rather like the Government on the timetable for the marine Bill.

The marine Bill is needed because we must legislate to put in place a new holistic and overarching regime to ensure the sustainable economic and environmental management of our seas. The current balance is not working, and existing marine management structures are failing to protect the environment. Conservation, dredging, bottom trawling, submarine cables, mineral extraction, transport and wind farms are all interests that currently conflict with one another. In the future, tidal energy generation may be added to that list. Protecting the marine environment is not just about establishing highly protective marine reserves and no-take zones. It is about establishing a long-term system for a sustainable future for the UK's marine environment.

I must say a little bit more about protective marine reserves and the messages coming out from the Government on this important and difficult area for decision. The natural environment is facing extreme pressure. For example, the reefs and pink sea fans in Lyme bay are supposed to be protected species. However, the Minister's indecisiveness has left Lyme bay with a thoroughly unsatisfactory voluntary proposal for a protection zone of just 12 square miles, instead of the 60 square miles that was asked for. Last summer, the Minister promised a consultation and a statutory instrument on Lyme bay, so will he tell us when all that is going to happen?

There is also pressure on our cetacean population. For example, more than 200 harbour porpoises are caught each year in fishing nets in the Celtic sea alone. Britain's coastal waters have been threatened by three out of four of the world's biggest oil spills and the recent beaching of the MSC Napoli reminds us how fragile our marine environment is to human activity, and confirms the importance of integrated marine management.

The marine Bill should make a significant difference in all those areas. It should also help us to meet our habitats directive commitments. DEFRA has not distinguished itself on marine protection, but an effective marine Bill should be the catalyst for a more committed effort. There is also an increasing need to cater for new demands: renewable energy, offshore wind, tidal and carbon sequestration. Unfortunately there are some problems.

We need a marine Bill that will be comprehensive and will streamline existing laws. Certainly more needs to be done on fisheries. Last year the Environmental Audit Committee report urged DEFRA to extend the proposals for the marine Bill to cover as many fisheries issues as possible in order to ensure legislative and administrative integration. Although we support the need for sea fisheries committees to be reformed so that they can better balance the stable management of marine resources, we are concerned that the proposals may not go far enough. Strong consideration needs to be given to extending the powers over our seas out to 12 nautical miles. Greater clarity is also needed for the interaction between the sea fisheries committees and other organisations, such as Natural England, the Environment Agency and the proposed marine management organisation.

On fishing and angling, concerns have been raised about the implications of the White Paper for recreational sea anglers. Recreational sea angling is marvellous. It is also estimated to generate at least £538 million a year for the economy in England and Wales. More than 1 million households have at least one member who goes fishing at least annually. These proposals could put the economic and social side of angling in jeopardy because of the planned £12 million to be raised through licensing fees. Recreational angers are responsible people. What benefits would they receive? They already value the marine environment and want to do their part to protect it for themselves and others. It would be an excessive burden to expect them to bear the brunt of the costs when others may be causing the majority of the damage.

Any licensing system would have to be followed up, as recommended by the Bradley review, with measures to increase the weight given to anglers' requirements. Anglers should not be penalised while there has been little development on reforming other fisheries policies, such as the Minister's recent U-turn on the minimum landing size for bass.

Furthermore, proposals in the White Paper could also hit the inshore fleet, which is already feeling the strain, further exaggerating the gulf between the under 10 m and over 10 m fleets. That would not be in the interests of integrated marine management.

Mr. Bradshaw: Does the hon. Gentleman support the increase in the minimum landing size for bass?

Bill Wiggin: The Minister has a statutory instrument on that and he will have to see whether we pray against it or not. *[Interruption.]* Let me elaborate a little on that. Perhaps it was unnecessarily catty of me. The Minister promised something that the anglers felt would be beneficial, but then withdrew that promise. So he deserves more of a bad time than he has had. However, I also question whether the minimum landing size is the most effective way of improving the size of bass that fishermen can catch, or whether the tackle and gear that they use would be a more useful way of dealing with it.

Martin Salter: I cannot resist coming in on the lack of clarity in Her Majesty's Opposition's approach to the minimum landing size for bass. Does the hon. Gentleman honestly think that there is an environmental argument that bass stocks will thrive if we allow people to remove bass at a size before they have reached their optimum spawning potential? Surely that is scientific nonsense and he should follow science, as of course should the Minister.

Bill Wiggin: I am not sure how helpful that intervention is to the Government.

Martin Salter: I am not worried about that.

Bill Wiggin: The hon. Gentleman is not worried about the Government and he is probably wise not to worry about them. He has put his finger on one of the fundamental problems, which is whether the landing size was right. The unfairness element should not be forgotten either—if French boats fishing 12 miles offshore are catching far smaller bass than the ones that our fishermen are discarding, the whole economic and environmental advantage is lost. In some respects the Minister was right to withdraw his change to the bass minimum landing size, but I am not sure that he should ever have started it running in the first place.

On oil and gas licensing, the Government seem content to leave things as they are, despite the Environmental Audit Committee's recommendation:

> "It is unsatisfactory and counterproductive that the oil and gas industries were given a veto over whether or not they would be part of the new, so-called integrated licensing scheme. As with fisheries, if one of the key purposes of the Marine Bill is legislative and administrative integration, the oil and gas licensing veto frustrates that purpose."

That would be inconsistent, as carbon sequestration and renewables would be covered and regulated by the marine management organisation, or are these going to be taken out later on like oil and gas? Who would solve a conflict of priority when a wind farm, oil and gas application or a fish spawning ground all applied in the same area?

Although the White Paper tries to keep the door open to include oil and gas, it is dependent on the forthcoming energy White Paper and a Whitehall Department taking the rare decision to rid itself of some of its powers. The Minister may be happy to let the DTI keep powers over oil and gas licensing, but maintaining the status quo flies in the face of all the other efforts being made to establish for the first time a fully integrated marine licensing regime fit to fulfil long-term sustainable management goals for the marine environment.

The MMO will prepare and deliver marine plans. However, marine spatial planning is another area where there are integration issues. The White Paper proposes that the MMO be the consenting authority for renewable energy installations, but the Government propose restricting this to a certain, as yet unspecified, size. That is on page 58 of the White Paper. Moreover, it also suggests that planning consents for major infrastructure projects will be at the mercy of the forthcoming planning reform White Paper, a document that takes forward recommendations from the Barker and Eddington reports. Aside from a few references to harbours and ports, Eddington and Barker all but ignore the marine environment, and I question the Minister's wisdom in allowing marine spatial planning to be compromised by other, primarily land-based, objectives. Indeed, the marine White Paper should lead the debate on marine planning matters; it should not be delayed by others. DEFRA is being far too accommodating to other Departments and has not learned from the Environmental Audit Committee's suggestion that it needs to show more leadership.

Dr. Alan Whitehead (Southampton, Test) (Lab): Does the hon. Gentleman agree with another proposal on page 58 of the White Paper—that the MMO should have oversight of both sea and land applications for permission for offshore renewable developments?

Bill Wiggin: The hon. Gentleman raises an important point. We need to have joined-up thinking when marine planning applications reach the shore. That is one of the areas that the White Paper is not sufficiently clear about. It needs to be crystal clear that the MMO will play a part so that there is joined-up delivery as well as comprehensive plans so that people know what they are going to do when they get their power lines to the shore line. It is not that clear.

One thing that we need to know is to whom the MMO will be accountable. Who will it ultimately report to? If more than one agency is involved in a dispute, who will be the final arbiter? Other Departments are responsible for the development of the UK-wide policy statement; so which Secretary of State will argue the MMO case? One of the most important tasks that the MMO will have to carry out is identifying sites of special scientific interest where marine protected areas can be established. So far there is only one MPA in the UK, and that is Lundy island, but there are many other areas that need enhanced protection. On this point, however, the Government appear to be somewhat lacking in ambition.

The White Paper has suggested only that the marine Bill will be used to protect 100 to 130 SSSIs, but there are thought to be around 4,000 SSSIs on land just in England. The words in the White Paper suggest that the marine protected areas will be as small as possible. Is this simply a lack of ambition or is it a line designed to allay the fears of the fishermen? Does the Minister think that it sends out a mixed message on the importance of those areas?

It is recognised that marine spatial plans will need to be regularly monitored, reviewed and adapted to fit changing circumstances and the latest science. What levels of protection are we likely to see? MSPs will have to integrate closely with fisheries policies and reforms, so it is essential that fishermen are involved in the decision-making process. The draft marine strategy is still making its slow passage through Europe and it is essential that the Government pursue the national interest to ensure that our UK objectives and efforts to sustain our marine environment are not compromised by our EU neighbours.

Devolutionary issues have already delayed the production of the White Paper, and I am concerned that they could also continue to delay the marine Bill or that deals will be done without proper parliamentary scrutiny. Is it true that promises have already been made to Scotland

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that the Executive will receive powers over the seabed from the Crown estate as well as jurisdiction up to the 200 nautical miles mark?

For the first two years after enactment, Departments and the devolved Administrations will work on producing a shared UK-wide marine policy statement. Given the importance of the legislation and the cross-party support for the Bill, should the Minister consider beginning work on that document now? The statement could even be ready in time for the Bill's enactment, thus enabling us to have earlier protection of our seas.

There will be large costs both to the public and private sectors in sustaining the marine environment and they need to be managed and balanced. The regulatory impact assessment in the White Paper puts the cost over the next 20 years at about £500 million, although it is not possible to calculate some of the costs and the estimates may be flawed because they are based on those for land-planning models. Will the costs of producing MSPs and UK policy documents come from DEFRA's budget or will the devolved Administrations contribute, as the project is UK-wide?

It would be helpful if the Minister could explain the discussions he has had with the Treasury about the costs of managing our marine environment and whether the Chancellor is committed to the marine Bill. Was the RIA rushed for the purposes of the White Paper proposals? Risk and policy analysts and other members of the consortium who prepared the RIA stated:

"Consultation for the study was carried out through a limited number of face-to-face meetings, telephone discussions and email correspondence, because of the constraints of the study timescale. The consultants drew on contacts suggested by Defra."

Over the past few years the Minister has been indecisive on protecting Lyme bay, inconsistent on the minimum landing size for bass and in a quandary over quotas, and he has shown a lack of delivery on the marine Bill. None the less, we can at least agree that we need effective and coherent legislation for the marine environment, because the current system is not working. We all want to see the marine environment managed in a sustainable manner, and we all want the process to begin as soon as possible. A comprehensive marine Bill must be in the next Queen's Speech.

3.52 pm

Dr. Desmond Turner (Brighton, Kemptown) (Lab): After that rather curmudgeonly response to the White Paper from Her Majesty's Opposition, may I paint a slightly different picture? I congratulate the Minister, his predecessor and the Bill team, who were responsible for producing the White Paper, on one of the clearest, most comprehensive and well-drafted White Papers I have ever come across. If the legislation that follows it reflects that clarity, we shall have one of the better Bills that Governments of either colour have produced in recent years.

The legislation is certainly overdue; we all wanted it a long time ago, but as the White Paper is so comprehensive that we do not need a draft Bill I hope that we can get on with the full Bill as early as possible in the next Session. There is clearly complete agreement that the measure is necessary—even if the Conservatives did not do much about it when they had the opportunity—due to the problems we face at present. Commercial fishing does untold damage, as the report of the Royal Commission on Environmental Pollution illustrates.

There has been no regulation of deep-sea sea-bed trawling or of a whole range of destructive commercial fishing techniques. At the same time, renewable energy projects have been held up for an extraordinary length of time because of our convoluted environmental consenting procedures. It takes an average of three and a half years to get the necessary consents for a major offshore wind farm—double the length of time that it would take in Denmark or Germany—and I doubt very much whether the quality of the final decision is any better as a result of the time taken. In addition, there is considerable duplication of effort in carrying out environmental assessments, which adds to the costs.

Let us think in terms of climate change. Gaining environmental consent is a delaying factor holding us back in the deployment of renewable energy, so if we had been able to speed the process up earlier, we could have had one or two more gigawatts of power generation deployed in the water and could have saved that much more carbon dioxide. The need to speed up the process is a matter of clear urgency and those carrying out environmental assessments need to take a holistic approach and should not be too precious. I guess that it would be difficult to incorporate those requirements directly in the Bill.

One assessment with which I have been partly involved in Northern Ireland was carried out by the Environment and Heritage Service. It not only took a long time, but ended up creating an enormous expense, which a small company could not bear. The whole problem revolved around seals. The machine intended for deployment was an underwater tidal stream turbine, the blades of which turn very slowly in comparison with a ship's propeller and are of a shape that would hurt nothing other than a jellyfish that came into contact with them. Seals, though, are hardly ever likely to come into contact with them because they are far too clever and would probably use the thing as a playground. The worst that could possibly happen would be a little gentle bruising, after which the seals would not do it again.

The marine ecologists involved, however, had got the idea—contrary to all the evidence presented to them—that this thing was like a ship's propeller and would mash the seals up. Without political intervention, that project might not have gone forward, which would have prejudiced not only our ability to tackle climate change, but the beginnings of a major new green industry. It is doubly ironic because the seals' habitat is moving northwards as a result of climate change. Indeed, the biggest threat to the seals in Strangford lough is climate change, because their food species are moving northwards. Another local ecological problem is the loss of the horse mussel species from Strangford lough, which is entirely the result of over-fishing—something that the Environment and Heritage Service has been completely unable to regulate. We must therefore have a sense of proportion in the environmental consenting process and we must streamline it.

One measure that I would certainly like to see incorporated in the forthcoming legislation is statutory time limits. Just as we have statutory time limits when we are considering planning applications, so we must have them for the environmental consenting process. I wonder whether we should also include the right of appeal to the Secretary of State in respect of decisions that dissatisfy major parties. We need to examine carefully the mechanisms involved. Not all of them could be incorporated in the Bill, yet they need to be clearly understood. We want speed and accuracy.

As well as setting out and researching marine conservation areas, which will be important, it would be useful if we were to start a survey of our marine energy resources in anticipation of the legislation. To the best of my knowledge, that has not been done, but it is important that we know where the best tidal and wave power sites are. When we have mapped those sites, we need to superimpose that map over the prospective marine conservation zone map. There will undoubtedly be areas of overlap, but I suggest to my hon. Friend the Minister that that would not necessarily be a problem. In fact, it could produce a double-win situation because most of the renewable energy technologies that are being developed for the marine environment are pretty environmentally benign and can be used without undue disruption or loss to the marine environment. However, they could have a great protective effect at the same time because commercial fishing could not take place where they were sited, so those areas would effectively become no-take fishing zones that would offer excellent opportunities for the regeneration of both fish stocks and damaged seabed ecological communities. If the process is properly managed, the conservation and exploitation of the marine environment do not have to be incompatible. I know that the Minister knows my views on this matter, so I hope that they will feed through into the legislation.

I will not detain the House for much longer because I have made my main point. However, I would like to suggest that the Minister might consider allowing us to fulfil another of our manifesto commitments by incorporating in the Bill enabling legislation to provide for coastal access for the public. I know that the Department is behind such legislation because the Secretary of State has made that quite clear. If it were possible to incorporate such measures in the Bill without taking up undue time during its passage, I would be pleased.

I warmly endorse the production of the White Paper and look forward to the final Bill. Such a Bill is overdue and will be one of the most important pieces of legislation that we pass in this Parliament.

4.3 pm

Mr. Roger Williams (Brecon and Radnorshire) (LD): The hon. Member for Brighton, Kemptown (Dr. Turner) talks about coastal access, which several of us are examining. However, it would be difficult to address that subject during the passage of a marine Bill. Many of us would like such a Bill to come before the House as quickly as possible. I think that there is huge agreement among parties and throughout the country about the virtue of a marine Bill that can be enacted as soon as possible. Most hon. Members also support the principle and philosophy that lies behind the White Paper "A Sea Change". Some of the issues that I will raise in my speech could easily be addressed during the legislative process of a marine Bill.

It is a huge disappointment that the Bill is not already before us, and I am not exactly clear on why the Department for Environment, Food and Rural Affairs cannot introduce it. The fact that there is to be a climate change Bill is a real advance, but we cannot address all our problems and difficulties through that Bill. We need a marine Bill, too, because we have to ensure that our terrestrial and freshwater, as well as marine, environments are looked after to the highest possible standards. I am a little bit concerned that the reason why the marine Bill has not been brought forward is that there is no consensus between Departments. There is no consensus with the Department of Trade and Industry on oil and gas extraction and exploration. *[Interruption.]* I rather think that the issue is the Scottish, but I might be wrong. There is also the issue of the Department for Transport, and its interest in ports and shipping, and the Department for Communities and Local Government and the matter of aggregate extraction. On the foreshore, between the high-water mark and the low-water mark, there is the relationship between terrestrial and marine planning to be considered.

Linda Gilroy (Plymouth, Sutton) (Lab/Co-op): I wonder whether the hon. Gentleman has had an opportunity to read the White Paper in its entirety, particularly pages 28 and 29, which set out all the relevant human activities and associated infrastructure, as well as natural resources, features and processes. The Bill will be extremely complex, and given those complexities, I suspect that he and Opposition Members would accuse us of rushing things and bringing forward unprepared legislation if we had brought it forward earlier.

Mr. Williams: The Government have had a lot of time to address the issues. It will be difficult, but where there is the will, consensus should be found. My concern is how long it will take to implement the proposals in the White Paper, even once the legislation receives Royal Assent. The hon. Member for Leominster (Bill Wiggin) made a valuable point when he advocated that we should start to prepare the statement now, if England, Wales and Scotland are agreed that such a statement needs to be made. Page 9 of the White Paper gives a time scale; the marine management organisation is to be set up in the first year, but it has to carry on with its work at that time, and it is not until the fourth year that the first marine plan is to be adopted. It is 20 years before the full set of marine plans are to be adopted. If the MMO is to do its work effectively, those systems and plans need to be in place, so that people can have confidence in the difficult decisions that it has to make. The marine environment is obviously particularly important for Britain, given its large coastline.

Linda Gilroy: I am looking at page 9, too; I had actually turned to it before the hon. Gentleman mentioned it, and was about to intervene on him about it, because I note that it is planned that, within a year, the MMO will be set up and the first shared UK marine policy statement and the new marine licensing regimes will be implemented. Does he think that that could be done more quickly? They are necessary precursors to what comes afterwards.

Mr. Williams: I agree, and we want the processes to be in place as quickly as possible. If people are to take decisions on licensing, as local planning authorities do in the terrestrial sphere, they need criteria against which those decisions can be made. That work will take quite a long time, but it is that work that will give credibility to the MMO and its licensing functions and will give the public confidence in them.

It is because Britain has a maritime climate that the marine environment is important to us. Substantial changes in that environment could have devastating effects on Britain. Changes in the Gulf stream, for instance, could radically affect our climate. Until recently, it was thought that the capacity of the sea was so huge that it could cope with all the pollution and detritus that human activity and civilisation produce and render it inactive and safe. It is clear, however, that not only does human activity affect near-coastal areas but that it has a terrific effect on the very deep oceans, and traces of our activity are in evidence in the deepest oceans.

I am certainly in favour of the proposed marine management organisation, as we need to simplify the licensing system. However, we must be sure that it has the confidence of people who make applications and are affected by its decision making. I am very much in favour of a one-project, one-licence system, but perhaps we should call it a one-project, one-application, one-licence system to ensure that it is even simpler. The hon. Member for Brighton, Kemptown said that we may need a system of appeal against decisions by the MMO if applicants do not think that their applications have been judged against the criteria in the plan or statement. I have always been a fan of third-party appeals against planning applications when it can be shown that the decision is at variance with development plans, so I wonder whether the Minister would consider whether third parties should have a right of appeal in this instance.

The White Paper mentions a marine planning steering group, which would be set up to prepare mini-plans for particularly sensitive areas such as estuaries. It would be interesting to know from the Minister which people would serve on such a body, because they would have extremely important work to do. The Liberal Democrats welcome the establishment of the MMO, which could deliver a wide range of marine management functions, as stated in the White Paper. That will provide the Government with a better overview of all activities in, and the uses of, our seas, and they can use that overview for better management of the marine eco-system. I worry a little bit about the democratic accountability of the MMO, so can the Minister give us an indication of *how* that will be achieved, as bodies that are wholly appointed invite a certain amount of distrust from the public?

Turning to marine conservation zones, the hon. Member for Leominster pointed out that only a very small part of our seas, in the Lundy area, is covered by such a zone at the moment. It is positive that the White Paper states that marine conservation zones will be a priority and that some will be given the very highest levels of protection. I am concerned, however, that it has been suggested that only the minimum area will be considered for protection to achieve the purposes of conservation.

Mr. Bradshaw: I was concerned about that point when it was made by the hon. Member for Leominster (Bill Wiggin). I should be grateful if he or the hon. Gentleman could say exactly where they have got the idea that only the smallest possible areas will be given the highest levels of protection, as that is certainly not the Government's intention. We have made it clear that protected areas will vary in both size and levels of protection.

Mr. Williams: I am not in a position to pick that up in the White Paper, but I can quote the words,

"as small an area as possible".

Bill Wiggin: The reference the hon. Gentleman is looking for is on page 70, in the shaded area covered by the second paragraph, which refers to the sites which are:

"to improve biodiversity and ecosystems whilst covering as small an area as necessary."

Mr. Williams: I am not sure how different that is—perhaps the Minister will explain.

Environmental non-governmental organisations are also concerned about the fact that socio-economic concerns will be taken into consideration when making designations. That is not the case in land designations—when sites of special scientific interest are designated, socio-economic concerns are not taken into consideration. I am not wholly opposed to socio-economic concerns being considered, but it is important that the Minister tells us what weight they should carry in the designation process.

I pay tribute to the work that the Minister has done on whaling and the moratorium that he has worked so hard to achieve. I just wonder whether his drive and conviction are reflected in other parts of Government such as the Foreign Office, and at the very top in the Prime Minister. When the Prime Minister met the Prime Minister of Japan, as I understand he did in January, did he raise the subject of whaling? It is at that level that a real impact is made and real change is achieved.

We are all impatient for a marine Bill. While DEFRA fiddles, our marine environment deteriorates and inappropriate projects are imposed on our coastal areas. I urge the Minister to ensure that a marine Bill appears in the next Queen's Speech so that the House can engage in making it the best piece of legislation possible.

4.17 pm

Dr. Alan Whitehead (Southampton, Test) (Lab): I join other hon. Members in welcoming the prospect of a marine Bill in the next Session. As my hon. Friend the Member for Brighton, Kemptown (Dr. Turner) said, it should be a straightforward Bill to produce following the excellent White Paper.

I shall comment on the planning aspects of the White Paper's proposals on the marine environment. My hon. Friend the Minister mentioned in his opening speech the draft Climate Change Bill. I believe that the marine Bill will have a substantial bearing on large elements of the arrangements that this country will need to make to secure our energy supplies and thereby make a real contribution to combating climate change.

In that context and others, it is important to achieve clarity about what goes where and when and what else should be done in respect of the seas surrounding our country. As my hon. Friend the Member for Brighton, Kemptown pointed out, it is also important to have clarity about matters such as the compatibility of offshore energy developments with no-take zones and marine protection zones. Such installations may well protect and develop such zones rather than detract from them.

It is important that we consider those aspects of what the marine Bill might do, not least because we as a country recently agreed at the EU summit to pursue a target of deriving 20 per cent. of our energy in general from renewables by 2020. That will mean a far higher proportion of our electricity coming from renewables. Over the next few years, most of it will come from offshore wind, wave and tidal technology. As reflected in the White Paper, there is also the question of carbon capture and storage as a longer-term measure in relation to carbon abatement. That would be overwhelmingly likely to be stored in aquifers and gas wells in the North sea and would therefore come within the terms of the planning arrangements that will be necessary on the integrated basis envisaged in the White Paper.

It is important that the marine management organisation suggested in the White Paper manage the idea of "one project, one consent" holistically, in terms of the range of competing users who operate intensively on our shores and the deeper sea areas off our coast. In the area immediately adjacent to my constituency in the Solent, they include marinas, the port of Southampton, the natural environment, and in-shore fisheries. The ability of the marine management organisation to ensure that they engage in harmonious development within these heavily used waters is an important part of what the Bill will achieve.

Alison Seabeck (Plymouth, Devonport) (Lab): My hon. Friend makes an interesting point that highlights the importance of not rushing the Bill and counters the argument made by the hon. Member for Brecon and Radnorshire (Mr. Williams). This is a very complex area, not only as regards what is happening on the surface of our oceans—we do not fully understand what is happening in 90 per cent. of the area underneath them either.

Dr. Whitehead: My hon. Friend makes an important point. Indeed, it is not only a question of understanding what is happening in the seas but of frequently overlapping and archaic forms of permission, particularly as regards port use and management and in-shore waters. For example, hon. Members may be interested to consider what is required to change mooring posts in a marina, several of which are situated close to my constituency and in the Solent generally: planning permission from the local authority; a FEPA—Food and Environmental Protection Act 1985—construction licence issued by DEFRA; consent under the Coast Protection Act 1949; land drainage consent issued by the Environment Agency; and probably a harbour works licence issued by the harbour authority, if there is one. Under the guidance of a marine management organisation, all those could be conflated into one licence. We can imagine what a change that would make in terms of clarifying the processes and ensuring that they do not clash with each other.

Linda Gilroy: I am following my hon. Friend's remarks carefully. That is certainly our experience in Plymouth. Does he think that the Conservative spokesman's contribution was a little lacking in detail on these matters because there are very few moorings in his constituency of Leominster?

Bill Wiggin: On a point of order, Mr. Deputy Speaker. I did not hear fully what the hon. Lady said, but she could at least pronounce my constituency correctly.

Mr. Deputy Speaker (Sir Alan Haselhurst): I think that the hon. Gentleman knows that that is not a point of order, but at least he has put the record straight. However, these exchanges have taken up a little time that may be needed by those still waiting to speak.

Dr. Whitehead: I am sure that the hon. Member for Leominster (Bill Wiggin) has carefully studied the multiple permissions that currently need to be obtained, especially in a harbour authority area. I am sure that he understands the point about how such a change in authority would benefit the process.

What are the overall implications of a unified planning system? I want to consider a problem with a unified planning system for coastal waters and, indeed, waters in the continental shelf around the UK generally, which the White Paper does not particularly recognise or emphasise, but is nevertheless important, especially in the context of the hard work that needs to be undertaken in the next few years to secure consents, to develop offshore renewables and to ensure that they are compatible with the other uses that I described. The White Paper proposes a unified planning system, but not a system that is an exact replica of that for onshore planning because it will face an monopoly landowner: the Crown estate.

The Crown estate said in its evidence to the consultation that took place before the White Paper was drawn up:

> "We note that with the exception of shipping and navigation, fisheries and oil and gas, all of the activities identified in the consultation documents as falling within the scope of the proposed marine Bill require the involvement in one form or other of the Crown Estate."

The Crown estate owns approximately 50 per cent. of the foreshore in the UK, almost all the sea bed up to 12 miles and the rights under the Energy Act 2004 to license sea bed activity, such as renewables, outside the 12-mile zone.

That organisation is not a quango or a non-departmental governmental organisation. It has no key performance indicators, targets or percentage agreed return. It was established under the Crown Estate Act 1961 and it administers the monopoly property on the sea bed that is effectively owned by Her Majesty. In effect, it voluntarily gives its income after operating costs to the Treasury, which has a right to issue directions to the Crown estate. Otherwise, it is not responsible to the House or to anybody else and no directions have been issued since 1961. There is a general requirement under the Act for it to act commercially. In practice, that has meant that the Crown estate has taken a fee for giving licences, subject to the planning process, to wind farms, both initially and in the second round of consents. However, it is not

[Dr. Whitehead]

clear whether the charges are at the market rate, how the rate is determined and the effect on those who apply for licences.

As far as I understand it, the Crown estate also has a taxation agreement with wind farm operators on the electricity produced. I wonder whether more thought should be given to that and whether the arrangement is the best way forward for the tremendous gearing up of the process of ensuring that the amount of energy from around our coasts and the sea to which we have committed ourselves in the next few years can be provided.

The Crown estate's marine activities provide the Treasury with £38 million a year. The Treasury therefore provides some assistance under renewables obligation certification for offshore wind, which pays the Crown estate an amount of money for licences and effective taxation on energy produced. That money is then paid back to the Treasury. I am not sure that that is the ideal way to ensure that these developments are pursued to the best advantage of our country and our energy supplies.

The proposed planning regime will therefore sit on top of those landowner arrangements. I would modestly suggest that it would be a good idea for the Treasury to consider what directions it might give to the Crown estate in regard to how it should deal with the burgeoning number of consents, applications and licensing arrangements for renewable energy supplies over the next few years.

We need a unified planning regime that operates both at sea and on shore in relation to the consequences of what happens at sea. I was pleased to hear the hon. Member for Leominster express his support for the idea that the planning regime set out in the White Paper should unify the land-based consequences of seaborne renewable energy activities. Even now, one local authority, Swale, has effectively—*[Interruption.]* I was not going to mention the fact that it is Conservative controlled, but since it has been pointed out, I will. That authority has simply refused to countenance the idea of a landing station for the London Array offshore wind scheme, which could power the whole of Kent with renewable energy. That is not remotely the right way forward for the future of renewable resources in the North sea and elsewhere.

Mr. Bradshaw: Heaven forbid that I should be political for a moment, but does my hon. Friend agree that that is typical of an Opposition party that says one thing but does another?

Dr. Whitehead: I find it difficult to answer such a tough question. However, I think that my hon. Friend is right. In the light of the endorsement by the hon. Member for Leominster of the idea that there should be a joint planning regime, I hope that the hon. Gentleman will shortly be going down to Swale to inform people that it would be a good idea if they sorted those arrangements out so that the development could go ahead.

Bill Wiggin: The important point was that, according to the White Paper, it will be the role of the marine management organisation to ensure that we achieve the kind of joined-up government that we have been promised, but that, sadly, has not been delivered by the Labour Government. We believe that local planning cases, as they currently stand, should be determined by local people through their local authority. The Bill will be a separate piece of legislation, which does not apply at the moment.

Dr. Whitehead: I endorse the White Paper's proposal that it is inappropriate to have 95 per cent. of a major planning decision such as the one I have just mentioned decided in one way, only for the whole decision to be derailed because the body responsible for the pipe coming to the shore decides to do something else. The new planning legislation will underline that view. The White Paper's emphasis on the fact that the marine management organisation will, under the granting of a section 36 agreement, also deem planning permission will be another important aspect of the Bill.

Overall, the White Paper and the Bill that will follow it will represent a good step forward for the management of the natural resources around our coasts and, particularly, for the management of renewable energy in the years to come. They will also be imperative in ensuring that this is achieved in an efficient way, and I hope that the Bill will come before the House soon. One thing we all have to remember is that we have a limited amount of time to get those renewable devices working and providing energy from the shores around us, with which we are uniquely blessed in Europe. We must ensure that the management of the seas is compatible with what we know will be important for our renewable energy supplies for the future.

4.35 pm

Mr. Robert Goodwill (Scarborough and Whitby) (Con): My first encounter with the subject of the marine environment came when I was a farmer member of the Yorkshire Water consumer consultative committee in the 1980s. The big issue was long sea outfalls. Yorkshire Water decided that that was the solution to the problems of sewage disposal in coastal towns such as Scarborough. It was only because of campaigns by local environmental groups, such as the Sons of Neptune, that Yorkshire Water relented and put in more environmentally sustainable onshore sewage treatment facilities.

The hon. Member for Reading, West (Martin Salter) raised the issue of what the previous Conservative Government did. The bathing water directive and the nitrates directive were enacted under that Government. The bathing water directive has resulted in all those beaches with blue flags. The nitrates directive has attempted, at least, to cut down on the eutrophication that results in the algal blooms that can devastate our coastal resources.

Martin Salter: Does the hon. Gentleman agree that he is far better qualified to answer my intervention than the hon. Member for Leominster (Bill Wiggin) on the Front Bench? Frankly, they should swap places.

Mr. Goodwill: I am a former Member of the European Parliament, so was obviously more involved in European legislation. If we can work together with

our European partners, it has to be better than unilateral action, which will affect only a small proportion of the European environment.

Furthermore, legislation on large combustion plants reduced the acid rain that went into our rivers and we had agreements on national emission ceilings to bear down further on that. The environmental improvements, for which we waited so long, could take place only because of the investment that followed the privatisation of the energy utilities and the water companies. Before then, any investment had to join the queue with health, education and other Government commitments. We can be proud of the environmental action taken by the last Conservative Government. That is not to take anything away from this Government, who have the best wishes of the environment in mind.

Linda Gilroy: The hon. Gentleman comes from a coastal constituency, which understands such things. However, when he was in the European Parliament, did he give any thought to how to join up the very thing that he talks about with the social issues, because it resulted in the south-west—Devon and Cornwall—having the highest bills in the country? Does he think that some of the planning that will come in with the marine management organisation might help us to avoid such catastrophes for our poor constituents in Devon and Cornwall?

Mr. Goodwill: The areas with the highest bills are the areas that suffered from the lowest investment in the period when utilities were owned by the state. It is a catching-up operation.

There is an awful lot of water in the world—in fact, there are 1.4 billion cu km of it. That is based on the US billion and is 1.4×10^{21} litres. In each litre of water, there are 330×10^{23} molecules. Hon. Members may wonder what I am getting at. The point is that if after the debate the Minister and I went for a couple of pints of beer and, following that convivial meeting, a litre of liquid was returned to the Thames which over the course of time was equally dissolved and distributed among all the water in the world, there would be 23,600 molecules of that litre of water in every litre of water in the world.

Of course, any water going into the Thames after such a drinking session would be entirely benign, but that is not true of persistent bio-cumulative or toxic chemicals, or heavy metals that are dissolved in the water or become part of the sediment. Whatever we do—whatever may be done by every country in the European Union, indeed every country in the world—that material will be in the sea for a long time and will be distributed throughout the oceans of the earth.

Members of the European Parliament often see environmental disasters hitting the headlines, as happened when the Prestige tanker foundered off the coast of Galicia on 13 November 2002. I went there as a member of the Parliament's environment committee to see at first hand the devastation and the sticky goo on the beach. As I am sure Members will recall, thousands of volunteers flocked to the Spanish coastline wearing white—initially white, at least—overalls to help with the clean-up operation. Members may also recall the sea birds that were goo'd with terrible pollution, and the desperate attempts to revive them. Sadly, almost all those attempts were futile as the birds had ingested the oil through preening and no matter how clean they were on the outside, they could not be made clean on the inside. I was struck by how fragile our environment is, and how often we see that kind of environmental pollution.

Of course, other, more insidious types of pollution do not hit the headlines. We see, for example, the problems of acid rain. During the 1960s and 1970s, we farmers used to be given free sulphur fertiliser courtesy of the Central Electricity Generating Board, but following the legislation that I mentioned earlier in an intervention we have had to resort to ammonium sulphate fertiliser. Matters have improved, but sulphur dioxide and nitrogen oxide will still find their way into the sea.

We have made a big effort in cleaning up the fuels that we use on land. Exhaust flue desulphurisation has been introduced in our power stations, there has been a switch to gas, and there is now ultra-low-sulphur oil for our cars. However, the sulphur content of the marine fuel we use at sea is still very high. The sulphur that is taken out of petrol, diesel and kerosene for aviation ends up in the bunker fuel that goes into our ships. There are 10 parts per million in a typical diesel fuel that can be bought on the forecourts, and we are using 15,000 parts per million in our ships. Although that has been moderated somewhat by regulations following agreement on the MARPOL annexe VI sea areas—which means that coastal areas on land are protected—ships out at sea are putting large quantities of pollution into the water.

Between 80 and 90 per cent. of the carbon dioxide that is already in the atmosphere will end up in the sea, which will result in the acidification of our oceans. Sea organisms with shells or coral, which would normally "fix" the carbon dioxide in the form of calcium carbonate, will not be able to do so, and they will not be able to fall to the bottom of the sea to form the traditional sedimentary rocks and limestone, chalk, and the aragonite that forms coral. There has already been a fall of 0.1 units in the pH of the oceans, which many scientists predict will increase to 0.4 units by the end of the century. That is creating mounting problems for animals with shells.

Acid conditions impede the deposition of calcium, which affects not just molluscs and bivalves but coral, which is made up of billions of small organisms—the polyps that have formed over the centuries. Coral grows at a rate of 40 cm per 100 years. Over the past 100 years sea levels have risen by 50 cm, but it is predicted that the rate will increase dramatically in years to come, and the coral will be unable to keep pace with it. As sea surface temperatures increase, the symbiotic algae that are essential to the survival of many coral species will die. That will lead to the characteristic bleaching of the coral, followed by its death. Acidification, or eutrophication, results in algal blooms, which can similarly destroy the coral. Many scientists predict that 50 per cent. of our coral reefs may be destroyed by 2030. If that is the case, the oceans will lose their ability to store CO_2. The natural carbon capture—or the natural sequestration—will be destroyed by disacidification.

Let me turn to aggregate dredging in our waters. Members might recall the Marchioness disaster, when

[Mr. Goodwill]

that pleasure cruiser was hit by the dredger, the Bowbelle. I am sure that many people, when they heard the news of that disaster, thought that that dredger had been dredging the river and was going out to sea to dump, but in fact it was the other way around: that dredger and many other such vessels—some are so large that they have a capacity of 5,000 tonnes—dredge gravel and sand out at sea and bring it inland for use in the construction industry.

While such dredgers are out at sea not only do they cause damage to the sea bed, but in the case of gravel up to 50 per cent. of the material sucked up by the dredger is screened out. That forms a curtain of filth that can smother many marine organisms. With sand dredging, the currents on the sea bottom can quickly restore the conditions prior to dredging—they can do so in a matter of months—but gravel dredging can cause more permanent physical changes to the character of the sea bed. That not only removes the source of food for many fish species, but damages their spawning grounds and nursery areas. There has been a big increase in that over the past 15 years, not least because of the difficulties in achieving planning permission for gravel pits on land. If anything should come out of the marine Bill—when it arrives—it should be the securing of a balance between the environmental considerations of gravel and sand extraction on land and gravel and sand extraction at sea. In many ways, the attitude to issues to do with extraction at sea is a case of, "Out of sight, out of mind." I hope that a balance will be struck in terms of environmental damage wherever it occurs.

The Netherlands and Belgium have imposed restrictions on aggregate dredging in their waters. They have imposed a limit of 25 km in dredging and will not allow any dredging where seas are less than 20 m deep in order to protect their coastlines and fisheries. In response, there has been a big increase in the amount of aggregates exported from the UK to countries such as Holland, Belgium and France; indeed, 30 per cent. of the production of such commodities in the UK is exported to those countries. I do not argue that we do not need sand and gravel. We need construction: we need construction at the Olympic site and we need new roads and houses, but that should be achieved with the minimum environmental damage both to the oceans and on land.

With recreational fishing, the proposal is that licence fees will be charged. People who fish regularly might not much resent having to pay a fee, but Whitby has a number of vessels that are engaged in sea fishing trips. Many of their skippers are fishermen who have been forced out of commercial fishing because of reductions in quotas and in stock, and the pressures on them. I hope that if any levies are imposed, they are not so high as to deter people from engaging in occasional sea fishing. In my entire life, I have been on sea fishing trips twice—and I have probably caught fewer than five fish in total. It is important that such skippers, who have already been hard hit by the demise of the fishing industry, are not hit again by such levies.

Bill Wiggin: My hon. Friend makes an important point and I agree with him, but I would go a little further—he might, characteristically, be being generous to the Government. If fees and licences are to be imposed on the fishermen, what does he think they will get in return? Information on that is one of the topics that are missing from the White Paper.

Mr. Goodwill: I agree. If this is seen as just another stealth tax there will be tremendous resentment among recreational fishermen, but if they see that there are some concrete benefits their attitude might change. However, the people who might get genuine benefits will be those who regularly fish, but I am particularly concerned about those who might occasionally fish, such as when they go on a works outing—I first went on such a trip with other young farmers. If we had had to pay much more than we were already paying that might have put us off. Therefore, recreational fishing might be hit hard.

Martin Salter: Despite the bit of banter between us earlier, I very much welcome the thoughtful contribution that the hon. Gentleman is making. He is right to say that we will need to see the benefits before we put a regime in place, and I hope to expand on that matter shortly. However, does he agree that it would be sensible to allow charter skippers to possess a generic licence that entitles them to carry on their vessels, for a very nominal charge, anglers who do not own personal licences? That has happened in the past in the freshwater sector, and it offers a way around the problem posed by the occasional day angler.

Mr. Goodwill: That might be one way out of the problem. Skippers are already under great pressure, but a suitable mechanism already exists: local fees for such activities could be collected as part of a skipper's harbour dues, and that money could be invested in improving the local marine environment.

Moreover, the Government's failure to get an extended derogation on the marine fuels directive means that, from 1 January this year, recreational craft have had to pay to use expensive white diesel in their boats, rather than red diesel. If the Government pledged to reinvest in the marine environment the money that is coming in through that route we might see improvements this year, and not at some time in the future when the legislation is in force.

The sea is very big. I shall not say any more about the total number of litres of water there are, but it is not so big that it is beyond man's influence. We have watched fish stocks fall: indeed, they have crashed so much in areas such as the Canadian grand banks that it seems they are incapable of recovery. No one owns the sea, but we have a responsibility to care for our environment, of which the seas are a part, on behalf of future generations. The White Paper may be tardy, but I welcome it. I hope that the legislation that follows will be discussed constructively in the House and that we produce something that is effective, workable and welcomed by the people in our fishing and rural communities who depend so much on the sea for their livelihood.

4.51 pm

Linda Gilroy (Plymouth, Sutton) (Lab/Co-op): Like my hon. Friend the Minister, I represent a region that has 40 per cent. of the coastline of England. Plymouth

has 450 marine scientists, the largest cluster in the UK, and there are 1,500 students studying 40 undergraduate courses with a marine theme at the university, which also offers 20 masters degree programmes.

The university's marine institute focuses on coasts, estuaries and shelf sea systems, and it uses a hilltops-to-oceans approach in disciplines such as biogeochemistry, dynamic engineering and coastal change, marine biosciences and ecosystem dynamics, as well as marine policy and maritime affairs. Like many of my constituents, I was therefore delighted with our manifesto commitment that stated:

"Through a Marine Act, we will introduce a new framework for the seas, based on marine spatial planning, that balances conservation, energy, and resource needs. To obtain best value from different uses of our valuable marine resources, we must maintain and protect the ecosystems on which they depend."

Like many Members of all parties, I have been impatient to see a draft marine Bill, so I was pleased when the White Paper was published on 16 March, just a month ago. The marine Bill will be an international landmark. The European Commission is developing European marine thematic strategy and a Green Paper, and a draft marine strategy directive is under discussion. All that has happened since we set out on this path, and Britain has a chance to lead the way in Europe and in the world. So far, no other country has tried to develop a framework to manage the marine environment and economy. Such a framework is much needed, but it must strike what is a challenging balance between environmental protection and social and economic needs.

Getting the balance right presents significant challenges, and nowhere is that better appreciated than in Plymouth. Not only are we a centre of excellence in marine science—as my hon. Friend the Minister saw on his recent visit—we also have a busy naval and commercial port and first-class marine sport and leisure facilities. Recently, HMS Scylla was placed on the sea bed to form an artificial reef, and Plymouth also boasts shipbuilding and repair facilities. There is an intense interest in renewable energy, and there are plans to develop a wave hub off the Cornish coast. That will be a focal point for realising the potential of what would be an important contribution to the energy sector.

Plymouth has the fastest growing fish market in Europe. Modern facilities and an electronic auction system allow fishermen to obtain the best value for their diverse catches. We have marine scientists in Plymouth who work closely with all those sectors to help them meet the many challenges that we face. Plymouth Marine Laboratories, under the leadership of Professor Nick Owen, has developed a number of spin-off companies, and has a track record in observational research and monitoring. There are exciting examples. Many hon. Members will have seen the photo bio-reactor capable of growing micro-algae, capturing carbon dioxide and then harvesting micro-algae to give us biofuel.

A few weeks ago I was pleased to accompany my hon. Friend the Minister on a visit to see some of that work as well as to see the fish market and the National Marine Aquarium. The day before yesterday I was equally pleased to welcome colleagues, including my hon. Friend the Member for Brighton, Kemptown (Dr. Turner) who made an important contribution earlier and my hon. Friend the Member for Bolton, South-East (Dr. Iddon), who is hoping to make a contribution shortly, to launch the marine science inquiry into the oceans and to visit several key laboratories. There were awareness seminars led by Plymouth scientists, Dr. Chris Reid, Professor Steve Hawkins, Professor Laurence Mee and Professor Nick Owen, with short presentations on the big picture of marine science and technology, monitoring the oceans and trends in climate change, biodiversity and bio resources from the oceans, and the sustainable management of our oceans. Other hon. Members have set out the case for issues covered in the White Paper, which was published last month.

We had a seminar held in public with an invited audience, including local school and university students. I was particularly pleased that it was held at the National Marine Aquarium. It has acquired a well-deserved reputation as a science centre as well as a tourist destination. It combines fun and learning and is every bit as important as museums. One of our proudest achievements has been to restore free entry to museums. I suggest that Ministers look at support for science centres, such as the National Marine Aquarium. I first visited the Marine Biological Association when I was a 10-year-old and it cost a matter of pence. To go to the National Marine Aquarium it costs a family £27, including VAT. A first step would be to reduce VAT to a minimum. That would be worth £250,000 to the NMA. We could proceed by giving an entitlement to each child to visit and perhaps a discount to parents. School and university students should have a free pass, at least at off-peak times, to science centres covering the oceans. There are 80 science centres throughout the United Kingdom.

I hope that my hon. Friend the Minister will make a careful note of that and perhaps get behind the campaign around which I shortly hope to gather Members from both sides of the House. That has a close link with the strategic goals set out in the White Paper to promote public awareness, to promote understanding and an appreciation of the value of the marine environment and to see active public participation in the development of new policies. It also suggests that we should increase our understanding of the marine environment, its natural processes, our cultural marine heritage and the impact of human activities on them.

The White Paper confirms the Government's decision to create the new marine management organisation to carry out the functions outlined in the White Paper, which will materialise in the Bill. I welcome that. It will come as no surprise to the Minister that I have taken a close look at the proposals set out in Chapter 8. They envisage that the new organisation will be a centre of marine expertise, will provide a consistent and unified approach, will deliver and improve co-ordination of information and data and will reduce administrative burdens. The integration proposed will provide benefits from joined-up delivery and economies of scale that could not be realised by placing those functions in separate organisations. It will need a professional and proactive marine manager trusted by all stakeholders to contribute to the sustainable development of the marine area. The MMO will be charged with developing forward-looking marine plans, which others have mentioned,

[Linda Gilroy]

and with providing a sound framework for the sort of decision making within streamlined licensing regimes mentioned by my hon. Friend the Member for Southampton, Test (Dr. Whitehead). It will be charged with expert marine fisheries management, proportionate nature conservation and the effective, fair and consistent enforcement of regulation.

I do not expect the Minister to respond to this today, but it will come as no surprise to him when I say that in looking for a base for the proposed new MMO he should look no further than Plymouth. Plymouth has experience in all the areas of responsibility that we have been talking about today. We have a regional development agency that gives very high priority to environmental and spatial strategy issues. As my hon. Friend the Minister knows, its strap line for everything is "Its in our nature". Plymouth has a university that is commanding growing respect and reputation as an engine house of scientific research and knowledge transfer as well as learning. Its city council has ambitions for Plymouth, which it is realising through the Mackay vision for the built environment but, more important, in planning terms it has a local development framework which is well ahead of the field, is recognised for its excellence and has received awards. Plymouth has an economic development plan that envisages the development of the marine and health industry, science and engineering as key strands of our economic development to be carried forward by a new city development company.

We also have a chamber of commerce led by Mr. Mike Leece, who received an OBE for his services to marine and shipping matters. He delivered the National Marine Aquarium and was formerly head of the company running our naval dockyard. What greater centre of expertise could one hope to look for?

I have been proud, for three years running, to host exhibitions in the Upper Waiting Hall. The first was in 2005 on that Mackay vision. In 2006, Plymouth marine science and engineering was celebrated and in 2007 many hon. Members will have visited the exhibition entitled, "The Oceans and Climate Change" developed by Plymouth Marine Laboratories and other members of the newly formed partnership. I can conclude on no better note than saying to my hon. Friend the Minister that I hope that in the not-too-distant future I will be able to apply to host an exhibition of the new Plymouth-based marine management organisation as champion and custodian of our unique UK marine environment.

5.2 pm

Mr. John Randall (Uxbridge) (Con): It is a delight to be taking part in this debate, although I have to say that for a Thursday afternoon there has been a little bit of curmudgeonliness on both sides and some party political barracking, but I put that down to the season.

There was some discussion about previous legislation. On page 123 of this excellent White Paper hon. Members may care to note some of the out-of-date and redundant fisheries legislation, which attracted my eye. It includes the White Herring Fisheries Act 1771—sounds like a bit of a winner—and the Seal Fishery (North Pacific) Act 1895, which was obviously superseded by the Seal Fisheries (North Pacific) Act 1912. It was

> "An Act to make such provisions with respect to the prohibition of catching seals and sea otters in certain parts of the Pacific Ocean, and for the enforcement of such prohibitions as are necessary to carry out a Convention between His Majesty the King, the United States of America, the Emperor of Japan and the Emperor of All the Russias."

So I do not think that the House has been inactive in this sort of legislation.

I would have liked to say that I had a small part in marine legislation, but unfortunately the Marine Wildlife Conservation Bill (failed) was defeated down the other end, as it happened, in the other place. When I introduced that private Member's Bill I thought perhaps rather naively as a relatively new Member that it was a simple idea to replicate in a marine environment the protection that we have on land for sites of special scientific interest. How wrong I was. I then realised how complex the marine environment in all senses of the word really is, all the different competing interests and activities that go on in it, the different Departments that have responsibility for it and so on. I got a flavour of the conflicts that were possible between Departments as each tried to promote the best interests of the areas they represented. I am sure that that continues. Although many of us think that the proposals are late in arriving, I appreciate the amount of work carried out by DEFRA on producing the White Paper.

We all agree on the importance of our seas and oceans in every respect, and realise that the marine environment can no longer be seen as a dustbin or an inexhaustible supply of resources, especially fish. Sustainability is the key and we cannot endlessly pillage those resources. The Minister and others have mentioned the Government's work on cetaceans such as whales and dolphins, and I pay tribute to the Minister and his two predecessors for that. The Ministers dealing with those matters have shown much sincerity, although I do not for one minute suggest that Ministers with other responsibilities do not have the same degree of sincerity. However, I always have the impression that Environment Ministers are keen to get things done.

In discussion of these matters, those of us who do not have a coastal constituency are sometimes regarded as second-class citizens. When I introduced my private Member's Bill, even the *Hillingdon Times* said, "Saving the marine environment—in Uxbridge?" as if that was an awful thing and a waste of the Member for Uxbridge's time. However, we all care about the marine environment; whales and dolphins are a classic example. They are not cuddly animals, but on a list of animals regarded as—

Mr. Bradshaw: Iconic.

Mr. Randall: The Minister supplies the ideal word. People want to protect those animals.

The White Paper is pretty good and it involved a huge amount of work. I have a reputation for sometimes being a bit of a grumpy old man—although I may have been outdone today in certain quarters—but normally I am quite patient, as we have all been up to now. However, there is a great sense of restlessness; we want the marine Bill done and dusted so I hope the measure will go ahead.

I realise that other Members are keen to speak, so I shall briefly mention only a few other things. We need to protect nationally important marine sites, referred to in the White Paper as marine conservation zones, and we have had some discussion of them. The White Paper recognises that some sites will need to be highly protected—that is, safeguarded from all damaging activity. There has already been some reference to the small number of such sites. Page 70 of the White Paper suggests that about 130 marine protected areas will be designated. I would add the word "only". The calculation is based on 30 European sites designated under birds and habitats directives and 100 additional sites, which gives rise to a number of questions.

Given that everyone acknowledges the paucity of data about where the important sites in our seas are, how did the Government arrive at what seems a fairly arbitrary figure? Are they right to imply that 130 is the optimum number? I realise that the Government accept the point, frequently made by non-governmental organisations and many others, that the UK seas are hugely important for wildlife, but a network of only 130 sites is much smaller than the network of protected sites on land, where there are about 4,000 sites of special scientific interest in England alone.

Can the Minister clear up the worrying suggestion on page 70 that the network should cover as small an area as possible—

Mr. Bradshaw *rose—*

Mr. Randall: I am sorry. I will correct that—as small an area as necessary.

Mr. Bradshaw: I am grateful to the hon. Gentleman for clearing up the earlier exchange: it is a very important distinction.

Mr. Randall: There is still a slight implication that it must be constrained as best it can. Wildlife in conservation areas under the seas—apart from creatures on the sea bed—is going to move around a lot more, so we need to be flexible about that, particularly if we want to meet nature conservation objectives. I would like to probe the Minister on whether the calculations in the White Paper might be too restrictive and whether such a network would meet the Government's conservation objectives for the marine environment. If more marine conservation zones are necessary to meet those objectives, will they be designated? The White Paper says that the full network of protected marine sites will be designated by 2020. That seems a long way off, particularly as the years roll by. By 2020, I will be a very grumpy and very old man!

As I said earlier, however, now is an important moment for this White Paper. I hope that it is not just the Government ticking a box to say that they have produced a White Paper on the issue. It is highly important that the White Paper becomes a Bill and then an Act, so that we can eventually provide protection for our valuable marine environment.

5.11 pm

Martin Salter (Reading, West) (Lab): It is always a great privilege to be called to speak on any occasion, but particularly so for me today, which is my birthday—[Hon. Members: "Ah".] Clearly, the marine environment was a subject close to my wife's heart when she presented me with a birthday present at 7.30 this morning. It was a book, "Salmon Fishing in the Yemen"—an iconic study of an interesting project, which some of my colleagues will recognise as a literary masterpiece. It was a welcome birthday present and I intend to continue the same theme of the marine environment in my speech.

I support much of the marine White Paper, which I and many colleagues on both sides of the House have long campaigned for. I particularly want to deal with measures to protect the marine environment, to improve fish stocks, to stop the over-exploitation of our inshore waters and, of course and inevitably, I want to extol the benefits of recreational sea angling. I also want to sound a note of caution for the Government in respect of any attempts to introduce a sea angling licence and deal with the preconditions necessary to make such a licence acceptable to the recreational sea angling sector.

I should also declare that, from time to time, I advise the Minister for Sport and his colleagues on angling matters. I am particularly grateful for the guidance, support and assistance of people such as Richard Ferre, chairman of the National Federation of Sea Anglers, John Leballeur, chairman of the Bass Anglers Sportsfishing Society, and Leon Roskilly of the Sea Anglers Conservation Network.

The marine environment is a precious resource and we all have a duty to protect it, to help it develop and to help to sustain it. I very much echo the comments of the hon. Member for Uxbridge (Mr. Randall). Uxbridge, like Reading, does not have a lot of coast, although as global warming and climate change continue, we may both have more than we want. As the hon. Gentleman said, we all have the right to take an interest in and to comment on the marine environment and we all have a duty to protect it.

The Labour party manifesto of 2005 included a commitment to a marine Act to

"introduce a new framework for the seas based on marine spatial planning that balances conservation, energy and resource needs. To obtain best value from different uses of our valuable marine resources, we must maintain and protect the ecosystems on which they depend."

Before that, the strategy unit in Downing street produced marine stewardship reports, the first of which was entitled "Safeguarding our Seas". Again, it shared this vision of clean, healthy, safe, productive and biologically diverse ocean and seas around our coasts. Clearly, there is political commitment and fine words, which we need to turn into practice. I believe that the marine White Paper, "A Sea Change", is a definitive document, which points the way forward for introducing a new framework for managing the seas.

The Minister in his contribution drew attention to the alarming decline in fish stocks globally. Some 25 per cent. of all species are depleted, or, in other words, at risk, and 52 per cent. are fully exploited. No one wants to see a collapse in fish stocks, as happened—this was referred to earlier—on the Grand Banks in Newfoundland, which was once one of the world's finest cod fisheries. That collapse, which was a result of greed, commercial exploitation and short-sightedness by the commercial sector, had a devastating impact on the fisheries and fishing communities that

[Martin Salter]

depended on the Grand Banks. They have still not recovered, despite stringent and vigorous efforts by the US and Canadian Governments.

I sometimes despair at the short-sighted approach of a number of those in the commercial sector, who set their faces against every attempt to introduce sensible conservation measures to ensure a sustainable fishery. It was rather regrettable—all Members will share my sadness on reading the press reports—that not only was the president of the National Federation of Fishermen's Organisations in court a while ago for breaches of quota and submitting false returns, but so was the chairman of that organisation. That organisation will quite virulently attack the Minister and any other Member who stands up in the House and has the courage and foresight to put forward arguments in favour of the conservation of marine species. Perhaps the NFFO needs to put its own house in order before rushing to make judgments.

Coming back to the worrying statistics that the Minister shared with us, it is simply not sustainable to have 70 per cent. of global fish stocks either depleted or fully exploited. The marine Bill, or most of it, will be particularly welcome for recreational sea anglers. In particular, they will welcome the commitment to establish marine conservation zones in order to aid the recovery of rare or threatened species, and to protect spawning grounds, areas where marine species gather and are vulnerable to commercial exploitation, and, quite rightly, features of particular geographic interest. They welcome the proposed reform of sea fisheries committees. The committees have not had sufficient representation from the recreational sea angling sector. Recreational sea anglers especially welcome the strengthening of enforcement powers to tackle the abuse of conservation measures and widespread illegal fishing, including, in particular, coastal netting. Currently, the sea fishery committee that covers the Essex and Kent area and is responsible for hundreds of miles of coastline has just two fishery protection vehicles—covering all that coastline, all the estuaries, and all the sea out to the 6 mile limit. If our fisheries are to be sustainable and enhanced, they need better protection. There is a resource implication, but there is also a legislative argument to be borne in mind.

I want to turn to the benefits of recreational sea angling. Why should anybody worry about the recreational sector? Why should any politician worry about it? Well, there are a million people involved, and they vote. That is probably a good reason. The hon. Member for Leominster (Bill Wiggin) rightly drew attention to the fact that the sector is worth £538 million in England and Wales alone and makes a contribution to the UK economy of £1.3 billion annually. In employment terms, there are about 20,000 people involved in the recreational sea angling sector alone. A healthy and vibrant recreational sea angling sector provides a huge economic benefit from tourism as well as social benefits. That compares fairly favourably with the commercial sector, which sucks up about £90 million in Government support, which equates to something like £10,000 per full-time fisherman. I do not begrudge that support, but, financially, we need to put both sides of the argument.

There is talk of introducing a sea licence. People need to bear it in mind that commercial licences are issued free of charge to trawlers and boats for commercial fishing. They are then sold on. How I would love it if the £24 that I paid for a freshwater rod licence enabled me to be part of a private club. I could then sell the licence on in 20 years to my children or grandchildren, if I have any, for £5,000, £6,000, £10,000 or £15,000. That is what happens at the moment. There is no revenue stream from the issuing of commercial rod licences to fund the enforcement and management measures that we need. The licences are sold on from father to son and from friend to colleague. That is not a modern, 21st-century regime, so the situation needs to be resolved.

I can do no better than to cite a quote received by my colleague John Leballeur from the Bass Anglers Sportfishing Society:

"Commercial licences to exploit the common public natural fishery resource for profit were handed out completely"

free of charge. It continues:

"The licence for my commercial fishing boat was handed out...in 1992. All I had to do was to provide the local MAFF office with some evidence to show that fish were being sold. Those licences now change hands for substantial sums. Even the licence for my miniscule under 6 metre boat is worth £5K on the open market—and it cost me nothing!

It really is a bit rich, after commercial over fishing has substantively degraded the public fish stocks and consequently degraded the recreational sea angling experience, to ask anglers to pay for a licence"

when others do not do so. I hope that the Minister will bear those representations in mind.

Let us consider the thorny issue of licences for sea anglers. If I were to go trout or salmon fishing, I would pay a substantial amount for a rod licence, as would be the case if I were to go freshwater fishing or coarse fishing. Ironically, the licence is one of the more popular taxes. When the former Leader of the Opposition proposed getting rid of the freshwater licence, there was a howl of opposition because anglers are not stupid. Freshwater anglers realise that no Government will fund the £15 million for fisheries work and the enforcement functions of the Environment Agency through any other method, and certainly not with a direct Treasury grant. The proposal was thus quietly dropped.

The Government have probably gone a bit further in the White Paper than the commitments that we gave in "Labour's Charter for Angling 2005". I know these things because I helped to write it—*[Interruption.]* Of course, I was grateful that the Minister endorsed the document. The charter said:

"Labour agrees that whilst a sea angling rod licence could deliver valuable income the current organisational arrangements are not in place ... which might make a licence acceptable to recreational sea anglers ... Labour acknowledges the arguments put forward by the National Federation of Sea Anglers ... that many of the following actions would need to take place alongside the introduction of a sea angling rod licence ... The proper enforcement of regulations and minimum landing sizes ... The replacement of the Sea Fishery Committees with an agency charged with marine ecology management—possibly by extending the responsibilities of the E.A ... Or, vastly improved representation by sea anglers, ... on reformed Sea Fisheries Committees."

The document also said that we would need

"Restrictions on gill nets in inshore waters and around some wreck fishing grounds ... The creation of recreational sea fisheries where commercial fishing is excluded ... Increased protection for fish stocks from over exploitation.

However, there is a balance that needs to be struck since measures necessary to improve fish stocks for recreational sea angling would also require enforcement. Any enforcement action would require a revenue stream, some of which could come from ... a sea rod licence."

I do not think that the recreational sea angling sector is wholly hostile to the idea of a rod licence. However, as other hon. Members have said, given the problems that sea anglers have faced for a long time, which have been caused by other sectors and our collective failure to manage this precious marine resource, they are entitled to see some improvements first. I would urge all hon. Members, in a cross-party spirit, to go ahead with the power to create a sea rod licence. However, we should be very clear about the pre-conditions and circumstances under which such a licence would be introduced.

Sea anglers have to recognise that the freshwater sector is better able to make demands of the Government by virtue of paying for a licence and having an automatic involvement in stakeholder groups and other representative bodies. Many members of the sea angling sector realise that "no pay, no say" is, in part, a problem for that sector. Sea angling licences exist in many other countries, in particular the United States.

Recreational sea anglers in this country must also realise that the enforcement of conservation measures to protect the fish that they wish to catch costs money and that revenue streams need to be created. However, we need to give them confidence that the marine Bill that will follow from the excellent marine White Paper will put measures in place to protect fish stocks.

I shall conclude with a few final thoughts. Why do we not go further than the provisions in the marine Bill and create a golden mile—an area, let us say for argument's sake, a mile from our coast, free of commercial exploitation and inshore netting, where only recreational sea angling is permitted? That approach has already been adopted in Yorkshire and the north-east and is producing tremendous results, not just for the recreational sea angling sector, but for commercial fishermen, who are enjoying better fishing as a result of better and more productive spawning grounds. If we protect that area, it feeds the food chain, supports spawning and recruitment, and increases biodiversity.

Mr. Randall: *rose—*

Martin Salter: I will give way, but very briefly.

Mr. Randall: I am grateful to the hon. Gentleman. He is far more expert on the subject than I am, but what about shellfish? Does it not live within that mile, and would his proposal not kill off the shellfish industry?

Martin Salter: It is entirely possible to exclude shellfish from other forms of fishing in the area. That may be an issue that the Minister wants to refer to when he sums up. The vast majority of recreational sea angling takes place within a mile of the shore. In fact, it takes place very close to the shore, or actually from the shore. Why do we not go further than the Minister suggests on the bass minimum landing size? The bass is a wonderful sports fish species. It can be caught by bait fishing, by spinning and by fly fishing, and it is wonderful to eat. People will spend a lot of money to come to communities that enjoy good bass fishing or have good bass fishing grounds. We should not be arguing about 40 cm; 42 cm is the better size for protecting bass stocks, in terms of the optimum spawning size. We should be moving as quickly as possible to 45 cm, as the recreational sea angling community have argued. I urge the Minister to be bold when it comes to protecting our fish stocks, to be proud of the White Paper, and to be careful with the introduction of the sea rod licence. If he does all that, he will have the enduring support of the recreational sea angling community, and he will write himself at least a footnote in history.

5.27 pm

Dr. Brian Iddon (Bolton, South-East) (Lab): It gives me great pleasure, as the Member for Bolton-by-the-Sea, to be the last Back Bencher to contribute in the debate. I was born near the sea and went to school in Southport, which is almost on the sea. Some 70 per cent. of the earth's surface is covered by sea. We have sailed the sea for centuries and we have used the sea for recreational purposes for as long as man has lived near the sea. We have gathered wealth from the sea, in the form of food, minerals, and latterly of course gas, oil, sand and aggregates. It amazes me that despite that, we know so little about the sea. Why is that? Man is devoting himself to reaching other planets, and to exploring the mineral wealth of the moon, at huge cost, yet we know so little about the sea.

Below the sea, there must be some mineral wealth, and it is currently unexplored and unexploited. I am a great advocate of learning more about the sea, and the theme of my short speech is that I would like the Minister to persuade his colleagues to promote more research so that we can find out more about that unknown quantity. It is one of the last frontiers that man needs to explore. If anyone is in any doubt about the mysteries of the sea, they need only look at the beautiful photographs published only a few weeks ago of the unique organisms that have crept out below the melting ice caps, organisms that have never been seen by the naked eye before. We know nothing about them; but their outstanding beauty makes me wonder how on earth they managed to evolve below the ice cap, in such adverse conditions.

Talking of adverse conditions, I have always had a fascination with how life began. There is no doubt in my mind that it came out of the sea. Life began in such adverse conditions that we need to explore its beginnings. Beneath the sea, there is volcanic activity. Unbelievable organisms that rely on sulphur compounds for their existence have evolved in that adverse environment. It is my estimation that if we learn about how those organisms live and have evolved in such adverse conditions close to volcanic eruptions in the sea we might be able to learn something about the way in which we crept out of the sea during the evolutionary process.

A self-styled maverick scientist called Craig Venter, who will be well known to right hon. and hon. Members, is crossing the seven seas in his yacht, Sorcerer II, on a global ocean-sampling expedition, with the aim of sampling the DNA of as many sea organisms as possible. Perhaps he is doing so purely for enjoyment, but he tells us that he is doing it, too, for

[Dr. Brian Iddon]

commercial reasons. Some of those organisms may result in new drugs. Some of them may tell us how to absorb carbon dioxide and turn it into other carbon products that will not pollute the environment. Perhaps, too, some of those microbes and other sea organisms can tell us how to turn chemicals in the sea into hydrogen for energy production. That is why Craig Venter is exploring the sea on his yacht at this very moment, sailing all the way round the world.

I am pleased that in his very good presentation the hon. Member for Scarborough and Whitby (Mr. Goodwill) referred to the carbon cycle of the sea. The Royal Society published a report about the acidification of the sea in 2005, and it is essential reading for the Minister and all his team. On land, photosynthesis takes place—carbon dioxide goes into plants and oxygen comes out—and, as a result, we have the biodiversity of plants. The carbon cycle is much more subtle in the sea, we are told, and it is beginning to fascinate scientists. First, in the warmer upper layers of the sea surface, phytoplankton and other similar organisms take in carbon dioxide. The food chain includes whales and smaller fish—I am not suggesting that a whale is a fish—and all the fish in the sea take in phytoplankton, so there is a trickle-down of carbon from the surface to the sea bed, as the hon. Gentleman suggested, that helps to form all the calcium organisms such as coral and shellfish and everything that lives at the bottom of the sea that relies on that subtle carbon cycle.

Approximately 200 years since the industrial revolution, however, the sea has absorbed 50 per cent. or half of all the carbon dioxide produced by our industrial processes. It is becoming more and more acid, as has been pointed out. In fact, there has been a 30 per cent. increase in hydrogen ions, which provide a measure of acidity, since the industrial revolution. The Royal Society report predicts that this century, if we carry on like that, the concentration of hydrogen ions in the sea—in other words, its acidity—will treble. In a man's lifetime, that absorption of acidity by the sea is completely irreversible—there is nothing that we can do about it, as the Royal Society highlights. The only way to reduce the risk is to stop carbon dioxide going into the sea in the first place. As well as arguing about climate change, greenhouse gases and the warming of atmosphere, we must make people realise that carbon dioxide in the sea will ruin it within a century if we do not stop burning fossil fuels.

In its final recommendation, the Royal Society report concludes:

"Ocean acidification is a powerful reason, in addition to...climate change, for reducing CO_2 emissions."

I am pleased that the Select Committee on Science and Technology, of which I am a member—three other members have spoken in the debate, which is also pleasing—has embarked on a report on marine science, because it will help the Minister and his colleagues to draw up the Bill that we have been discussing. We had an enjoyable time in Plymouth and we have thanked the scientists we met there for the remarkable things that they showed us. We are bound for Lisbon before the summer recess to go on board one of the few ships currently exploring the sea. I want to flag up with the Minister something that the Plymouth scientists told us, which is that now fewer ships are engaged in research at sea than have been for a long time. I believe that the ship we will see in Lisbon is a new one, but I ask the Minister to look into the matter on behalf of those scientists.

We are also to visit one of the most exciting oceanographic laboratories in the world, the Woods Hole Oceanographic Institution. It is on Cape Cod, which is not a bad place to visit, but I am sure that we will see little of Cape Cod. Woods Hole submersibles have gone the deepest of any submersibles and it was Woods Hole that photographed the Titanic and the MV Derbyshire.

People said that the MV Derbyshire just split and went down in two parts. I joined the MV Derbyshire campaign group when I entered Parliament in 1997 because I was convinced that the crew had been wrongly accused of negligence leading to the sinking of the MV Derbyshire in typhoon Orchid, when the vessel was bound from Canada to Japan carrying iron ore. I give credit to the maritime trade unions, which hired Woods Hole to take photographs of the MV Derbyshire, two and a half miles down on the sea bed, revealing that it had broken into 1,000 parts. Had those photographs not been taken, we would not have been able to reopen the public inquiry and prove why the ship went down, killing the entire crew. Including two women who were the wives of crew members, 44 people died on MV Derbyshire. That inquiry, which my right hon. Friend the Deputy Prime Minister reopened some years ago, absolved the crew of any responsibility for the disaster.

The disaster led to improved ship safety. I am pleased to have steered through the Marine Safety Act 2003, but I give credit to the late Lord Donaldson for previous improvements. The Conservative Government also deserve some credit. They were under pressure to act as a result of three major sea disasters, which polluted the sea and coast around Britain to a remarkable extent. Everybody has the Torrey Canyon disaster embedded in their mind, but there were two other incidents at about the same time. The two important reports that Lord Donaldson produced led to the British Government passing legislation that resulted in UK having the best sea safety record of any country in the world. We should be proud of having achieved that, whoever was in government at the time. However, there were two loopholes in that legislation, which my private Member's Bill helped to plug, I am pleased to say.

I want to give my hon. Friend the Minister time to respond to all the points made during the debate, but before I sit down I implore him to take a look at the marine science and research that is going on now. To be frank, there is not enough. I am sure that, as we explore marine science in detail, the Science and Technology Committee will find that out. There are tensions between the research councils—between the Natural Environment Research Council and the Medical Research Council, between NERC and the Engineering and Physical Sciences Research Council, and between NERC and the Biotechnology and Biological Sciences Research Council. Those tensions should not exist. If everyone worked together—Research Councils UK is supposed to be solving the problem, but has not done so yet—we would learn a lot more about the sea.

We have been told that earth observation is very important in looking at phytoplankton, which are at the beginning of the carbon cycle in the sea, and the red blooming algae that are so toxic to fish, and to human beings if they come into contact with them, and will poison shellfish if they get anywhere near. We can use satellites to observe those processes. We can see how many phytoplankton and red blooming algae are in the sea around the coast of Great Britain. Earth observation—of course, that includes observation of the sea—is very important now and will become more so in the next 10 to 20 years. In the course of our investigation, the scientists have already told us—and we have only been to Plymouth—that there will be dead periods of earth observation because we have not planned to put up satellites carrying out this important research work to replace those that will shortly die.

We have the Royal Navy and the merchant vessel fleet. There are hundreds of ships sailing in and out of our coastal ports every day, and they are such a valuable resource for scientists. I mentioned the shortage of boats that the scientists spoke to us about. I put it to the Minister, as they put it to us in Plymouth the other day, that we should ask the Royal Navy and the merchant fleet whether we can use them increasingly to explore the secrets that I am convinced that the seas are still holding from us.

5.41 pm

Mr. Bradshaw: With the leave of the House, Madam Deputy Speaker. It has been an absolute delight for me, as the Minister responsible for the marine environment, to open and to listen to the debate. Despite the nature of the Whip today, we have heard some extremely good speeches from some of the House's most respected and well informed Back Benchers, which is gratifying. I should like to respond to them in turn.

Let me begin with the timing of the proposed marine Bill and the publication of the White Paper, which has been at the front of many Members' minds and is one of the reasons why we were keen to have this debate at this time. I am as keen as anybody else that we should have the legislation as soon as possible; indeed, as has been pointed out, it was a manifesto commitment by the Labour party at the last election. We are still less than two years into a Parliament, and I am confident that we will deliver on that commitment during this Parliament. However, as my hon. Friend the Member for Plymouth, Sutton (Linda Gilroy) said, it is almost more important that we get the legislation right than that we get it quickly. I listened carefully to hon. Members' representations in that regard. I encourage them to make similar representations to other parts of Government and to everybody else who has a role to play in decision making on the legislative timetable and content. It is important that all parts of Government are well aware of the strength of opinion not only in this House but outside it. We have had thousands of letters from members of the public calling for the Bill, and it is probably no exaggeration to say that for many people it is the top legislative priority as regards the environment after the draft Climate Change Bill.

I am pleased that the hon. Member for Leominster (Bill Wiggin) encouraged us to go further, as I am always much more open to encouragement to go further than to go less far. However, we all have to face the fact that there will be trade-offs in the marine area; that is partly why we need the Bill. If we do go further, I suspect that we will be facing down some of the hon. Gentleman's traditional supporters in the commercial sector, and I look forward to that happening.

The hon. Member for Leominster made one or two criticisms of the Government's record, especially on Lyme bay. It is important that he recognise and that the House understand that our measures last summer to protect the special biodiversity of Lyme bay will protect 90 per cent. of known sea fans. It represents an area of protection that is seven times greater than what was previously protected. However, we are open to any more up-to-date research and evidence that suggest that we should have gone further. Indeed, we will consult soon on statutory implementation of the protection that is already being offered to Lyme bay on a voluntary basis.

Let me reassure the hon. Gentleman that no promises have been made about changes to the devolution settlement under the marine Bill. We have received no requests, formal or otherwise, from the devolved Administrations for any changes and, as the White Paper makes clear, we are proceeding on the basis of the current devolution settlement. As I said in my opening remarks, I greatly hope that, after the elections in Wales and Scotland, we will continue to make progress and not get bogged down in diversionary arguments about who controls what where. We all acknowledge that providing the protection as quickly as possible is the important matter.

My hon. Friends the Members for Brighton, Kemptown (Dr. Turner) and for Southampton, Test (Dr. Whitehead) made important points about the marine environment's potential to help us fulfil our renewable energy commitments and reduce the impact of climate change. They are right to point to the marine Bill as being extremely important. Although they are right that developing offshore renewable energy has been slow, some welcome progress was made in the past few months, despite the efforts of one or two local authorities to slow the process. The London Array, Greater Gabbard and Thanet wind farm schemes have all been approved.

However, we hope that the rationalisation of the licensing regime, for which the marine Bill will provide, will make it easier to develop not only offshore wind but all marine renewable energy schemes more quickly. All one has to do is look at a map and a meteorological map of the United Kingdom to realise that we are blessed with great potential for renewable energy in the marine environment.

It is important that hon. Members begin to focus on some of the trade-offs between the overwhelming strategic imperative on climate change and some of the traditional conservation approaches to the marine environment. We have not yet given enough thought to whether not only our domestic but our European legislation, which was devised in a different age when climate change was not such a high priority, is fit for purpose. I hate that phrase, but I think that hon. Members know what I mean when I say that we may need to examine some of that to ensure that it is delivering what we want.

One hon. Friend suggested that we conduct a proper audit of the potential for offshore renewable energy. I believe that the Sustainable Development Commission

[Mr. Bradshaw]

is doing exactly that. We expect it to report this summer. The Government will, of course, study the report with great interest.

The hon. Member for Brecon and Radnorshire (Mr. Williams) was worried about the potential for "departmentalitis" to slow the process. The hon. Member for Uxbridge (Mr. Randall), who went through the bruising experience of trying to get a marine Bill through the House, realises the complexity of the process. It is obvious that, given the scale of the challenge and what we are trying to achieve, different Departments will have different interests. However, we have worked well with colleagues from the Department of Trade and Industry and other Departments in developing the policy in the White Paper. To be frank, the discussions with the devolved Administrations more than those with other Departments meant that we had to spend more time than we would have liked on policy development. I hope that I can allay the hon. Gentleman's concerns—perhaps he will take that message back to his constituency and his colleagues in Wales and urge them to continue to engage constructively in the process.

The hon. Gentleman gave kind praise for our work on whaling. We are quietly confident that our lobbying this year may have succeeded in the anti-whaling countries regaining a simple majority on the International Whaling Commission when it meets next month. I hope that that is the case; it will all depend on how successful the Japanese have been on the other side.

The hon. Gentleman was slightly unfair to criticise the Prime Minister, who did, after all, along with Sir David Attenborough, sign the foreword to DEFRA's wonderful publication, "Protecting Whales", which has been very effective. I am sure that the Prime Minister has lost no opportunity to raise the issue of whaling; he is certainly urged to do so by us. I read yesterday that the Icelandic Prime Minister has said that, partly because of international pressure from the UK and the damage being done to Iceland's tourism, the Icelandic Government have not yet decided whether to continue with their recent resumption of commercial whaling. I take that as a promising sign, but as I said in my opening speech, I hope that all hon. Members, not just Ministers, will use every opportunity, on parliamentary visits and so forth, to press this message home, not only to the whaling nations but to some of the other nations that do not take such an active role in the International Whaling Commission as we do.

One or two hon. Members asked who would be responsible for the proposed marine management organisation. There would be a DEFRA ministerial lead, but the organisation would be a non-departmental public body. I was grateful to the hon. Member for Uxbridge for clearing up the little dispute that we had earlier about the size of the marine protected areas. I am absolutely committed to developing a network of marine protected areas as quickly as possible, and they should be as big as they need to be—"necessary" is the operative word here—in order to deliver the biodiversity protection and other protection that is needed. The hon. Gentleman was right to point out that the areas for some migratory species will need to be much bigger than those for other species such as shellfish, or for static biodiversity, if I can call it that.

The hon. Member for Scarborough and Whitby (Mr. Goodwill) and my hon. Friend the Member for Bolton, South-East (Dr. Iddon) both made impassioned and well informed speeches about the problem of the acidification of the oceans. People are just beginning to wake up to this phenomenon, although experts have been aware of it for some time. It is extremely important that it should be given much more publicity outside this place. I understand that my hon. Friend the Member for Bolton, South-East has announced that he will not be here after the next election, and I am sorry that we shall be losing his passion and expertise. He was absolutely right to say, prophetically, that there was a real danger that, if we lose the correct pH balance in our oceans, the role that the oceans now play as a regulator of the earth's climate will change. That would mean that the present climate change trajectory would tip much more steeply, and that we would move from the pretty cataclysmic projections of the more pessimistic scientists to a much more serious situation. This is not just about protecting the seas and what is in them; it is about protecting the whole of the global biosphere.

My hon. Friend was also right to point out our oceans' potential for developing new medicines and treatments, and for scientific research. I will go back and check the exact extent of our support for marine science, but I know that DEFRA spends £26 million a year on marine research, which sounds like a reasonable sum of money. We would always like to spend more, but I would be surprised if the United Kingdom were not in the forefront internationally for such research.

Linda Gilroy: The United Kingdom is currently equal to, and possibly even leads, the United States in terms of marine science. Does my hon. Friend share my concern that, with 50 per cent. of the world's population living within 20 kilometres of a coastal zone, sea levels rising by even a modest amount will present huge challenges, and that our investment in marine science could be repaid many times over in terms of meeting climate change challenges?

Mr. Bradshaw: I am grateful to my hon. Friend for informing me not only that the United Kingdom is among the leading nations for marine science, but that it is the leading nation for marine science. She should know, because in Plymouth she represents one of the best, if not the best, marine science research establishments anywhere in the world. Long may we continue to be in that leadership role. She is also right that the research needs to consider adaptation as well as mitigation. That is an important issue, which we have not talked about a great deal. It is good that she made that point.

My hon. Friend, along with my hon. Friend the Member for Plymouth, Devonport (Alison Seabeck), who was here for a long time but could not stay for the end of the debate, are worthy champions of Plymouth's strong maritime tradition. I am pleased that my hon. Friend the Member for Plymouth, Sutton (Linda Gilroy) welcomed the pioneering and challenging nature of the Bill. She has been doing excellent work

with her city council in promoting Plymouth as a centre for marine science, and Southampton and Brighton are also strong centres for marine science and marine activity.

I was grateful to the hon. Member for Uxbridge for his excellent contribution. He described the White Paper as excellent, a little quotation that I shall take away and tuck in my pocket for future reference. He can claim a lot of the credit for the progress that has been made so far with his private Member's Bill—

Mr. Patrick McLoughlin (West Derbyshire) (Con): It was blocked.

Mr. Bradshaw: By Tories in the House of Lords, not by us.

I want to reassure the hon. Member for Uxbridge about the time scale. At the moment, 2020 is the end game for the whole network of marine protected areas, but that does not mean that we will not start before then. In fact, we are in the process of setting those up and will move as quickly as possible. However, one of the challenges, which was pointed out by a number of hon. Members, is the science, research and mapping that we need to do if we are to get the areas right.

My hon. Friend the Member for Reading, West (Martin Salter) and one or two others raised the possibility of charging for recreational sea angling licences. As he rightly acknowledged, that is not a new idea. Indeed, it was included in the wonderful manifesto for anglers that he helped to write at the time of the last election. As he also rightly pointed out, there is an argument, for which there is support in the angling community, that just as the freshwater angling, or rod, licence has delivered conservation benefits in our rivers and lakes for anglers—they recognise that and it is why the rod licence is popular—there is potential to do the same in the marine area. However, I take his point that there must be a quid pro quo. There is a duty on us in government and us as legislators to deliver the benefits that the sea angling community would like to see if it is to be asked to contribute.

I would ask—this is really a philosophical point, which we try to tease out in the White Paper—whom we expect to pay in future for the management of our marine environment. Should it be the taxpayer, who already makes a significant contribution—my hon. Friend mentioned the cost of managing the commercial fishing sector—or should it be those sectors, not just fishermen, commercial and recreational, but companies that extract minerals and so on, that benefit financially from the marine environment? We think that there is a case for a balance to be struck. There is also a case for making the argument that if we give people rights over a part of our environment, they also have a responsibility to make a contribution. I hope that that philosophy can be shared throughout the House.

My hon. Friend also called for the modernisation of sea fisheries committees. He is absolutely right. That is part of the White Paper, as other hon. Members mentioned.

I forgot to thank my hon. Friend the Member for Bolton, South-East for raising the excellent Royal Society report. I was pleased that he did so. There was a bit of discussion about whether land-locked MPs have a right to talk about the subject, but we all should, inside and outside the House. The future of the marine environment is a massive challenge. If we do not get it right, future generations will not forgive us. That is as important for land-locked constituencies as it is for constituencies such as mine which touch the sea.

Motion, by leave, withdrawn.

PETITION

Alzheimer's Disease

5.59 pm

Linda Gilroy (Plymouth, Sutton) (Lab/Co-op): I wish to present a petition on behalf of Doreen Tapscott, members of the Plymouth branch of the Alzheimer's Society and supporters in the city of Plymouth, a total of 993 people. The petition declares:

To the House of Commons.

The Petition of Plymouth Alzheimer's Society

Declares that the National Institute for Health and Clinical Excellence (NICE) have restricted prescriptions for Alzheimer's drugs although these treatments are proven to provide real benefits to thousands of people at all stages of Alzheimer's disease and cost just £2.50 per day.

The Petitioners therefore request that the House of Commons urges the Secretary of State for Health to ensure that doctors continue to be able to prescribe Alzheimer's drug treatments to patients who can benefit from them.

And the Petitioners remain, etc.,

To lie upon the Table.

Welfare of Dogs

Motion made, and Question proposed, That this House do now adjourn.—*[Mr. Cawsey.]*

6 pm

Andrew Rosindell (Romford) (Con): I am deeply grateful for the opportunity to speak up for man's best friend, and to bring the issue of dog welfare before the House once again. Hon. Members will know of my long-standing interest in dog issues. Since my election as a member of Parliament, I have had the privilege of working with some of the most dedicated groups and organisations in the country, who perform a magnificent job in defending the interests of our four-legged friends.

I pay particular tribute to the Kennel Club, whose work in the dog world goes far beyond the call of duty, extending from welfare issues to dog shows, breeding and, of course, the Westminster dog of the year competition. The Dogs Trust has also campaigned on dog welfare-related issues to ensure a safe and happy future for caninekind, and has made the slogan "A dog is for life, not just for Christmas" a household phrase. The Dogs Trust will

"never put a healthy dog down"—

the popular motto that inspires so many people to sponsor its wonderful re-homing programme. Battersea Dogs and Cats Home is another organisation that does miraculous work in looking after dogs that have been cast out by cruel and irresponsible people.

I also pay tribute to a friend of mine, Juliette Glass of the Fury Defence Fund, who has been a personal inspiration to me. She is always there with an open ear and friendly advice for people all over the country with problems in the dog world. Juliette has helped to save many dogs from immediate death following the unwise implementation of the draconian Dangerous Dogs Act 1991 before its amendment.

There is another organisation known as "Vets Get Scanning", whose patrons include Bruce Forsyth and his daughter Debbie Matthews. It seeks to promote the practice of microchipping all puppies as a matter of routine and procedure, and the practice of scanning every dog that enters any veterinary surgery anywhere in the United Kingdom. Why, Members will ask, is such a practice so necessary and important? It will probably come as a surprise to them, as it did to me, to learn that dog theft is one of the fastest-growing criminal activities in the United Kingdom. The crime targets the natural bond that exists between owner and pet—a bond that in many cases is as strong as the bond between family members. These vile criminals will seek to exploit the natural affinity between man and his best friend, either by kidnapping the dog and holding it to ransom—as happened recently to the pop artist and singer Lily Allen—or, as happens in many thefts, by stealing the pet to sell on to unscrupulous breeders or those willing to pay exorbitant amounts for a particularly rare breed of dog. If the ransom is not paid or the dogs cannot be sold on, they will often be killed and discarded.

It is hoped that promoting the simple practice of scanning a dog when it enters a veterinary surgery will cause authenticity of ownership to form an effective barrier and deterrent to those who might enter into the crime of dog theft, whether it be the criminal who steals the dog or the unscrupulous breeder or others who may buy the animal from the criminal. The "Vets Get Scanning" scheme is helping to eradicate that evil activity. I commend its work to the House and hope that the Minister will consider working with it to make the scanning of all dogs whenever they enter a veterinary surgery a routine practice.

As many Members will be aware, for many years I have owned Staffordshire bull terriers. As any owner of a Staffie will confirm, they are magnificent family animals that epitomise the phrase, "Man's best friend". They are caring, loyal and gentle animals, which in recent times have sadly endured a bad press owing to the deplorable treatment of them by a minority of owners. *[Interruption.]* I am delighted that my hon. Friend the Member for Lichfield (Michael Fabricant) is sitting beside me. He has informed me that Watchman is the name of the dog that is the mascot of the most excellent Staffordshire Regiment. Indeed, the Staffordshire bull terrier has an historic place in terms of that regiment, the county of Staffordshire and the whole of the United Kingdom.

Many Members will know that Spike was my first Staffie. He wore his own made-to-measure Union flag waistcoat and stood by me during every step of my political career, campaigning in my first two parliamentary campaigns: in 1992 during which he tirelessly trudged through the streets of the glorious constituency of Glasgow, Provan, including the Blackhill estate—an area that Mr. Speaker will know well, as it is in his constituency—and then in Thurrock in 1997, before seeing me safely into the House of Commons in 2001 with a thumping majority. Of course, Spike's proudest moment, as the Minister will know, was when he greeted the noble Baroness Thatcher as she arrived at Romford market two days prior to the 2001 general election. Having done his duty, Spike passed away on St. George's day 2002.

My current Staffordshire bull terrier, Buster, has taken over working as Britain's "top campaigning dog", an accolade he was awarded in last October's Westminster dog of the year competition. He also met Baroness Thatcher in Romford just before the 2005 general election, wearing his Cross of St. George waistcoat, and on Saturday Buster will once again be by my side as we campaign in Romford market to make St. George's day a public holiday in England. Spike and Buster have truly represented the British bulldog spirit, which I passionately share.

However, dogs are not just household pets. They are deeply significant in the everyday lives of many human beings, as guide dogs for the blind and hearing dogs for the deaf, as dogs for the disabled and visiting dogs for hospitals, and for therapy, too, bringing relief, joy and happiness to the sick and infirm. What other creatures could provide so much companionship to the elderly and the lonely? Dogs serve the police and the customs service as sniffer dogs, and they also work in mountain rescue, where they perform a vital task. They play an enormously significant role in the lives of all of us.

When I last spoke about dog welfare in the House, I covered the effects of the terrible injustice on certain breeds of dog that followed the introduction of the Dangerous Dogs Act. I do not intend to dwell on the matter again this evening, but I feel that it should be stated once more that in all matters to do with the

actions of dogs it is the deed and not the breed that should be acknowledged. As I have said before, there are no problem breeds, just a handful of problem owners. We should never lose sight of the fact that any dog in the wrong hands can be as dangerous as any weapon. Any dog can be trained to fight, bite and attack on command, and that is something that needs to be addressed. People who use dogs for such violent purposes are obviously sadistic and evil. Although we in the House cannot police their behaviour, we can do our part to make it as difficult as possible to train animals for that purpose.

I hope that we can start by outlawing electric shock collars. The Animals (Electric Shock Collars) Bill ran out of parliamentary time in 2003, but the Kennel Club has worked tirelessly since then to get that product banned. According to a report from the Kennel Club that I received recently, the electric shock collars administer a static shock to a dog that does not do what is asked of it. In that way, they train a dog to respond out of fear of further punishment rather its natural willingness to obey. For a collar to serve efficiently as a training tool, the dog has to perceive the shock as painful. Moreover, if it does not respond, the punishment has to escalate, which creates further potential for abuse and cruelty. An angry or inferior trainer, or even a novice owner, could therefore misuse a shock collar to abuse or punish.

The product is readily available—via mail order, retail outlets and, of course, the internet. Anyone can get an electric shock collar. As there is no training or supervision, people can put one in place and administer so-called "correctional" treatment. Ultimately, however, such devices do not address a dog's underlying behavioural problems, so the cause of its barking or aggression remains suppressed. Indeed, the collars are quite likely to cause further behavioural problems in the future.

The primary purpose of any training programme should be to improve the relationship and communication between a dog and its owner through compassionate, reward-based training. Other, more positive training tools and methods can produce dogs that are trained just as quickly and reliably, if not more so, with absolutely no fear, pain, or potential damage to the relationship between dog and handler. Given that those alternatives are available, I hope that the Minister will agree that there is no need for electric shock collars.

I come now to the issue of dog breeding and, in particular, to the training methods needed to educate people purchasing puppies. Educating puppy buyers and raising their expectations is a powerful tool to help eradicate puppy farming, while rewarding and promoting breeders who follow basic good practice will help to raise standards. The Kennel Club's accredited breeder scheme was launched in 2004 and is working towards both of those ends. The club has joined forces with interested welfare bodies to establish a working group to identify ways to tackle puppy farmers. That is a long-term, ongoing project. There is a widely held view that a Kennel Club registration certificate puts a premium on a puppy. The club's online puppy sales register is a valuable aid to breeders wishing to sell their puppies. In addition, it is raising its profile and that of its major show, Crufts, with the aim of becoming the first port of call for all canine matters.

Finally, I should like to say something about greyhound racing. As the chairman of the all-party parliamentary greyhound group, I declare a keen interest in this matter. I am fortunate enough to have a splendid greyhound stadium in my Romford constituency that plays regular host to many significant events in the greyhound calendar. However, one very significant problem with greyhound racing is that some unscrupulous owners destroy their dogs when they cannot run any more. Personally, I find it incomprehensible that anyone who works with animals could destroy a dog simply because its running days are over.

The rules of the National Greyhound Racing Club seek to ensure that owners are responsible for the future of their greyhounds at the conclusion of their racing careers. Greyhound racing is enormous fun, but those who take part must also consider the welfare of the dog during and after its racing days. I commend the magnificent efforts of the Romford retired greyhound association based in my constituency. It is doing wonderful work rehousing greyhounds at the end of their racing days. Many such organisations exist throughout the country and I pay tribute to them all for their magnificent work.

To conclude, I should like to seek one or two assurances from the Minister. First, will he assure me that the Government will not seek to introduce dog legislation without proper consultation with the main dog organisations and charities? Secondly, will the Government seek to form stronger relationships with dog-related groups, giving support where it is needed? Thirdly, will the Government seriously review laws already on the statute book, some of the limitations of which I highlighted earlier in my speech and previously on the Floor of the House?

All hon. Members have thousands of dog owners in their constituency and still more dog lovers. Let us this day properly acknowledge the special place that dogs have and will always have within our society as man's best friend, and the best friend that man is ever likely to have.

6.16 pm

The Minister for Local Environment, Marine and Animal Welfare (Mr. Ben Bradshaw): I congratulate the hon. Member for Romford (Andrew Rosindell) on securing this debate. I congratulate both him and his dogs on their success in winning awards as dogs and owner and for their sartorial elegance—that is the dogs, if not the hon. Gentleman. I also congratulate him on his courage for taking his late Staffordshire bull terrier into Glasgow wearing a Union flag. That was a brave thing to do as a prospective Conservative parliamentary candidate.

At the end of his speech the hon. Gentleman asked me to assure him that we would not rush into legislation without consulting interested groups and parties, that we would build good relations with the organisations that he mentioned in his speech and review existing legislation. I can give him assurances on all three counts. As a result of some of the horrific attacks that we have seen over the past six months, including on Merseyside, we are undertaking a review of the Dangerous Dogs Act 1991. He stressed that he did not want to major on that issue having spoken on that on at least one previous occasion in the House, but I urge him and the groups that he mentioned to respond to our consultation. In

[Mr. Ben Bradshaw]

the first place we have asked police forces throughout the country for their views as they are in the front line of trying to enforce the legislation, but we are keen to receive the views of all hon. Members on what we should do. He is right to say that it is the deed not the breed, but it would be difficult to row back significantly on that legislation, especially when one casts one's eyes to its genesis and some of the attacks that were taking place. He is, however, entirely right to say that the main responsibility for dog behaviour must rest with responsible owners and I endorse what he said about that.

The hon. Gentleman mentioned the "Vets Get Scanning" scheme. I was not aware of this and I consulted my officials. It sounds like an interesting idea and we should like to hear more about it if he would care to write to me or suggest that the organisation behind it writes to me. We certainly encourage as many owners as possible to microchip their dogs. I think that only one dog welfare organisation thinks that it should be made compulsory, but we would certainly endorse the encouragement of doing so voluntarily, not just for security but for reasons of disease and the other factors that he mentioned.

The hon. Gentleman also raised the welfare of greyhounds. I am sure that he will be aware that we recently saw the entry on to the statute book of the Animal Welfare Act 2006. It is a huge advance not just in dog welfare but in all animal welfare because it introduces for the first time a duty of care that will apply immediately to all greyhound racing. We are reviewing greyhound racing and we have given assurances that we will introduce either statutory or some other form of regulation for the greyhound industry. I think that I am right in saying that the associate parliamentary animal welfare group is also conducting an investigation into greyhound welfare, as is the former agriculture Minister, Lord Donoughue.

If the hon. Gentleman has not already spoken to the parliamentary group, and to Lord Donoughue, given the expertise that he has gained from his constituency as someone who is interested in dog welfare and greyhound racing, he will be well placed to feed into all those discussions to ensure that we have a credible system. I acknowledge that there is a lot of concern out there that the regulatory regime for greyhound racing is not fit for purpose—I hate that phrase—in the modern age. It certainly needs improving. We have made it absolutely clear to the greyhound racing authorities that if they do not get their act together, we will not hesitate to introduce statutory regulations to secure the welfare of greyhounds.

The hon. Gentleman was right to encourage more people to adopt greyhounds and look after them when their racing life has finished. Sadly, I do not own a dog, but if I had a pet, I would have a dog. I am sorry to disappoint Cats Protection, but I would go for a dog rather than a cat. The league was very nice to nominate me for an animal welfare award this year, which I won, but I was open with it that I was a dog person rather than a cat person. My partner recently bought me a pet stuffed dog as compensation for the fact that we do not really have a lifestyle that is conducive to having a real one, but one day I hope that we will. The hon. Gentleman is right to say that we all have a responsibility to ensure that greyhounds have a decent life both when they are racing and when they are retired. Some of the measures that we will introduce on greyhound racing will help us deliver that.

Electric shock collars were debated at considerable length during the passage of the Animal Welfare Bill. In that context, my hon. Friend the Member for Portsmouth, North (Sarah McCarthy-Fry) has introduced a private Member's Bill that is due to be debated next Friday. If the hon. Gentleman was not already aware of that, he may want to have a look at his diary to see whether he wants to be around for that debate. We have not given a commitment to ban all the devices that people generally refer to as electric shock collars, partly because we have listened carefully to some owners and trainers who say that, as a last resort, to prevent an animal from having to be put down, they can serve a useful purpose. The invisible fence types are particularly useful for people living in the countryside to prevent their dogs running away or worrying farm animals such as sheep and so on, which could lead to the dog being shot. They also may prevent dogs running on to a road and causing an accident.

I am aware of the concerns of the Dogs Trust and other animal welfare organisations that we should take action on electric shock collars, and we are in the process of commissioning some research. One of the difficulties is that there is no real scientific research on the welfare problems associated with such collars and whether they outweigh the advantages that those who advocate their use claim. I hope that people who use them do so responsibly. The cruelty clause of the Animal Welfare Act contains powers to prosecute people who abuse them. It is something that we keep under review. I had a long conversation with my hon. Friend the Member for Portsmouth, North about the issue when she came to see me to raise some of the concerns that the hon. Gentleman raised and that have been raised with him by the Dogs Trust.

As someone who takes an interest in these issues, the hon. Gentleman will be interested to know that as part of the Animal Welfare Act we shall introduce a dog code of practice, which will help to address a number of things, including the concerns he raised about information for prospective dog buyers before they embark on a choice of breed and his concerns about puppy farming. The code is likely to be based on the five needs detailed in the Act and provided for us by the Royal Society for the Prevention of Cruelty to Animals. It is intended that it will be completed in draft by the end of 2007, with a view to its being made available to the public in 2008. It will be introduced to Parliament through the negative resolution procedure, and we are working with colleagues in Scotland and Wales to make sure that we have a joined-up approach in the three countries.

I hope that I have not missed out any of the issues that the hon. Gentleman raised and that I have reassured him that the Government take the welfare of dogs seriously, both through animal welfare legislation and other measures. I welcome his interest in the matter, as, I am sure, do his constituents.

Question put and agreed to.

Adjourned accordingly at twenty-five minutes past Six o'clock.

House of Commons

Friday 20 April 2007

The House met at half-past Nine o'clock

PRAYERS

The First Deputy Chairman of Ways and Means took the Chair as Deputy Speaker, pursuant to the Standing Order.

9.33 am

Mr. Andrew Dismore (Hendon) (Lab): I beg to move, That the House do sit in private.

Question put forthwith, pursuant to Standing Order No. 163 (Motions to sit in private):—

The House divided: Ayes 0, Noes 54.

Division No. 093] **[9.34 am**

AYES

Tellers for the Ayes:
Martin Linton and
Mr. Greg Knight

NOES

Ainsworth, rh Mr. Bob
Bailey, Mr. Adrian
Baker, Norman
Bellingham, Mr. Henry
Blackman, Liz
Brown, Lyn
Brown, rh Mr. Nicholas
Burnham, Andy
Cawsey, Mr. Ian
Creagh, Mary
Davies, Philip
Donohoe, Mr. Brian H.
Dowd, Jim
Evennett, Mr. David
Fabricant, Michael
Field, Mr. Mark
Fitzpatrick, Jim
Gibson, Dr. Ian
Goggins, Paul
Gray, Mr. James
Healey, John
Heppell, Mr. John
Howarth, Mr. Gerald
Hughes, Simon
Irranca-Davies, Huw
Jowell, rh Tessa
Keen, Alan
Keen, Ann
Ladyman, Dr. Stephen
Mackay, rh Mr. Andrew
Maclean, rh David
McAvoy, rh Mr. Thomas
McCabe, Steve
McGuire, Mrs. Anne
McIsaac, Shona
McLoughlin, rh Mr. Patrick
McNulty, Mr. Tony
Mudie, Mr. George
Munn, Meg
Neill, Robert
Newmark, Mr. Brooks
Osborne, Mr. George
Ottaway, Richard
Pearson, Ian
Pelling, Mr. Andrew
Prentice, Bridget
Randall, Mr. John
Shepherd, Mr. Richard
Snelgrove, Anne
Spellar, rh Mr. John
Sutcliffe, Mr. Gerry
Thomas, Mr. Gareth
Touhig, rh Mr. Don
Watson, Mr. Tom

Tellers for the Noes:
Helen Jones and
Mr. Andrew Dismore

Question accordingly negatived.

Norman Baker (Lewes) (LD): On a point of order, Madam Deputy Speaker. We have just had a Division in which no Members voted for the proposition that the House should sit in private, following the call for that to be subject to a vote. Surely, with due respect, we ought to test the feeling of the House. Generally, when votes are taken on matters, an attempt is made to establish whether there is some support for a measure—and obviously there is no support for this one. Is it possible for only one Member to require a Division in this situation?

Madam Deputy Speaker (Sylvia Heal): It is possible, but the House has made a decision and therefore we will not be sitting in private.

Orders of the Day

Freedom of Information (Amendment) Bill

As amended in the Public Bill Committee, considered.

Clause 1

EXEMPTION OF HOUSE OF COMMONS AND HOUSE OF LORDS

9.46 pm

Simon Hughes (North Southwark and Bermondsey) (LD): I beg to move amendment No. 9, in page 1, line 3, leave out subsection (2) and insert—

'2 In Part 1 of Schedule 1 (public authorities) after "House of Commons", insert "but in relation to the House of Commons only in relation to information concerning the expenditure of any member of that House in execution of their public duties".

2A In Part 1 of Schedule 1 (public authorities) after "House of Lords", insert "but in relation to the House of Lords only in relation to the information concerning the expenditure of any member that House in execution of their public duties."'.

Madam Deputy Speaker (Sylvia Heal): With this it will be convenient to discuss the following amendments: No. 1, in page 1, line 3, leave out subsection (2).

No. 3, in page 1, line 3, leave out 'paragraphs 2 and 3' and insert 'paragraph 2'.

No. 5, in page 1, line 3, leave out 'paragraphs 2 and 3' and insert 'paragraph 3'.

No. 4, in page 1, line 4, leave out 'relate to the House of Commons and the House of Lords' and insert 'relates to the House of Commons'.

No. 6, in page 1, line 4, leave out 'relate to the House of Commons and' and insert 'relates to'.

No. 32, in title, line 1, leave out 'exempt from its provisions' and insert

'to provide for certain exemptions from its provisions for'.

No. 33, in title, line 2, leave out 'the House of Commons and House of Lords and'.

No. 34, in title, line 2, leave out 'the House of Commons'.

No. 35, in title, line 2, leave out 'the House of Lords'.

Simon Hughes: I wish to speak to amendment No. 9, which stands in my name and in those of the hon. Members for Aldridge-Brownhills (Mr. Shepherd), for Stoke-on-Trent, Central (Mark Fisher) and for Caernarfon (Hywel Williams), and my hon. Friend the Member for Lewes (Norman Baker). The other amendments in the group stand in the same names.

We have a very serious matter before us today. This is a debate about whether there should be amendments to an Act that would restrict the freedom of information of the public on matters concerning this House and individual Members of Parliament. The Bill is seriously misguided, with the greatest respect to the right hon. Member for Penrith and The Border (David Maclean), who is trying to address a particular problem. The previous proceedings on the Bill, which in essence consisted of one hour's debate in Committee, revealed no evidence justifying a need for it.

I shall try not only to show how the present legislation appears to work, and to work well, in our interests, but to explain that it would be extremely bad politics, as well as extremely bad law, for us to seek at this stage, when Parliament is hardly the most well-regarded institution in the land, to exempt the House of Commons or the House of Lords, or both, from the provisions of the Freedom of Information Act 2000.

Mr. David Winnick (Walsall, North) (Lab): What would the hon. Gentleman say to those who say that the House of Commons decides on freedom of information for almost everybody, but is attempting to exempt itself? Does not that make a mockery of the House of Commons? If this measure was passed into law, which I hope that it will not be, it would do a great disservice to Members of Parliament, because the inevitable reaction would be, "Well, of course, MPs have something to hide." I hope that none of us has anything to hide, but the suspicion will be that we are trying to hide our expenses, travelling allowances and the rest of it. That would do a grave disservice to Parliament.

Simon Hughes: The hon. Gentleman makes a strong point very early on, and I am grateful for that expression of a clear view. He has been a Member of this House for an extremely long time, and for the whole of the period of the debates he has argued for freedom of information. He will remember, as I do, that one of the things that the Labour Government did, to their credit, when they were first elected was to take up the argument, which had been going on for a very long time, that we should have freedom of information legislation, and undertook, as we both argued at the time, that that should be coupled with the protection of data by other legislation. Both those regimes are in place, covering thousands of organisations and public authorities. Every Government Department, local council in the land and agency of the public service in the land is obliged to be open about what it does.

All the evidence from the United States and other countries with freedom of information legislation is that that has been a good thing. For example, it has made for better environmental standards, better water quality and better quality of administration and of public service. Like the hon. Gentleman, I would be extremely perturbed. In the past few days, as the reality of this Bill has become more widely known, it has become apparent that the public would be very concerned. At the very moment when we were trying to establish that we were doing a decent job for our constituents, the Bill would have the direct consequence of exempting information on how we spend our money, what contracts we place and our expenses, unless we voluntarily agreed to provide it. Voluntary agreement has never been an acceptable answer for Government Departments, Government agencies or local authorities, so it should not be acceptable for us. Although Mr. Speaker has indicated that the intention of the Speaker's Office and of the Commission would be to carry on as we are, there would be no guarantee of that; we could rescind that at any time, by one vote. That position is completely unacceptable.

The further point, which the hon. Member for Walsall, North (Mr. Winnick) made well, is that the

Bill would mean that although, back in the late 1990s, we came to a considered conclusion that Parliament should be included in freedom of information legislation, suddenly, with no proper consideration, consultation or taking of evidence, we would exclude not lots of people and organisations, but only ourselves—and for those really lucky, good people, we may let them see some things because we are very kind and generous. That would be the implication and that is why the proposition is fundamentally mistaken. It is also one that comes to us having had no serious consideration.

Mr. Andrew Dismore (Hendon) (Lab) *rose—*

Simon Hughes: I shall make one more point before giving way to the hon. Gentleman.

One thing is seriously troubling, and I accept that we are all at fault in one sense. The right hon. Member for Penrith and The Border was quite entitled to draft his private Member's Bill, bring it to Parliament and have it put on the Order Paper. When he moved the Second Reading on 19 January, the rest of us were taken by surprise and objections were not made. Had they been, we would not have been in our position today, because the Bill would have been put back and had a Second Reading later, if at all. The Bill has not had a Second Reading involving any debate, only one that put it through on the nod. What was disturbing was that at that moment, the Government, who usually make it clear that they are willing to object at that stage so that there can be a debate, were silent; the Whip on the Treasury Bench who would usually object to make sure that a private Member's Bill was properly debated, was silent.

The rest of us should have spotted what had appeared at the bottom of the list. Although somewhat belated, opposition will be heard in its full form today, and, if the right hon. Gentleman persists, later as well. However, it was very sad that the Government did not object on 19 January. The clear implication was—I read the speech made by the Minister in Committee—that the Government would be neutral about the issue. I understand that position, but usually the Government will facilitate an opportunity for debate even if they are neutral about a Bill. So far, they have not done so in this case.

Mr. Winnick: The usual channels wish to make the Bill pass into law. My Government brought in the Freedom of Information Act 2000—all credit to them for that; the previous Government had refused to do so. However, there is a suspicion that the Government are collaborating with the right hon. Member for Penrith and The Border (David Maclean), who has introduced this private Member's Bill.

Simon Hughes *rose—*

Madam Deputy Speaker: Order. We are debating the group of amendments that I have already mentioned; that is the scope of the debate at present.

Simon Hughes: Obviously, I accept that, Madam Deputy Speaker.

I wanted to report what the Minister said accurately— she rightly said that she was not taking a view. I want to make my position and that of colleagues clear on the amendments. This is a Friday, and it is the tradition of this House, strongly supported by Mr. Speaker and you and your colleagues Madam Deputy Speaker, that there should not be whipped votes on Fridays. I should like to make it clear that there is no whipped vote on the Liberal Democrat Benches. I shadow the Government on constitutional issues; I oppose this Bill and shall say so. Colleagues will form their own views. However, I am clear that the amendments are personal to the colleagues who have supported them.

Madam Deputy Speaker: Order. I remind the hon. Gentleman that, at this moment, we are discussing the group of amendments to which he is a signatory. That is what the debate is about.

Simon Hughes: Of course, Madam Deputy Speaker. The first of the group is amendment No. 9, to which I shall turn in a second. However, I said that I would give way to the hon. Member for Hendon (Mr. Dismore).

Mr. Dismore: The hon. Gentleman has moved on a little from the point that I want to make. Mr. Speaker has made it clear that expenses and allowances would continue to be published. As the hon. Gentleman knows, I tabled a new clause—unfortunately, it has not been accepted—that would have put that stipulation in the Bill. That would have been preferable, but the fact remains that it is inconceivable that our allowances would not continue to be published as they are at present. The public would expect that, and nothing in the Bill would stop that.

Simon Hughes: The difference is that if the legislation stated that allowances should be published, they would have to be, because people would ask for that. My hon. Friend the Member for Lewes was one of those who did ask that allowances in relation to travel expenses should be published, and they were—but only after he had to take on the matter, not only with the House authorities and the Commission, but in a tribunal. The alternative, in the Bill, is that such disclosure would be discretionary, as the hon. Member for Walsall, North said.

Norman Baker (Lewes) (LD): It is worth putting it on the record that the House of Commons Commission resisted tooth and nail the call for MPs' travel expenses to be published at every stage for two years. It used expensive lawyers to try to fight its case, with no regard to the cost involved, even when it was clear that the Information Commissioner recommended that the expenses should be published.

I make no comment about individuals holding particular positions, but it is clear that in their own behaviour as a body, MPs have not shown consistency or a guarantee that they will allow such matters to be published in due course, as has now been allowed. The only guarantee that could be given would be if those expenses had to be published under freedom of information legislation. If we give discretion, there will inevitably be pressure from MPs to rescind that position.

Simon Hughes: Amendment No. 9, the first of the group, addresses the first clause of the Bill, which would amend the Freedom of Information Act 2000 in particular ways. Clause 1(2) of the Bill would omit

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from part 1 of schedule 1 to the 2000 Act the two paragraphs that list the public authorities governed by the Act. At the moment, that list includes the House of Commons and House of Lords. The schedule contains a long list, which people can look at, of all the public authorities, and the House of Commons and House of Lords would be removed from it.

I shall go through each of the amendments so that people are clear about what we shall vote on later. Amendment No. 9 would insert after "House of Commons":

"but in relation to the House of Commons only in relation to information concerning the expenditure of any member of that House in execution of their public duties".

The first proposition of which I want us to be aware and which we are considering is exactly that referred to by the hon. Members for Hendon and for Walsall, North, from different sides of the argument. It is that there could be an argument about the obligation to disclose expenses; we could say that, as an alternative, we want to keep in the obligation to do so, but nothing else. Both propositions are unreasonable, but we have tabled amendment No. 9 because we want to focus the attention of colleagues on the fact that expenses are one of the issues. We could amend the Bill, as the amendment proposes, so that the schedule listing of the House of Commons applied only to information about the expenditure of hon. Members

"in execution of their public duties".

Would that be enough? My colleagues with whom I have discussed the matter, especially my hon. Friend the Member for Lewes, say that it would not.

10 am

Although the expenses issue has been successfully contested—the information tribunal said that we must reveal travel expenses—there are other matters to do with the work of the House of Commons that we should be willing to divulge, for example, the cost of running the place, the cost of improvements that we make to the place, information about the number of visitors and the amount of revenue that visitors bring in, the amount that we pay generically—information about individual pay is protected under data protection legislation—to our catering staff. Other examples are regulations that guarantee minimum wages, any plans for reform of the institutions, information about how many more staff we might consider employing, whether we considered buying new computer equipment and whether we had any problems with our computers. There is a long list of things that might be of significant interest to the public and are not simply to do with the expenditure of individual Members of Parliament.

The matter that has been most in the public domain is the expenditure that individual Members of Parliament incur. I hope that everybody realises that the declaration and publication of expenditure has put pressure on all of us to consider whether we can justify it. Scotland has a far better and more open freedom of information system—much more information in the Scottish Parliament is open to the public. The Scottish Parliament is governed by separate legislation and has a different regime, which is possibly one of the best in the world. Evidence from the Information Commissioner in Scotland shows downward pressure on expenses. That is on the public record. Such pressure is a good thing. Evidence in a note that the Campaign for Freedom of Information supplied about expenses divulged, for example, by the Metropolitan Police Commissioner, other police commissioners or authorities and other agencies, shows that, once people have to declare how much they spend on taxi fares, meals, entertaining, travelling by bicycle, car, plane or train, it leads to a proper public debate. We are all trying to be more environmentally responsible and it is good that information about our air travel—its cost and frequency—and about train travel as an alternative is in the public domain. It is therefore not sufficient to say that we want to keep only expenses exempt, even if that was the intention of the promoter and of the hon. Member for Hendon.

It is not only the expenditure of Members of the House of Commons that is of interest. Proposed new subsection (2A) in the amendment relates to the House of Lords. It proposes guaranteeing that the expenditure of individual Members of the House of Lords in the execution of their public duties remained subject to the Freedom of Information Act, even if other matters were not.

Until recently, I did not realise that expenditure of Members of the House of Lords in the execution of their duties has so far been subject to much less scrutiny than that of Members of the House of Commons. I do not say that to take sides against colleagues in the Lords who have debated the matter. We have hundreds of colleagues at the other end of the Corridor, and the proposal for reform of the House of Lords would increase that number in the short term even if it reduced it in the long term.

Members of the House of Lords do not receive a salary plus expenses as we do, but an allowance for attendance and other allowances that follow from that. They are "ticked in", as it were, if they turn up on a specific day, and there is a maximum allowance that they can claim. They can then claim maximum allowances for travel, overnight stays, food, secretarial expenses per day and so on. I recently discovered that all those allowances are tax free. I do not know whether that is widely known by the public. Our salaries are taxable but, because Members of the House of Lords do not get salaries, their allowances are not taxable but are instead regarded as expenses for attendance.

The number of Members of the House of Lords who claim the maximum allowance on every occasion is not publicly known. It is not known how many claim the maximum daily attendance allowance if they stay for a minute, an hour or the whole day or how many claim the maximum amount for accommodation if they stay for only a day. That is of significant public interest. They are legislators. We can debate how they get to be legislators; some of us believe that we need to reform the House of Lords into a predominantly or wholly elected second Chamber, and we voted accordingly the other day. However, it is vital that the public have the same access to information about individual expenses incurred by Members of both Houses. It is therefore proper to include the House of Lords.

When we consider the second group of amendments—later today, next week, next month or later in the year—we will discuss the changes that the Bill introduces to communication with Members of Parliament. The right hon. Member for Penrith and The Border is now trying to limit the proposal to the House of Commons. Amendment No. 9 would deal with the expenses of both Houses. I hope that all colleagues will agree that information about the expenses of all Members in the execution of their duties should remain available to the public and accessible as of right, not of discretion. That must be the principle.

Norman Baker: There is a further point to make. The Information Commissioner has ruled, after careful consideration, and the information tribunal has supported him, that information about Members' expenses should be released in its current form. Does my hon. Friend agree that, if we moved back from that position and exempted Members, as the Bill suggests, it would fatally undermine people's confidence in the Information Commissioner and the tribunal process?

Simon Hughes: I agree. In some ways, it would be worse. My hon. Friend, with *The Sunday Times*, applied to ensure that information on expenses was made available—a similar application was made in Scotland, by newspaper representatives by and large. It would be unacceptable if, in the year that we received the tribunal's judgment—indeed, in the few weeks following the decision—that such information must be publicly available, Parliament said, "You fought the battle, O House of Commons Commission, and lost, and you've taken it to the highest tribunal you can, but now we're immediately going to change the decision." It would undermine all the arguments that we are trying to present that local councils, Government agencies, quangos and Departments should have to provide information. Having set up a process that provides for an adjudication system, undermining it would be bad news. One of the great merits of the system is that it has an Information Commissioner halfway up the tree, who is the watchdog on behalf of the public.

Elsewhere, we are having a debate about the Government's attempt to increase fees and reduce people's ability to make repeat applications. That is another potential threat to people's ability to access information from public authorities. In the same year, there would be a move from Government, and, at the same time, from Parliament to reduce people's ability to access information.

Mr. Winnick: I do not in any way question the good faith of Members, let alone officials, who took the case to the information tribunal. I have the ruling here with me. Would I not be right, however, in reaching the conclusion that the House itself did not discuss the matter, so that no decision was reached by the House in debate? That led to the case going forward to the tribunal. Had there been a debate on the subject, perhaps the House would have taken the view that there was no justification for withholding the information about Members' travelling expenses.

Simon Hughes: I stand to be corrected by any hon. Member present, but I think that the hon. Gentleman is right to say that the decision was taken by the House of Commons Commission, which is chaired by Mr. Speaker and includes representatives of at least three of the political parties. I do not think that any debate was brought to the Chamber by the Commission: it took the view that it did and instructed Officers of the House to do its bidding. They did so and the case was defended. I do not yet know the costs to the public—it is not us who pay for it out of our pockets; it comes out of public provision—of fighting all those battles, though perhaps my hon. Friend the Member for Lewes does. As well as Clerks, we employ parliamentary counsel and others who are paid, perfectly properly, out of the public purse. If we employ external barristers, solicitors and others, they, too, will be paid out of the public purse. There will be costs, but the hon. Gentleman is right to say that the matter did not come to us for deliberation. That is not to say that every decision that the House of Commons Commission takes should come to us. Indeed, we set up the Commission precisely to do much of the work on our behalf.

Madam Deputy Speaker: Order. I must remind the hon. Gentleman yet again that he should be speaking to his amendment.

Simon Hughes: I was responding to the point put to me by the hon. Gentleman.

Amendment No. 1 is a more whole-blooded amendment than amendment No. 9. Amendment No. 1 would prevent the removal of the House of Commons and the House of Lords from the scope of the Freedom of Information Act. It is my preferred position and we support that amendment. I believe that, when the time comes, the House should be able to express a view on this amendment, as well as on amendment No. 9, which deals with a separate issue. It is a more limited provision, but guarantees that expenses and other financial matters relating to Members of the Commons and the Lords can be protected and allowed to remain in the public domain.

Amendment No. 3 provides a variation on the theme. When we drafted these amendments, I had no idea what the House's view would be. I took the view that it was important separately to consider whether the Commons and the Lords should be exempt from the application of the Freedom of Information Act. Amendment No. 3 would remove only the House of Commons from that Act, leaving the Lords within its scope. It would then be for the House of Lords to decide whether it wished to amend the Bill further to provide for its own exclusion. This is a private Member's Bill, which has not got through its stages in this House. If it were to get through those stages, in whatever form, it would go to the House of Lords, which could then add or take away as it saw fit.

As it happens, I take the view that, as Members of the elected House, we are entitled to reach and express our view about freedom of information rules even as they apply to the House of Lords. It should not be left to the other place. I take the view that the Lords should be as open by law to public inquiry as we are. It is a legislature and we have the right to say that. Even if

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their lordships were to take a different view, I would hold to my view. I do not know that they would take a different view: we have not tested it and when it went through

in the first place, there was no opposition to the proposition that the House of Lords should, like the House of Commons, be subject to freedom of information legislation. Amendment No. 3 would allow us to consider the House of Commons and House of Lords separately. Colleagues may wish to support the amendment, if that is their view.

Mr. Richard Shepherd (Aldridge-Brownhills) (Con): One should not forget that this matter was subject to pre-legislative scrutiny by both Houses, so the hon. Gentleman is raising a very germane point.

10.15 am

Simon Hughes: It was indeed. Let me remind the House how the position that we are now in came about. It was not accidental. The original draft Bill produced by the Labour Government did not include Parliament in the provisions for freedom of information. We were not included. As the hon. Gentleman rightly reminds us, Committees of this House along with others addressed the question even before pre-legislative scrutiny.

I have with me the three volumes of the third report of the Select Committee on Public Administration for the 1997-98 Session. It is entitled "Your Right to Know: The Government's Proposals for a Freedom of Information Act", and it lists the members of the Committee as: "Mr. Peter Bradley, Mr. Ronnie Campbell, Dr. Lynda Clark, Mr. Mike Hancock, Miss Melanie Johnson, Mr. Fraser Kemp, Fiona Mactaggart, Mr. Rhodri Morgan, Mr. David Ruffley, Mr. Richard Shepherd and Mr. Andrew Tyrie". Mr. Rhodri Morgan, now the First Minister in Wales was elected Chairman of that Committee. There was a change half way through, as the hon. Member for Slough (Fiona Mactaggart) left and—

Madam Deputy Speaker: Order. I can allow a brief reference to the Select Committee, but I do not think that we need to know the details of its membership.

Simon Hughes: I am detailing the membership because some of the hon. Members in their places today signed up to a point of view expressed in the report. I want to say what that view was. It is important because this Select Committee was most influential in changing the view of Parliament about what should happen.

The Public Administration Committee looked into issues concerning the exclusion of Parliament from freedom of information legislation. I want to read paragraph 37 and its conclusion into the record. That is what changed the direction of travel, as it were, of this aspect of the legislation. The report was published on 19 May 1998. Paragraph 37 of the first volume states:

"We have not taken evidence on the exclusion of Parliament, which we expect to be the province of the Joint Committee on Parliamentary Privilege. We have, though, been somewhat surprised that it should be excluded. To the extent that Parliament's proceedings already take place in public, of course, the exclusion does not matter. The Government's background paper explains that inclusion might be taken to be 'an implied repeal of the Bill of Rights which declares "that the freedom of speech from debates or proceedings of Parliament ought not to be impeached or questioned in any court or place out of Parliament"'. Proceedings of many Committees take place in private, and the privacy of these would need to be respected. However, the proposed exemption for the integrity of decision-making is likely to protect these discussions. The papers held by individual Members, parties and their Committees do not relate to Parliament's public functions and would therefore not, presumably, be covered by the Act, just as the political and constituency papers of government Ministers held in government departments will not be disclosable. Papers sent by Members to Ministers and departments may well, however, be covered by the Act in any case. But there are many administrative functions carried out within Parliament which, it seems to us, do not need to be protected, any more than do those of the police"—

that is the telling line. It then continues in bold:

"The justification for the exclusion of Parliament has not been made out. The exclusion may well convey the wrong impression to the general public, given the purpose of this legislation. We hope that the Joint Committee on Parliamentary Privilege will review this question, and we recommend that the Government re-examine the exclusion of Parliament in the light of its Report."

It went to a senior Committee of this House, which said that Parliament should be included.

I am pleased to say that the Government responded to it. The present Leader of the House, the right hon. Member for Blackburn (Mr. Straw), then Home Secretary, introduced proposals in the Bill that included Parliament within its terms—and they were not controversial. There was no significant debate about it, either in this House or in the House of Lords. So I have to draw the conclusion that, having thought about the issue as we prepared for the legislation, it would have surfaced as a concern if anyone had thought that it was the wrong approach to adopt.

There is a further reason why it is bizarre to suggest that we should return to this question in 2007. Although the legislation was passed in 2000, it did not come into force until 2005. It had a five-year gestation period, which is an unusually long time. The Liberal Democrats kept asking the Government when it would come into force, and the Government told us that they needed a lot of time to put it into operation. I understand that, but no protests were made at that time. Nobody said that Parliament should be exempt. I take the point made earlier by the hon. Member for Walsall, North. If, at any point before the implementation date in 2005 any Member of Parliament had said, "This is a bad thing. We should have discretion to decide if and when we will release information", it would have given a very bad impression. The point is, however, that no one did that.

Amendment No. 5 proposes to

"leave out 'paragraphs 2 and 3' and insert 'paragraph 3'."

That would mean leaving out the references to the House of Commons and the House of Lords and replacing them with a reference to the House of Lords. That would ensure that communications by a Member of Parliament with a public authority would not be exempt. This takes us into a whole new set of territories. The right hon. Member for Penrith and The Border has argued that his communications with his constituents would be liable to be put in the public domain unless we amended the legislation.

I want to deal with the points raised on this issue in the Public Bill Committee on 7 February. Although this concern has been raised, I have read, re-read and read a third time every part of that relatively short Committee stage, and nowhere have I found evidence to suggest that that concern has been justified in fact. There is no evidence that publication of such information has occurred as a result of misuse of the system. This relates specifically to amendment No. 5. In Committee, the right hon. Gentleman said:

"Mr. Speaker has confirmed that even if the Bill becomes an Act, and even if technically or legally we will not have to publish information, the view of the House of Commons Members Estimate Committee and Mr. Speaker is that we should continue every October to publish the same information on travel, allowances, accommodation and secretarial costs that we have published in the past few years."

That deals with the first point, relating to discretion. The right hon. Gentleman then deals with the second issue:

"The other main point of principle is the new vexed problem relating to our correspondence. I am sure that colleagues of all parties have become aware of it. In theory, our correspondence is protected."

So there is common ground to start with; our correspondence with public authorities is protected. The right hon. Gentleman goes on:

"If somebody asks to see copies of letters that we have written to a public authority we can, if we wish, say no."

That is the first, important protection. He continues:

"However, some people are now going to the public authority by the back door—albeit legitimately—and asking for copies of files relating to individuals."—[*Official Report, Freedom of Information (Amendment) Public Bill Committee*, 7 February 2007; c. 6.]

That is true. I do not dissent; the right hon. Gentleman is correct. Requests have been made for such information. He goes on:

"Theoretically, if that public authority carries out all the procedure—"

Madam Deputy Speaker: Order. The hon. Gentleman is straying into the second group of amendments. The second group deals with communication with Members of the House of Commons. The group that we are now debating deals with the exemption of the House of Commons and the House of Lords.

Simon Hughes: I will of course follow your direction, Madam Deputy Speaker, and I am aware that the second group has that as its principal theme. The reason that I have raised the matter here is that amendment No. 5, which would replace the references to the Commons and the Lords with a reference only to the House of Lords, would mean that we would no longer have an exemption as a public authority. May I suggest, therefore, that there is an overlap between the two groups? I understand that we must try to separate the two debates, but I was trying to do justice to the fact that this amendment would mean that we were no longer a public authority for any purposes, which would change the status of the relationship. I wanted to honour the point that the right hon. Gentleman made about there being a double concern. I shall be happy to make more substantive points about that second issue when we debate the second group of amendments.

Mr. Henry Bellingham (North-West Norfolk) (Con): The hon. Gentleman has confused me.

Simon Hughes: I beg the hon. Gentleman's pardon.

Amendment No. 4 is consequential to amendment No. 3, and amendment No. 6 is consequential to amendment No. 5. I was advised that, if we were to deal with certain aspects of our public activity—namely, the keeping of expenses and accounts—we would need to change the long title of the Bill. Amendment No. 32 deals with the consequential change to the long title, which would reflect the fact that there were certain exemptions from the provisions of the legislation, rather than a total exemption. Amendment No. 33 would cover any changes to the title, depending on whether we decided to exempt the Commons, the Lords or both. The long title would need to reflect those changes. Amendments Nos. 34 and 35 cover the same subject.

I want to make a few more points on the substance of the provisions, but I shall rein myself in from talking about communications. I shall limit myself to talking about the processes of this place. As I said earlier, one of the great benefits of the present system is that, because our activities are now much more in the public domain, we have had to become much more accountable. The public are telling us that they want us to be as accountable as possible. They want to know what we are doing and, in particular, they want to know how we are spending money on their behalf. It is not good enough for us to say that we should decide whether we are going to follow that principle by law. It is difficult enough when we fix our own salaries. We make that decision, and that is invidious enough. It would be regarded as completely beyond acceptable if we were to say, "You may not have some or all of the information about what we do."

We already have important data protection legislation. No one has suggested, for example, that, in revealing information about the functioning of the House of Commons, we should have to reveal the amount of money that we give to the staff whom we employ. My hon. Friend the Member for Lewes has never suggested that, and I think that the tribunal case made this point clear, although I stand to be corrected on that because he will remember the details better than I can. Such revelations appear to be outwith the freedom of information requirements. The amount of money that we receive as an allowance to pay for staff is about £80,000. I use that money perfectly properly to pay my four members of staff through the Fees Office in the normal way. That is, of course, a matter of public record. Members could, in theory, employ a single staff member on that salary, or use the money to pay two, three or four. In the past, Members—including me—have contributed much more than the allowance for staff purposes. But no one is suggesting that information about individual salaries and the individual contracts of individual members of staff should be included.

10.30 am

Norman Baker: The tribunal, which considered the matter in some detail, conducted an analysis of the interaction between the Freedom of Information and

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Data Protection Acts, which had not been done in that way before. I suggest that Members read the judgment and study its consequences. One sentence reads:

"We consider our decision"

—on travel expenses—

"will only result in a very limited invasion of an MP's privacy considered in the context of their public role and the spending of public money."

The judgment reinforced the importance of data protection, and the fact that sensitive material is already protected.

Simon Hughes: My hon. Friend has dealt with the general point, but let me give another specific example. Obviously, no one wants a Member who represents a constituency outside London and who legitimately claims an allowance to cover the cost of living in London to have to state whether he or she has spent the money on installing a yellow bathroom suite or a white bathroom suite, or on improving a flat that he or she is renting from Mr. X or Mrs. Y. There is clearly a limit, and we all understand that. What is of proper concern to the public is information that allows people to know that we are using our money properly.

It is perfectly proper for individual Members of Parliament, acting on behalf of their constituents, to visit, for example, a Government agency to inquire about work that is being done. I am having a number of problems with the tax credit service, and am writing a great many letters to a man who is in charge of it, whose office is somewhere in the north of England. I have asked to meet him. I hope that he will come to London to discuss the cases of concern with me, but if he says "I cannot go to London but you are welcome to come and see me," of course it will be justifiable for me to travel to Blackburn, or wherever it is, on behalf of my constituents, and the disclosure of the cost of my train journey will be covered.

What emerged in the Scottish example was that there had been a misuse of funds. A Member of the Scottish Parliament had wrongly claimed expenses for a trip to the party conference. I think he paid the price, and gave up his position as leader of his party in the Parliament. Clearly the public need to know that we are not mixing party spending, which is accountable and is governed by specific rules—we raise money for it locally and receive Short money; discussions are taking place about whether there should be other sources—with our parliamentary expenditure.

All this, obviously, is about our expenditure in our capacity as Members of Parliament. It does not affect anything done by the Under-Secretary of State in her capacity as Minister; that is dealt with separately, quite properly. I am sure that, like the rest of us, the hon. Lady understands the distinction. She knows exactly what are her constituency obligations, which she will continue to fulfil, and she is perfectly entitled to claim recompense for money that she properly expends for that purpose.

A culture has begun to develop in which public authorities are open to scrutiny. There was a great deal of resistance to it originally, but we all recognise that if the taxpayer, the council tax payer or the business rate payer is paying for members of police authorities, chief executives, councillors or other public figures, he or she is entitled to know how that money is being spent. There used to be large abuses and considerable suspicion. Polls conducted by organisations such as Ipsos MORI have revealed the level of discontent, but—the point made by the hon. Member for Walsall, North is very germane in this context—the discontent is not normally with the local Member of Parliament.

People have a relationship with their MPs. They see them in their communities. They know what they do, and can judge whether they are active and competent. But they have a general concern: they feel that Parliament does not do its job properly, and that MPs are abusing the system. That is the central point in the debate. We must ensure that the House of Commons collectively is seen to be following the rules that we think everyone else should follow.

There might be an argument for the Bill if there had been any discussion of the issue before—if any Select Committee had conducted an inquiry, or if any evidence had been provided that it was a matter of public concern. The Bill is unusual, in that, however well motivated it may be, it has not justified its further progress because it has not received what was described by the hon. Member for Aldridge-Brownhills as the pre-legislative scrutiny that Bills should be given. Private Members' Bills come from a different place, as it were, but we are entitled to say "Hang on a minute: is the case made?"

One of our complex tasks if we were thinking of adopting these proposals—the tribunal case dealt with this very well—would be to explain to the public the interrelationship of freedom of information legislation and data protection legislation, both of which are not uncomplicated. Freedom of information governing United Kingdom public bodies applies throughout the United Kingdom, but there is separate legislation for exclusively Scottish bodies in Scotland. Northern Ireland has a separate regime, but it is governed by the legislation that applies here. The Northern Ireland and Welsh Assemblies are governed by the general proposition; there is no proposition in the Bill that either should be exempted, although that would be possible because their public authorities are on the same list as those specified in the United Kingdom legislation. The Bill does not propose an exemption for the London Assembly. The proposed exemption is solely for us—for the House of Commons and the House of Lords. It strikes me as ill-considered to concentrate on one part of the United Kingdom's constitutional arrangements, and to suggest exempting two Houses of the United Kingdom Parliament but no other Parliament or Assembly. There is no argument in favour of such a piecemeal approach.

I hope Members will conclude that, although there may be an issue of concern, there is no evidence to support the proposals in respect of communications between Members of Parliament and public authorities; and that exempting other parliamentary arrangements, such as expenses and administration, from the legislation and leaving them to our discretion would therefore be a move in entirely the wrong direction.

Norman Baker: My hon. Friend said that no public concern had been raised about the present arrangements. I would say that public concern had been raised, but in the opposite direction of travel from that suggested in the Bill. Evidence suggests that the public are very concerned and, sadly, do not hold Members of Parliament in very high regard. Surely the best way of dealing with that is to be as open and accountable as possible.

Simon Hughes: I was not arguing that there was no concern in the opposite direction. I have spent much of the last hour arguing precisely the reverse. There is plenty of concern that we should be accountable: the public want to know. I have heard no suggestion that we should be more secretive, take more power back to ourselves, and give ourselves discretion. I do not know whether the right hon. Member for Penrith and The Border really intends that part of the Bill to remain, or whether he now realises that the idea does not have much merit and, indeed, could prove extremely damaging politically; but such a move has not been supported in any argument that I have heard since the legislation came into operation. I have not heard a single member of the public say that he or she does not want the right to seek information of this kind.

I sincerely hope that the votes on this group of amendments will make it very clear that the House of Commons and the House of Lords should remain fully included in the freedom of information requirements, and that making information public should be obligatory for us, as it is for every other public authority. If we do otherwise, we shall risk undermining confidence in this place significantly at a time when we can ill afford to do so.

Mr. Winnick: I fully support the amendments that have been tabled by the hon. Member for North Southwark and Bermondsey (Simon Hughes). It is not my intention to make a long speech. I will put my points as concisely as possible.

There is no doubt that the reputation and standing of Parliament are at stake. It may be that the right hon. Member for Penrith and The Border (David Maclean) introduced the Bill with the best intentions. I have no reason to believe otherwise. I do not believe that he had any sinister reasons for doing so. I do not believe that he has anything to conceal himself. He takes the view that the Bill is in the interests of the House of Commons. I believe that he is wrong and misguided.

It would be disastrous—I can put it in no other way—if the Bill became law. The House of Commons would be saying that the Freedom of Information Act was all right for everyone else and information should be given by other public bodies and the devolved institutions, but we the House of Commons, having passed the Act, wanted to be exempt.

As I understand it, at the core of amendment No. 9 and the others is the belief that, on Report, we have to work on the basis that the Bill may become law, which I hope will not happen. That is all the more reason to amend it, so that it becomes more acceptable. As I have said, obviously I hope that that situation will not arise, but we have to work on Report on the basis that there is a theoretical possibility—I hope no more—that the Bill will become law.

In Committee on 7 February, the right hon. Gentleman read a letter from the Speaker. I understand that there is a reluctance in these matters to quote the Speaker, but perhaps I may be allowed to refer to what he said. I should quickly add that the Speaker was writing on behalf of the Members Estimate Committee. He said that even if the Bill became an Act, the House of Commons Members Estimate Committee would continue to publish every October the information on travel, allowances, accommodation and secretarial costs. I accept that that is the position, but in effect that would be optional, as the hon. Member for North Southwark and Bermondsey said. A future Members Estimate Committee may decide that that would not be in the interests of the House of Commons. Therefore, if the Bill became law and the Freedom of Information Act did not apply to the House of Commons, that information might not be published at all. The essence of the amendment is to make it necessary in law to publish the information.

In view of what I have just referred to, I find it a bit surprising that the authorities decided to fight the decision that information regarding travel allowances should be published. I have already said in an intervention that that was not debated by the House of Commons. I do not want to question the motives of those who decided to fight the decision. I am sure—I have no reason to believe otherwise for one moment—that they believe that they were acting in the interests of the House of Commons, but the fact remains that the matter went to the information tribunal. Lawyers argued the case on behalf of the House of Commons and I am glad to say that the House of Commons lost.

I quote paragraph 93 of the tribunal's decision:

> "Having considered all these interests we find that the legitimate interests of members of the public outweigh the prejudice to the rights, freedoms and legitimate interests of MPs".

It went on to say that, if the information is published, which it decided it should be, it

> "will only result in a very limited invasion of an MP's privacy".

For the life of me, I cannot understand why that information should be concealed. When we incur travel expenses we have to sign a form, rightly, from the Fees Office, as it used to be called, saying that the travel that we undertook at public expense arose from our parliamentary duties. Since the information has been published, I am not aware that any information has come to light that there has been abuse. I have not seen any evidence suggesting that we as Members of Parliament have been travelling extensively in a way that does not justify public money.

10.45 am

When I travel to my constituency, as I will be doing today, I will be using public money. There is nothing to hide about it. There is nothing that I wish to conceal. There is nothing that I would not wish the local press or the electorate to know. It could be argued that, if I travel to my constituency, the money should come out of my own pocket. I would obviously argue very differently and justify it to the electorate. For the life of me I cannot understand why that information is so sensitive and confidential that perhaps only MI5 should know about it. In all these matters, the test is: can we justify to the electorate what we are doing, what

we claim for our secretaries and research assistants, if we have any, how much money we spend on travel and the rest of it? If we cannot and if we do not want the information to be known to the local or national press or to the electorate, of course, we may conceal information that is embarrassing to us. But if everything is, as it should be, above board, why on earth should we want to conceal the information?

Simon Hughes: I am prompted by what the hon. Gentleman said to ask him what we would say if the European Parliament, where there has been some concern about the matter, suddenly decided that such expenses would not be disclosed and if Members of the European Parliament were entitled to say that they were not obliged to tell us what they spent on air fares or train fares. There has been abuse, but it has only emerged because it has been in the public domain.

Mr. Winnick: I can imagine the reaction in the House of Commons if the European Parliament did anything of the kind.

I come back to the point that I made in an intervention: the strong and cynical feelings, however wrong they may be, that would arise if the Bill were passed without the amendments and we did not have to disclose the information. Surely the reaction is bound to be, however much we may dislike it, that MPs have something to hide, and that having passed the 2000 Act for everyone else, we were exempt. That feeling would do no service to MPs. Suspicion would continue to exist that we are trying to hide information and have taken the necessary steps.

The hon. Gentleman mentioned the devolved institutions: the Scottish Parliament and the Welsh Assembly. As I understand it, there has been no attempt on their part whatever to conceal their expenses, so we would have a situation—let us be clear about it—where the European Parliament, the Welsh Assembly, the Scottish Parliament and the Northern Ireland Assembly disclosed information, which would be in the public domain—

Simon Hughes: And local authorities.

Mr. Winnick: Indeed. All the information concerning those elected bodies would be in the public domain. What about the House of Commons, the sovereign Parliament? It would appear that, while those other public bodies had to disclose, in law, rightly, how money was spent, we were exempt. How can we justify that? If the Bill were to become law, how could we go to our constituents and local newspapers and try to justify concealing this information?

I said that my remarks would be brief, and I have no wish to prolong my speech on this group of amendments, but let me repeat the following point. Although few Members are present in the Chamber, the standing and reputation of the House of Commons are at stake. It would be disastrous if the Bill became law, and if it is to become law that is all the more reason why the amendments should be passed, as that would give some protection—minimum protection, but nevertheless some protection as far as the public are concerned. However, I hope that when we come to vote on the Bill at half-past 2, sufficient Members will be present to ensure that it is rejected.

Norman Baker: I am sorry that we have to discuss this Bill. Regardless of the motives of the right hon. Member for Penrith and The Border (David Maclean)—I agree with the hon. Member for Walsall, North (Mr. Winnick) in that I have no reason to believe that they are anything other than proper—the timing of the Bill, and the matters that we are discussing in respect of the amendments, are unfortunate. As the hon. Member for Walsall, North and my hon. Friend the Member for North Southwark and Bermondsey (Simon Hughes) have said, the proposal to exempt the House of Commons and the House of Lords, which is at the heart of the Bill, sends entirely the wrong message at a crucial time.

It is a crucial time to seek to exempt the House of Commons and the House of Lords for a number of reasons. The flame of freedom of information has only recently been lit; it is not yet in the bloodstream—I apologise for mixing my metaphors—of the population and the public institutions of this country. There is a danger that the candle flame of freedom of information could yet be extinguished.

We in the House of Commons have fought for many years for freedom of information. That has been supported by the Labour party, and by the Labour Government who introduced the Freedom of Information Act 2000. It has also regularly been supported by my Liberal Democrat colleagues and by individual Conservative Members, such as the hon. Member for Aldridge-Brownhills (Mr. Shepherd), as well as by Members of the nationalist parties.

The freedom of information argument has finally been won, and Parliament is central; the role of Parliament—of the House of Commons and the Lords—is key. Freedom of information has been accepted as a concept, and the arguments have been won that openness and accountability in government and in Members' dealings in this House lead to better performance by Government in terms of how they discharge their duties and better financial management by MPs in terms of House expenditure and our personal expenditure as Members of Parliament. The argument has been won that secrecy tends to benefit only those who are corrupt, those who are incompetent or those who are careless with public money. We should not protect the people in any of those categories. The freedom of information regime that now applies to public authorities, and to this House in particular, and which we are discussing in respect of this group of amendments, has led to the beginning of a change in culture in this country and in this House as to how we deal with information. The role of the House of Commons in how we approach these matters is central.

If the House of Commons exempts itself through this proposed legislation—we are seeking to reverse that by means of amendment No. 1—that will not simply be a small matter to do with how we deal with MPs' expenses and with expenditure in this House such as on renovations, including the £422,000 spent by the House of Commons on the ludicrous covered walkway next to the turntable downstairs. Nor will it be a small matter to do with the environmental performance of the House, which is lamentable in many regards. However, it should be said that those issues tend to have been quite well concealed, which it might be thought is one reason why such expenditure and

performance have been lamentable. Freedom of information drives up the performance of public authorities. That is one of the sensible reasons to have it. Not only does it empower the people—important though that is—but it drives up performance.

As I have said, if we exempt the House of Commons and the House of Lords, that will not simply be a small matter to do with MPs' expenses. The ramifications of that decision will go far and wide out into society. That is why the Bill is so important, and why it is so important to defeat it.

Let us be clear what the consequences will be if the Bill is passed unamended, and if amendment No. 1 in particular is not accepted—I wish that to be voted on in due course. One important consequence would be to drive down further the reputation of Members of Parliament as a whole, which would be regrettable. We already feature below journalists in the list of trusted professions in society. I think that we are marginally above estate agents, although a friend has told me that we have fallen below them in terms of trustworthiness. If the Bill is passed and amendment No. 1 is rejected, that would drive down further the reputation of Members of Parliament both collectively and individually and the reputation of the House of Commons. I do not wish that to happen, and neither in their hearts do Members in all parts of the House, such as Liberal Democrat Members, Conservatives and nationalists. Nobody wants that consequence to result from the Bill, but that is what will happen if it is passed and amendment No. 1 is not agreed to. Members must decide on that.

If the Bill is not amended—by amendment No. 1 in particular—that will suggest that Members are guilty of hypocrisy. Members are not allowed to use that word about each other in this House, but plenty of members of the public are using that word in respect of the House because of this Bill. People are asking, "Why should Parliament be exempt from the legislation that Parliament itself has introduced and is now applying to other public authorities?"

Mr. Winnick: In all my experience I have never known of a situation in which a Member introducing a private Member's Bill has been so reluctant to defend it in public. Does the hon. Gentleman agree, and is this not the first time that that has happened?

Madam Deputy Speaker: Order. That topic cannot be part of the debate.

Norman Baker: I hear what you say, Madam Deputy Speaker, but I sincerely hope that those who wish to curtail the release of information will make the case for that. Thus far, that case has not been made. We have not had any justification for the removal from this legislation of the House of Commons and the House of Lords. We have not had any justification in respect of the issue to do with MPs' correspondence, which allegedly is at the heart of the Bill. We have not had any justification for MPs' and public authorities' correspondence being turned into secret documents marked "confidential". None of those matters has been justified.

It is germane to reflect on how we have arrived at this point. That is key to amendment No. 1 in particular. We have reached this point because there has been a private Member's Bill, which has been presented on a Friday, when, as Members know, long lists of Bills regularly fail. They fall over the cliff like lemmings at 2.30 pm—

Madam Deputy Speaker: Order. The hon. Gentleman has made reference to this subject, but I now wish him to address his remarks to the amendments in his name.

Norman Baker: I am happy to do so, Madam Deputy Speaker, and I was trying to do so; I apologise if I have failed in that objective. However, it is important to stress the following point. The scrutiny given originally by the Public Administration Committee in its document, the third report of the 1997-98 Session entitled, "Your right to know: the Government's proposals for a Freedom of Information Act"—

Madam Deputy Speaker: Order. I hope that the hon. Gentleman's reference to that will be very brief, so that he can return to the debate on the amendments.

11 am

Norman Baker: I will be brief, Madam Deputy Speaker, although with respect it is an important point in my argument, but clearly you will correct me if I stray too far. I was making the point that the Select Committee gave careful consideration expressly to the question whether Parliament should be exempt. We have heard from my hon. Friend the Member for North Southwark and Bermondsey that the Committee concluded:

> "The justification for the exclusion of Parliament has not been made out. The exclusion may well convey the wrong impression to the general public, given the purpose of this legislation".

MPs from all parties looked at the matter carefully, but by contrast we are now considering a Back-Bench Bill that until this morning has had only one hour's debate in a Committee chosen by the right hon. Member for Penrith and The Border.

Mr. Bellingham: The hon. Gentleman's colleague, the hon. Member for North Devon (Nick Harvey), was a member of that Committee and it is my understanding that the Committee was not guillotined and could have continued for hours. Does the hon. Gentleman not talk to his hon. Friend?

Norman Baker: Indeed I do. I very much hope that the hon. Gentleman has read the Committee report, as I have. If he has, he will see that my hon. Friend the Member for North Devon (Nick Harvey) expressed concerns about the extent of the Bill and its consequences. Some of the points I am making this morning were raised in that Committee—

Madam Deputy Speaker: Order. I advise Members that it is not the previous proceedings of the Bill that are relevant now but the amendments tabled by the hon. Gentleman and other Members.

Norman Baker: I hope you accept that I was responding to an intervention, Madam Deputy Speaker.

[Norman Baker]

I am in some difficulty because amendment No. 1 goes to the heart of the Bill, so it is necessary to explain, as I was trying to do, the general importance of freedom of information and the consequences for the House of exempting itself, which is what we want to reverse through amendment No. 1. If that exemption is not reversed, it will bring the consequences that I had begun to explain to the House.

I have already mentioned that MPs would be brought into disrepute and the allegation that we would be seen as hypocritical, but there are other consequences. In the House, we are keen to ensure that public authorities take freedom of information legislation seriously. I am sure that many Members have used the legislation to make inquiries, whether of the Environment Agency, local councils or whatever. We expect those bodies to respond fully and properly. Unfortunately, it will be more difficult for us to do our job and persuade those authorities to respond fully and properly under the Act if we have exempted ourselves from it. That would send out the message, "You must do one thing, we will do something else", which would bring the whole Freedom of Information Act into disrepute. It would fatally undermine it and could extinguish the candle flame that was lit not long ago. The Bill has enormous ramifications that go way beyond the narrow terms of MPs' expenses—important though they may be in their own small way.

By reversing the assumption that the House of Commons and the House of Lords would be exempt from freedom of information legislation, amendment No. 1 would address a further consequence of the measure, to which I referred in an intervention, and which relates to the Information Commissioner. The commissioner was appointed under the Freedom of Information Act and he is doing a rather good job, although he has insufficient resources to deal with all the matters brought before him. He has given careful consideration to MPs' expenses, covered in amendment No. 9, and to the general position of the House of Commons, covered in amendment No. 1. My application, to which I shall refer shortly, was a test case so it was given close scrutiny by the Information Commissioner. It then received close scrutiny from the information tribunal, which looked at all the arguments, including those we have heard from the hon. Member for Walsall, North and my hon. Friend the Member for North Southwark and Bermondsey today. The tribunal considered carefully the relationship between data protection and freedom of information. However, if we rejected amendments Nos. 1 and 9, we would be saying that the person appointed under the Freedom of Information Act and the information tribunal—the properly established body set up to assess appeals—can be overridden by a Back-Bench Bill that had no time on Second Reading, spent only one hour in Committee and is now being dealt with on a Friday morning, not in Government time.

To override the commissioner and the tribunal discredits them in the eyes of the public; they would be unable to do their job properly. Their writ would be overridden if they could be knocked aside by Members of Parliament in this faulty process. I do not think that we really want to undermine the Information Commissioner or the information tribunal, but that will be the consequence if the Bill is not amended by amendments Nos. 1 and 9, tabled by my hon. Friend and me and Members on both sides of the House. It is worth pointing out that the amendments are supported not merely by two Liberal Democrat Members, but by a Conservative Member, a Labour Member and a Plaid Cymru Member.

Mr. Winnick: If the amendments were not passed and the measure became law, what would be the position if the devolved Administrations decided that they, too, wanted to be exempt? What justification would we, the sovereign Parliament, have to say no, if they wanted the same exemptions as the House of Commons?

Norman Baker: The hon. Gentleman makes an extremely pertinent and valid point. The Bill has the potential to unravel freedom of information provisions throughout the public sector and throughout the country. There is no question but that Members of the Scottish Parliament have accepted, perhaps reluctantly in some cases, the need to be open about their travel expenses—the sort of thing we are discussing in relation to amendment No. 9—and have taken some flak for their openness. They have a more open system than we do, as have Members of the Welsh Assembly and Members of the European Parliament, members of local councils and the London assembly and so on.

We are the cornerstone of democracy in this country—the keystone of the bridge—so if we suddenly say that we are getting rid of provisions on openness, what will be the consequences in other Administrations? The Scottish Parliament, which makes its own laws on such matters, could decide to forget the provisions, too. It could say, "The House of Commons has got rid of the requirement to include itself in the legislation and to publish Members' expenses, so that gives us cover to revise our scheme, too." The Welsh Assembly could do likewise, and before we know where we are the Freedom of Information Act will be wrecked, which would be a tragedy for this country. We are finally emerging from years of secrecy, but the Bill is a major threat to that process. It may be a small measure in itself but it opens up a huge hole in that important legislation, which is, above all, why it must be rejected. That is why amendment No. 1 is the most important one on the Order Paper and why we should vote for it.

Simon Hughes: Has my hon. Friend seen the article in *The Scotsman* of 8 March, headed "Welcome to secret Scotland", which stated:

> "Scotland's public life remains shrouded in secrecy despite the Executive's flagship Freedom of Information Act, campaigners and experts warned last night"?

The culture of a completely open system in all public authorities has not yet been won; there are still areas of significant—

Madam Deputy Speaker: Order. I do not think that what is happening in the Scottish Parliament is relevant to this debate.

Norman Baker: Thank you, Madam Deputy Speaker, although to be fair to my colleague it will

become relevant if the Bill is passed, because the measure will set an example that we do not want replicated. That is the point of making connections between this place and elsewhere.

Amendment No. 1 is the important one, so if it were to be lost amendment No. 9 would, for me, be only second-best. However, as the hon. Member for Walsall, North pointed out, it would ensure that, whatever else happened, information relating to MPs' expenses and other financial matters would not be exempt from the Freedom of Information Act as the Bill would provide. We want to ensure that that does not occur.

Reference has been made to a letter from Mr. Speaker, which was read out by the hon. Member for Walsall, North. I will not repeat it now. Of course, I have no doubt whatever that Mr. Speaker's intentions are entirely as set out. How could I dare to suggest anything else? I have no reason whatever to think that. I make that as abundantly clear as I can. However, with respect, Speakers come and go. Cultures change. If something is not written down in law, there is no guarantee that a convention—that is what it would be—would survive.

Let us say that the culture against freedom of information increases, as it will if the Bill is passed, and freedom of information becomes seen—wrongly in my view—as not important, as expensive and as something that the country cannot afford in all sorts of ways. Let us say that that argument starts to triumph. Can we really say, hand on heart, that whatever the circumstances, the House of Commons will stick by a convention to publish MPs' expenses? Or will that be subject to some pressure at some future date for reasons that are indeterminate now, but that may well exist later?

A convention is not a sensible way of proceeding. A sensible way of proceeding is to ensure, for the protection of all Members of the House, that the requirement to publish information is there in legislation and cannot easily be undone. That gives us protection. I am afraid that, if that requirement is removed from legislation, it will lead to more questions about the behaviour and conduct of Members of Parliament. Individual Members of Parliament who have nothing to hide and are happy to have their information published will find themselves subject to scurrilous mutterings because information has been kept secret. I do not want that to happen. I want the House to be held in high regard, and the way to ensure that that happens as far as this matter is concerned is to ensure that MPs' expenses are not exempted from the Freedom of Information Act as a consequence of the Bill. Amendment No. 9 seeks to address that.

Let us think what would be exempt. The allowance scheme, as we know, publishes information relating to the cost of staying away from the main home. It is perfectly proper that we should have the opportunity to have an alternative base, whether it is in London or the constituency, to carry out our jobs. No one is suggesting that that should not be the case, but we are talking about public money. Why should that information not be out in the open, as a matter of right, under freedom of information legislation, rather than as a matter of convention because MPs temporarily agree that it should be there?

We are responsible for public money. We are guardians of the public purse. The fact that we have the right to write blank cheques to some degree, either as individual Members within the overall limit or in the House when we are making expenditure decisions about the House itself, is no reason to say that that information should be exempt—in fact, quite the reverse. We need the biggest safeguards when people are given the power to spend someone else's money. However, we are told that that area would be removed from the legislation and that there would be only convention to protect it. In amendment No. 9, we seek to ensure that that cannot happen.

We also have the office staffing costs. Like my hon. Friend the Member for North Southwark and Bermondsey, I make it plain that some of the scare stories about the amendments and the approach that I and others are taking are simply without basis. There should be no suggestion that we are talking about something that is entirely open-ended and that will roll out like a ball of string. Nobody is suggesting that individual members of staff should have their salaries put in the public domain. No one is suggesting that if someone buys a kettle for their London residence, which is quite properly claimable under the London allowance—the additional cost allowance—that should be put in the public domain. The scare stories that suggest that we are going down that road are simply unfounded.

11.15 am

People can have confidence in that because of the information tribunal judgment. That judgment carefully balanced the rights of MPs to privacy in personal matters, which I fully accept, with the obligation to be seen to be accountable for the expenditure of public money. That balance would be destroyed by the Bill. We seek to undo that damage in the amendments, and particularly in amendments Nos. 1 and 9.

The issue of Members' travel is germane to amendment No. 9. It is worth reflecting on how it long took to get the tribunal decision. I will make this point directly relevant to amendment No. 9, Madam Deputy Speaker, before you have any qualms on the matter or any doubts in your mind. The hon. Member for Walsall, North was quite right to say that the House of Commons as a body corporate was not asked about the matter. He was not asked to comment on the matter. Those who represent us on the House of Commons' Commission took it upon themselves, apparently unanimously, to resist what I think the hon. Gentleman referred to as a modest request—he might have used the adjective "unremarkable" or another word of that nature. They took it upon themselves to fight that request every inch of the way.

We also found out at the tribunal hearing that every other request for information about Members of Parliament has been, and is being, fought every inch of the way. Those involved will go no further. They will not assess applications for the release of information on their merits, as they are required to do under the Freedom of Information Act. Instead, they have a blanket policy of refusing any request whatsoever for information about MPs—contrary to the law as it stands. Not only are they willing to resist the law as it

stands, they want to rewrite the law to make their position legal and to discount the one that is included in legislation at present.

The sequence of events in relation to travel expenses—information on those expenses must continue to be open on a statutory basis, which is what amendment No. 9 is about—is that the written request was made by me on 20 January 2005. I made the modest request for a

"breakdown of the already published aggregate figures for travel claims for MPs in the most recent year for which they are available."

You know, Madam Deputy Speaker, because you are a Member of Parliament, as I am, that we already had those figures given to us. We already had a breakdown, by mode of transport—by car, taxi, air, rail and even bicycle—given to us privately. However, the House of Commons Commission, on our behalf, argued—I suspect that the same thought process is behind the Bill—that that information could not be given out publicly. Why not? What was so remarkable about it that it had to be protected? It was merely that request that generated this long, expensive battle by the House of Commons Commission, in our name.

The request was rejected in the initial response that I received. I sought a review on 25 February 2005. The original decision was confirmed on 24 March 2005. I complained to the commissioner on 6 April 2005. Following correspondence between the commissioner and the House, the commissioner issued a preliminary decision notice on 24 January 2006, followed by a final decision notice on 22 February—

Madam Deputy Speaker: Order. I wonder whether the hon. Gentleman would relate the points that he has made fairly clearly in relation to that tribunal hearing to amendment No. 9.

Norman Baker: I regard myself as deeply chastened, Madam Deputy Speaker, because I had hoped that I was doing that. If I failed to do so, I can only apologise for that oversight and re-examine my skills. I was seeking to relate my points directly to amendment No. 9. I will try even harder, having heard your strictures.

The point that I am making—I will try to make it succinctly—is that, every inch of the way, at every opportunity, the House of Commons has shown itself unwilling to release information, no matter how modest and unremarkable, and has used every single trick in the book to resist doing so, including not being very open about things. That is entirely germane to this matter. My hon. Friend the Member for North Southwark and Bermondsey asked me earlier how much has been spent resisting the claims. It is approaching £20,000 of public money. That might not seem like very much, but it was inappropriate to use public money to resist answering a question that was framed in such a modest way.

Mr. Winnick: Does not the hon. Gentleman agree that it appears that the three main parties, including his, were involved in the matter going to a tribunal? If, for example, his party—clearly not him—was really against the proposal on travel expenses any more than the Labour or Conservative parties, it would have been extremely unlikely that the matter would have got as far as a tribunal.

Norman Baker: I hear what the hon. Gentleman says, although I do not want to go into the make-up of the House of Commons Commission. I listened to his sensible speech with interest and I endorsed it. I am not here to make party political points because the issue is much too serious for that. This is about the reputation of the whole House of Commons, not individual Members.

Simon Hughes: Let me deal with the intervention made by the hon. Member for Walsall, North (Mr. Winnick). I have held conversations with colleagues who were involved in the process. The House of Commons Commission is made up of Mr. Speaker, as Chairman, the Leader of the House, a Member nominated by the Leader of the Opposition and three Members appointed by the House. I have talked to my hon. Friend the Member for North Devon (Nick Harvey) about the matter and I understand that the Commission was advised that it would be wise to test the existing law so that the current position could be determined. Today's debate is timely because in the light of the decision, we now clearly know the current position.

Norman Baker: I am grateful to my hon. Friend for his intervention, which has helpfully clarified matters.

The tribunal's decision is key to this matter. It was reached following an analysis of three things: the Freedom of Information Act 2000; the Data Protection Act 1998; and the possible impact of the request for information. By carrying out that analysis and giving the matter due consideration, it provided an answer on what the appropriate scheme for the House of Commons would be. However, the tribunal's decision would be overturned by this private Member's Bill. We have had two detailed considerations of the way in which the House of Commons and House of Lords should be treated under freedom of information legislation, and they are in line with what the situation would be if amendment No. 1 were accepted.

The two Houses should be consistently regarded as public authorities under the legislation and subject to the same requirements as other public authorities. That was the view that was carefully reached by the 1998 Select Committee to which I briefly referred, and it is also the view of the Information Commissioner. If hon. Members want a third opinion, it is also the position of the information tribunal. All three have examined the matter carefully and concluded that the House of Commons and House of Lords should be subject to the Freedom of Information Act 2000. The only argument against that conclusion is this Bill, which was not defended on Second Reading and received minimal scrutiny in Committee. If we were to pass the Bill without the benefits of amendments Nos. 9 or 1, we would be overturning the considered judgment of people in senior positions whom we have asked to consider the matter. With due respect to the right hon. Member for Penrith and The Border, we would be replacing that judgment with the opinion of someone who has not been asked to consider the

matter yet has brought forward a Bill that is half-baked at best and something that I regard as dangerous.

Simon Hughes: There is another reason why the public need to understand the importance of our argument. A note provided by the Library, which is clearly objective, states:

"Over 100 of these types of inquiry had been made by the end of 2006"

to the House authorities. All those inquiries had been refused on the grounds of the data protection exemption in section 40 of the Freedom of Information Act 2000. Until my hon. Friend's case had been dealt with, 100 people had been told that they could not get information, but they are now told that they are entitled to much of it, given the tribunal's decision.

Norman Baker: That is exactly right. The situation shows the endemic nature of secrecy in the House of Commons Commission and demonstrates why people will have no confidence in a voluntary scheme or a convention that says that the processing and publication of information will continue. By the way, it is not clear whether the Members Estimate Committee has promised to publish the information that was produced before the judgment on travel expenses, or information detailing MPs' expenses that includes travel expenses. It would be useful if someone explained today whether the convention—I am not sure that it is worth the paper that it is written on—is meant to take account of the judgment of the Information Commissioner, or whether it represents an attempt to undo that judgment and revert to the position that was previously applicable.

Let me refer to the evidence given on behalf of the House of Commons by Andrew John Walker, the House of Commons Director of Finance and Administration, at the tribunal hearing on MPs' expenses. It is worth noting that no one from the House of Commons Commission dared to show their face at the tribunal and left it to an Officer of the House to defend the indefensible. Paragraph 25 of the document produced by the information tribunal states:

"Mr Walker accepted that it was the duty of every MP to use public money carefully. Part of the objective of the annual verification exercise was to draw MPs' attention to the details of travel expenditure so they could understand how they were using allowances and if appropriate review their modes of travel in the light of this duty."

There was thus an acceptance by Mr. Walker, on behalf of the House of Commons, that the publication of information to MPs, whether publicly or privately, in the form of a breakdown of their modes of travel, would be useful for the reasons that he outlined. In other words, he made my case for me.

The publication of information is a good thing because it improves awareness, holds MPs accountable—not least of all to themselves—and helps to drive down costs. The publication of information on travel in Scotland has driven down the cost of travel claims. I predict that when next year's details of Members' travel expenditure are published—unless that process is stopped—they will show a downward drive in travel expenses. The production of information is good for the use of public money, as well as being the right moral and philosophical thing to do.

To be fair to Mr. Walker, I think that he put forward the best case that he could for the House of Commons. However, although he argues that it is appropriate for MPs to review their modes of travel, greater pressure comes when people outside the House ask MPs about their travel. One of the interesting consequences of the publication of MPs' travel expenses a couple of months ago was that neighbouring MPs were shown to have made wildly different claims. Their constituents properly asked them why their claim was three times as much as their neighbour's, or why they were travelling by air when their neighbour was travelling by rail.

We should be held accountable for our decisions because our travel uses public money and has an environmental impact, which was one of the reasons why I made the application in the first place. At a time at which we are all worried about climate change, our constituents have a right to know whether our decisions show that we are walking the walk rather than just talking the talk. The publication of Members' expenses, which would be guaranteed if amendment No. 9 were accepted, is key to that. If amendment No. 9 is not accepted, the progress that we have made on driving down costs, encouraging people to make environmentally friendly choices and being accountable to public—that counts for something—will be wiped away as if it had never existed and we will return to the dark days. I do not think that that would be appropriate, which is why amendment No. 9 is important.

11.30 am

Simon Hughes: I notice that the person who appeared for the Information Commissioner, a man called Mr. Pitt-Payne, also addressed another question. He said that there was

"no evidence that MPs would or might be caused justified distress or damage if the disputed information were to be disclosed. No specific potential harmful consequences have been identified...nor"—

this is very important—

"is there any evidence of a specific refusal by MPs generally or by any individual MPs to permit the disclosure of this information."

Even if one were being selfish about the matter, there is no evidence that colleagues were arguing that disclosure would be to our disadvantage.

Norman Baker: That is exactly right, and I am afraid that those who want to change the present arrangements are unusually reluctant to make their case.

Mr. Walker also said, at paragraph 25, that

"there had been a reduction in overall expenditure on MPs' travel since the publication of the annual aggregate travel figure."

So there we have it in black and white from the House of Commons' own officer: the publication of figures drives down the cost. Yet we have here an attempt to exempt the House of Commons and the House of Lords from publishing MPs' expenses, except on the basis of a convention that could be overturned at the flick of a switch. That is why it is important to ensure that the measure is written into law, rather than written out of it by the Bill. Amendment No. 9 seeks to ensure that it is not written out.

The Scottish scheme has been mentioned, and it is worth pointing out in passing that the Scottish scheme allows far more disclosure of information in respect of

[Norman Baker]

MPs' travel than does the present scheme, even after the information tribunal judgment. Those MPs who suggest that the present travel expenses declaration goes too far fail to appreciate that it does not go nearly as far as the Scottish system. That is a very Westminster-centric view, which fails to take account of what is happening in other Assemblies following devolution to Scotland, Wales and Northern Ireland. It also fails to take account of how the public at large view matters, which is entirely different from the view of those who drafted the Bill.

Simon Hughes: Just so that we are clear: my hon. Friend is completely right to say that the Scots go further. For example, MSPs have to declare the destination of a taxi journey. However, the Welsh and the Northern Irish appear entirely content with the position that we have at the moment, which we on these Benches and elsewhere are trying to defend.

Norman Baker: That is exactly right.

There are other benefits from the publication of details of the Members' travel scheme. I have been able to go to my constituents and point out that I am one of the few MPs in my part of the world who has claimed more for rail travel than for a car, and nothing for air travel. That is important to my personal philosophy. A number of MPs have come up to congratulate me on the publication of the figures, saying that they have managed to release information that is very helpful to them, demonstrating their accountability to the public and the fact that they are spending wisely. Far from MPs as a whole resenting the publication of the figures, which may be concluded from reading some of the press, many, in all parts of the House, have welcomed it. The fact that the press have concluded that MPs did not want the measure brings us into disrepute again and lowers the opinion that people out there have of us. That lowered opinion can be reinforced only if the Bill is passed without amendments Nos. 9 and 1, which seek to repair some of the damage that has been done.

It is important at this point that MPs who believe in accountability and freedom of information stand up and say so now, if they are here, and more widely in their discussions with constituents and the local media. They should take the opportunity, when discussing the Government's proposed changes, to say, "No, we will not weaken the Act. We need it to remain as strong as it is; indeed, we need to strengthen it." This is a key moment. What happens with the Bill and the amendments, particularly Nos. 9 and 1, will be key to determining whether the House of Commons is serious about freedom of information; whether it has moved into the 20th century, let alone the 21st century, in how it addresses these matters; whether it accepts that democracy and the House of Commons are better served by openness and accountability; or whether we are going to return to the dark days, when discussions took place in smoke-filled, or perhaps smokeless, rooms, when cheques were written without anybody knowing and when MPs were largely unaccountable to their constituents. Surely we do not want to go back to those days. That would be the consequence of not agreeing to amendments Nos. 9 and 1.

Simon Hughes: I am very keen that we do not neglect any of the arguments that were put in my hon. Friend's tribunal case. He was there and I was not, but I see from the report that two of the other arguments for amendments Nos. 9 and 1 are that they would allow the public to be more aware of the environmental or green choices made by MPs, as demonstrated by their mode of travel, and that the public would be aware of MPs' choices of mode of travel, in light of their involvement in debating and legislating on transport and environmental matters. People could see whether what we said we wanted for other people was what we were doing ourselves.

Norman Baker: Exactly so. We in the House have an obligation to be seen to be leading the debate. I hope that we do so on a whole range of issues, but we should certainly do so on questions of financial probity, democratic accountability and environmental responsibility. Those three elements are key, and we hit those targets with the publication of MPs' expenses in an open scheme. That scheme may cause difficulties for individuals in the House; for example, I might be asked why, if I am so concerned about the environment, I have claimed nothing for bicycle travel. We all get asked questions about our individual returns, but so we should. We are accountable. We are not running this place without reference to what happens outside it.

We are here because we are the servants of the people who put us here on a temporary basis to represent their interests, not ours. It is not in their interests for secrecy to prevail; it is not in their interests for cheques to be written without knowledge of who and how much they are for; it is not in their interests for us to carry on behind closed doors, in our own safe world, with our own rules, without reference to the outside world. However, if this Bill is passed without amendments Nos. 9 and 1 in particular, that is the message that will be sent out from the House today. That message must be resisted.

In the judgment to which my hon. Friend referred, the key paragraph says:

"Having considered all these interests we find that the legitimate interests of members of the public outweigh the prejudice to the rights, freedoms and legitimate interests of MPs. We consider our decision will only result in a very limited invasion of an MP's privacy considered in the context of their public role and the spending of public money. In coming to this decision we have noted that the Scottish Parliament has for some years disclosed the detailed travel claims of MSPs supporting mileage, air travel, car hire and taxis. Also we note that in the Scottish Information Commissioner's Decision 033/2005 in *Paul Hutcheon, The Sunday Herald and the Scottish Parliamentary Corporate Body* (SPCB) the Scottish Commissioner went further and ordered the release of the destination points of taxi journeys of an MSP."

A proper consideration has been given, balancing the valid data protection issues of which MPs should be cognisant with the right to have information published which holds MPs accountable for the expenditure of public money. That balance is an important one.

Mr. Winnick: If the Bill becomes law, will not the interpretation inevitably be that the House of Commons, having fought strenuously to ensure that travel arrangements and expenses were not disclosed and having lost the case, quickly came back here and changed the law? It

will look as though we could not justify our decision before the information tribunal, so we are changing the law for our own benefit.

Norman Baker: That point is succinctly put and an entirely accurate representation of what will be said. Indeed, it is already being said by the public at large. Some MPs do not seem to listen to the public, but that is what they are saying. They are saying that MPs do not accept the independent judgment of a tribunal and are seeking to rewrite the law in a way that favours us. That is a terrible thing to be said about this House.

Mr. Shepherd: It happens because of the authority or power of these Houses to respond almost instantaneously should they want to change the circumstances, as is happening in this instance. It therefore behoves us to be extraordinarily cautious about bringing forward amendments to an Act, just like that. No other group or part of the United Kingdom can do that.

Norman Baker: That is exactly right. I am afraid that should amendments Nos. 9 and 1 not be accepted, the proposal would appear to the public to be self-serving in its consequences, as indeed it is.

Simon Hughes: We are not just talking about the public now. I do not know whether the hon. Members for Walsall, North (Mr. Winnick) and for Aldridge-Brownhills (Mr. Shepherd) saw the comment item in yesterday's edition of *The Times* entitled "What do MPs think they've got to hide" or the article in *The Sunday Times* on 11 March entitled "Official secrecy is back on the rise", but people are beginning to notice that freedom of information is not all that it was said to be or hoped to be.

Norman Baker: That is exactly right. Will the Government consider supporting amendments Nos. 9 and 1? They have said that they are neutral on the Bill, so presumably they will say that they are neutral on those amendments. But they cannot be neutral on these matters should they wish to retain the integrity of their own legislation—the Freedom of Information Act 2000. Amendment No. 9 seeks only to ensure that what they included in their own Act is kept. How can they be neutral on a matter that they have introduced and that our amendment seeks to retain in legislation? Are they neutral about their own legislation these days? Does it not matter if particular proposals that they have enacted are wiped away by private Members' Bills?

If that is to be the test, let us have a few more private Members' Bills on which the Government can be neutral. I look forward to introducing a raft of them and seeing whether the Government are neutral on them—I suspect that I might get a different response. We need to hear the Government's view on amendments Nos. 9 and 1. We need to know who in Government took the decision not to oppose this Bill on Second Reading and to allow their own legislation to be watered down in this way.

Mr. Winnick: Just as the decision to go to the information tribunal was taken without consulting the House of Commons as a whole, may I tell the hon. Gentleman that I am unaware of the parliamentary Labour party being consulted by the Government in about whether they should take a neutral line? Perhaps he will bear that point in mind too.

Norman Baker: I am grateful for that intervention. For the avoidance of any doubt, I should say that I, for one, am happy to accept that there are MPs in all parts of this House who are committed to freedom of information. I hope that they will be supporting us today when amendments Nos. 9 and 1 come to a vote. There are too many doughty supporters of freedom of information on the Labour Benches to mention, although I should say that the hon. Member for Stoke-on-Trent, Central (Mark Fisher), who has added his name to our amendments, is clearly one. There are supporters on the Conservative Benches and on the nationalist Benches who understand the constitutional importance of freedom of information, and they will be supporting those amendments. That is not the issue; the issue is why the Government have not sought to stop this Bill at an earlier point and why they have undermined their own legislation.

Simon Hughes: The hon. Member for Walsall, North rightly talked about his own party. I raised this matter with my parliamentary colleagues, although Liberal Democrat Members are not being whipped because that would be wrong on a Friday. At our meeting, none of my colleagues expressed support for the Bill as it stands. My hon. Friend the Member for North Devon (Nick Harvey) also has clear reservations about it, even though he is a member of the House of Commons Commission.

Norman Baker: May I refer to the tribunal judgment again and move on to a different point, Madam Deputy Speaker? This has been quoted in the helpful research paper on the Bill produced by the Library.

"The key is that the Data Protection Act imposes a test to balance the interests of both parties in disclosing or withholding third party information. However, every case needs to be examined on its merits. The Information Tribunal first considered fully the interaction between FoI and DP in its judgement on the release of information about Members' allowances in January 2007. The Tribunal found that where the exemption on personal data applied, then the data protection principles in the DPA should be applied without regard to FoI. But para 2(6) of Schedule 2 to the DPA applied a balancing test similar to the public interest test under FoI. Only where the legitimate interests of those to whom the data was disclosed outweighed the prejudice to rights, freedom and legitimate interests of the data subjects, should the data be disclosed. In the case of Members' allowances, the Tribunal found that the legitimate public interest in the expenditure of public money outweighed the privacy of Members, particularly as the allowances related to Members' public functions, not private lives."

11.45 am

I know that we shall have a discussion on the second group of amendments on correspondence, and I shall not go into that now. I hope that my citing that quote has demonstrated that the relationship between the Freedom of Information Act and the Data Protection Act is relevant to Members' allowances, which are connected to the first group of amendments.

Like anybody else, Members of Parliament have protections as well as obligations under the Data

Protection Act. There is no suggestion that asking for further information about MPs' expenses will take us down some sort of endless route into the minutiae of our lives. Such a scenario simply will not happen. Should any Member be concerned that that is the likely consequence of the Freedom of Information Act, I am happy to say that they are wrong, because the information tribunal has applied a careful test to assess on the one hand the rights of MPs to privacy, which we all want respected, and, on the other, MPs' obligation to be open and accountable. That balancing act must be examined.

There is no dispute that those two Acts act in concert in a way that affects the issue of MPs' expenses. Quite a subtle relationship is involved. The tribunal has gone into this in some detail in a way that has not been done before. Unless amendment No 9 is accepted, there is the danger of the Bill seeking to overturn that. This is not an open-ended commitment to reveal every single piece of information about a Member of Parliament, because we also have the right to privacy in our own personal matters—they should not be revealed, and nor will they be. Like everybody else in the country, we are covered by the Data Protection Act. Everybody else is protected, so the argument necessarily flows that the same rules should apply to us in terms of protection and in terms of disclosure when it comes to being responsible for public funds and being in a public authority.

I have talked about amendment No. 9, so I shall now refer briefly to amendment No. 1 and the consequences for the House of Commons. It has been plain to me, although other hon. Members may not share this view, that money has not always been well spent in the House of Commons. We found—usually by leaks, well directed parliamentary questions, suggestions or conversations—for example, that the building of Portcullis House went over budget, that there were problems with the contract, that some features did not work, that there was Weil's disease in the water features in the centre and so on.

Such information is important, because it demonstrates how we are spending public money on a prestigious building. It also shows whether MPs are capable of spending money well in the organisation of these big projects, and whether they are capable of taking good decisions, of awarding contracts and of dealing with all the other paraphernalia that goes with such a large building. What emerged from that exercise demonstrated that there are question marks about how we organise ourselves in those regards.

The Bill will exempt the House of Commons and House of Lords from the Freedom of Information Act unless amendment No. 1 is accepted, so how would we be guaranteed that such information would appear in future? Would we be able to guarantee that when money is wasted—for example the £422,000 spent on the ludicrous covered walkway downstairs—the information will become public? Would there be any guarantee that when we are writing blank cheques on behalf of the electorate to benefit ourselves, it will be money well spent? The only guarantee of money being well spent is that people are able find out about things and question the expenditure of that money.

Members may say that some of that information can emerge through parliamentary questions, which is true. What happens, however, if the House of Commons and the House of Lords are exempted from the Freedom of Information Act and someone has the bright idea of arguing, "The exemption means that we are not obliged to answer parliamentary questions with the same degree of honesty and openness as we have hitherto shown? The House has concluded that this matter should not be in the public domain because it will put MPs in a position where they have to defend themselves and answer questions about expenditure, so it is not appropriate to give the same full answers to parliamentary questions as have previously been given."? That could be a legitimate argument advanced by someone at a not-too-distant point in the future. Exempting the House of Commons and House of Lords could undermine the system of parliamentary questions.

Exemptions from legislation for the House of Commons and the House of Lords do not have a good track record. You may remember, Madam Deputy Speaker, when we were exempt from regulations relating to food safety and health and safety because of the status of this place as a royal palace. The consequence of that, which I remember from my time as a researcher here, was that the quality of the food was appalling—there was actually a poisoning in the House of Lords. It took that sort of incident to persuade either the Government of the day or the House of Commons Commission—I am not sure which—to conclude that the exemption of Parliament from that legislation made no sense and was unhelpful to Members in the discharge of their duties. Similarly, I argue that the exemption of the House of Commons from freedom of information legislation will be unhelpful to us in the discharge of our parliamentary duties.

Some MPs no doubt think that they will gain if the Bill is passed, because they will not have to answer one or two difficult questions, but that is only a short-term gain. They will in the long-term be building up huge problems for the accountability of the House, the reputation of MPs, and the proper discharge of public functions and expenditure of public money. We know from the experience of the operation of freedom of information legislation in this country and others that keeping public authorities and public bodies working well requires the ability to find out information about those bodies through FOI requests and other means. The public, MPs and the media have to be able to pose questions to public authorities. When information comes out that is questionable or embarrassing, a self-corrective mechanism comes into play, which eliminates bad practice, incompetence or worse in a public authority.

In his evidence to the tribunal, Mr. Walker said that the publication of MPs' travel expenses had acted to exert downward pressure on those expenses. He said that

"there had been a reduction in overall expenditure on MPs' travel since the publication of the annual aggregate travel figure."

I the same way—

Madam Deputy Speaker: Order. The hon. Gentleman and one or two other hon. Members have made that point very well. Perhaps there are other points that the hon. Gentleman would like to make.

Norman Baker: I am happy to do that, Madam Deputy Speaker. I merely make the point that openness leads to good government, and if we accept the Bill unamended, government will be worse as a consequence.

Simon Hughes: I do not know whether my hon. Friend was going on to the point that it appears that the proposal is not widely supported in government and that, judging by leaked correspondence, our amendments appear to have support from the Lord Chancellor and other Ministers. If members of the Government want the Bill to be amended as we suggest, surely that is another very strong argument against its making progress in its present form?

Norman Baker: It is indeed. I hope that, as a consequence of our debate, the Under-Secretary of State for Constitutional Affairs, the hon. Member for Lewisham, East (Bridget Prentice), will make a statement in which she makes plain the Government's position. I challenge her to give us her view on amendment No. 9 and, in particular, amendment No. 1. Does she, on behalf of the Government, want to defend the legislation that they introduced, or does she want to aid the pulling of the rug from under the Freedom of Information Act? Does she stand with the Lord Chancellor in resisting the watering down of the Act, or with less progressive elements in the Home Office, who are happy to see the Act weakened?

How does the Bill fit with the proposed fee changes? I know that you will not let me go into that in detail, Madam Deputy Speaker, but those changes are relevant in one respect, which is that we need to know whether there is a Government position on the Bill and on the amendments and that would be clearer if we knew why the Government did not to object to the Bill's Second Reading and why they have introduced the new charging scheme under their own legislation. We need a statement from the Government—

Madam Deputy Speaker: Order. I think that at the appropriate time the Minister will make the points that she wishes to make.

Norman Baker: I am sure that the hon. Lady will make the points that she wishes to make. I was encouraging her to make the points that she might not wish to make, but that she ought to make.

The Bill, if it is enacted in its present form, will do immense damage to the reputation of Parliament, will make MPs in the public eye appear hypocritical, will undermine the gains made in freedom of information, and will cause the spread once again of a culture of secrecy through the devolved Administrations, local councils and the public sector generally. We stand in danger of extinguishing the flame of freedom of information, which is flickering dangerously and is fragile in this country. That is why it is important that we have a statement from the Government. It is why the House should accept amendment No. 9, which would ensure that we do not appear hypocritical in relation to disclosure of MPs' expenses. Most important of all, it is why we should accept amendment No. 1 and not exempt the House of Commons and House of Lords from the provisions of the legislation.

I hope that the promoter of the Bill will consider carefully the amendments, which stand in the names of hon. Members on both sides of the House. If there is a genuine problem in respect of MPs' correspondence I hope that he will raise it when we debate the next group of amendments, but if he and others cannot justify exempting the House of Commons and the House of Lords from the Freedom of Information Act, or exempting MPs expenses and other expenditure of the House from the Act's provisions, the only logical course of action for hon. Members will be to vote for amendments Nos. 9 and 1.

Mr. Shepherd: I rise somewhat reluctantly at this juncture as a supporter of amendments Nos. 9 and 1, which stand in the names of hon. Friends on both sides of the House and for which the case has been made extraordinarily powerfully. I hung back in the hope that I would hear what were the promoter of the Bill's objections to the substance of the amendments, and would therefore be up to responding adequately on behalf of we who support the amendments.

There is a difficulty because the Freedom of Information Act 2000 is an important Act, which the Bill promoted by my right hon. Friend the Member for Penrith and The Border (David Maclean) would amend, and which we, in turn, hope to improve by the amendments that we have proposed. The 2000 Act was a flagship Act of the new Labour Administration—one in which they proclaimed their pride. I supported the dream that we would one day have such legislation, although the Act did not go far enough for my taste. However, the House made a judgment. All the matters included in the Bill now before us, to which our amendments are directed, were given reflection and consideration—indeed, I was a member of the Public Administration Committee that gave pre-legislative scrutiny to the original Bill.

One of the ringing absences from the debate on the Bill, both wider and in relation to the amendments that we propose, is the absence of a comment from the Government. The Government acceded to the inclusion of public authorities in the 2000 Act. The 18-line Bill—in substance, it is 18 lines long—before the House today contains one huge contention: the exemption of the House of Commons and House of Lords as a public authority. That is a huge concept, when one thinks of what a public authority is. Amendment No. 1 hopes to strike out the removal of the Commons and the Lords as public authorities. Anyone considering the structures of Government and the constitution of the country who was asked to name a public authority would name the House of Commons or Parliament. It is the pre-emptive public authority, and it rests on the consent of the people.

12 pm

David Howarth (Cambridge) (LD): The hon. Gentleman's remarks prompt the question: if the House of Commons and the House of Lords are not public authorities, what are they?

Mr. Shepherd: I always treat with diffidence the advice of my friend from Cambridge, who has a legal background. I have no doubt that there are a score of lawyers, even as we speak, working on either an

[Mr. Shepherd]

exemption or a definition of public authority in respect of the House of Commons, depending on which is needed. Of course, the Bill is trying to limit that definition in one particular respect, but I do not want us to lose sight of what our amendments are trying to do to the Bill.

Simon Hughes: The hon. Gentleman may not remember, but in the schedule of the Freedom of Information Act 2000 that lists public authorities, the House of Commons and the House of Lords are second and third in the list. There are pages and pages of authorities, but "any government department" is the first mentioned, the House of Commons is the second and the House of Lords is the third, so in terms of importance and centrality, we could not be higher up the list.

Mr. Shepherd: I am always obliged to have a point that I am making reinforced, even at length. What the hon. Gentleman says is the truth of the matter. Everyone in this country would say that the House of Commons or the House of Lords was the pre-eminent public authority. My point about the Government's silence on that matter is that surely they, who included the Lords and the Commons in the 2000 Act, would be the greatest advocates for maintaining the integrity of the inclusion of those bodies.

We are given to understand that the Leader of the House thinks that the Bill is valuable, or should be debated, and that is commendable. It is right that it should be debated if the subject is causing anxiety to my right hon. Friend the Member for Penrith and The Border and those who support his Bill, but it was also possible for the Leader of the House to say, when the Bill was being debated, "We stand by the integrity of the 2000 Act as it was drafted." It is not that Ministers are not well advised; they know perfectly well how the Bill is constructed and the relationship of its ingredients. We are saying that we should retain the House of Commons as a public authority, and that strikes at the very heart of the private Member's Bill introduced by my right hon. Friend.

I have listened with great interest, Madam Deputy Speaker, to the exchanges on what is and what is not in order in a discussion on the Bill, but there is a serious difficulty to consider. The removal or continuation of public authority status has consequential effects that touch on the only other subject that the Bill mentions: communications with members of the House of Commons. The two issues are intimately related. Of course, communications is only one of the many instances of areas in which there would be consequential effects, but it is the one that is specified in the Bill. When considering the removal of the Commons as a public authority, we are therefore considering what that means for a wider range of interests, and for our work, doings and proceedings—not proceedings; I rapidly withdraw that, on the ground that I understand a little bit about privilege.

Hon. Members have said, appropriately, that the 2000 Act that the Bill seeks to amend, and which we in turn seek to amend—I hope that I have got the rubric right—is a trust with the people, in which we say that no institution or public authority is so grand that it is exempted. It is a curiosity that the House of Commons Commission decided to pursue a case without seeking any advice from Members on whether that was truly appropriate. I was unaware of that at the time; I am slow in these matters. In fact, no consultation has taken place, but the Government had previously ensured great consultation on the 2000 Act, and had received many observations. This is a valuable opportunity to look at some of the responses from Members of this House.

I am mindful that the concept of "public authority" applies to almost everything that is important in our public processes and public life. As always, I am extraordinarily grateful to the Campaign for Freedom of Information for its diligence and pursuance of argument and reason. It lists, in a useful note, some of the public authorities that now give information that seems to trouble some Members. I am thinking of the expenses of chief constables and one of the areas in which I have had particular difficulty, local authorities. All people sometimes have a natural reluctance to explain what they think is sensitive information. That may be an innate human response, but the truth is that it is, as often as not, the people's money that is being spent, and I maintain that they have an absolute right—I go too far, because nothing in life is absolute, except death. [HON. MEMBERS: "And taxes."] I have listened to my hon. Friends on the Public Accounts Committee, and they assure me that taxes are not absolute. That a touch of the golden days should arise is startling. The matter is as near to a certainty as possible; I put it that way. We are talking about a trust in the purpose of our construction of democratic government.

How do we know, without access to information, the appropriateness of every detail of the running of our Administrations? It is like shining a torch into a dark place—that is all that it is about—so that the public may judge whether such things are appropriate. We are all traduced—it is the fate of Members of Parliament to be caricatured, to be told that they are ineffective, to be this, that and the other—but that is the nature of our times and was probably always the nature of the times of this nation. We must be resolute in understanding that if we have a claim, whatever its nature, on the public purse that, just like the chief constable of the Thames Valley police, just like the chief executive of a local authority and just like public services in the national health service, our salaries, expenses and so on are a matter of legitimate concern or interest. It is not just being nosy, as we should be able to judge the effectiveness, the character and the honour of those who purport to spend public money in the interest of the public.

I have discussed the expenses of public authorities, including the police. There are exclusions, but how far, for instance, do expenses go? What detail is required of Sir Ian Blair, the Metropolitan Police Commissioner, in the period April to July 2005? On 9 May 2005, he had a business meal at a restaurant in London that cost £44.16.

Mr. David Evennett (Bexleyheath and Crayford) (Con): Not much of a meal.

Mr. Shepherd: I am glad to hear that my hon. Friend thinks that it is not much of a meal. I am pleased that in those terms the commissioner is a diligent steward of public funds. He gave a floral tribute that cost £20. That is trivial, but it is reassuring that we can scrutinise those records. It is not my intention to delay or push on, but that is why it is important that in the absence of the Bill failing—and should it somehow squeak its way through—that our amendments succeed, even though it is a Friday and it is true that right hon. and hon. Members have many commitments in life.

There are benefits, too, that the Campaign for Freedom of Information highlighted in the briefing that it sent out, including the argument that the disclosure of aggregate annual figures has already led to a reduction in the overall level of Members' travel expenses. If we want to look further, we could consider the disclosure of more detailed information about the expenses of Members of the Scottish Parliament. The briefing states:

"We think it would be wrong for Parliament to exempt itself from a disclosure regime which it has applied to the whole public sector"—

that is what I have been trying to say. It continues:

"The detailed expenses of ministers, judges, chief constables, councillors, civil servants, local authority chief executives and other public figures and officials are all disclosable under the Act. A number of these are included in an Appendix"—

to the briefing sent to every Member of Parliament. It continues:

"The particular case for exempting MPs' expenses alone has not been made."

I shall not go through the entire briefing, as that would extend the debate beyond the argument. I want to return, however, to the point first made by the hon. Member for Walsall, North (Mr. Winnick) and by the hon. Members for Lewes (Norman Baker) and for North Southwark and Bermondsey (Simon Hughes) about the special position of the House. It has been pointed out that we are the second and third entries in the annexe to the originating Act that the Bill endeavours to amend—in turn, we are endeavouring to amend the amending measure. Our special case is that we make the law. How can it be right for us to direct that a law should apply to everyone else but, having found it inconvenient or not meeting what the Information Commissioner or one or two individual Members wanted, we should do something that no other public authority in Britain can do—change the law? That is what we are doing, but do we really think that it is quite right? Does it not look like the most extraordinary form of special pleading? Many people feel aggrieved, and I can think of a particular chief executive in the west midlands who is outraged at the fact that her salary should be made public. She thinks that it is like looking into her bank account. I can understand her concern. What if we suddenly started to say, having asked for this information to be published, "Now that I've found it inconvenient I think I should be exempted in some form or other"? That would be a profound corruption of public standards. I can see that my good friend from Glasgow, the right hon. Member for Rutherglen and Hamilton, West (Mr. McAvoy), disagrees with the burden of that argument. Nevertheless, we have never liked particularisation of individuals or an individual class as against that of the public class in general.

12.15 pm

Mr. Winnick: Does the hon. Gentleman agree that if the Bill were passed into law without the amendment, it would be the most damaging blow to the reputation of Members of Parliament since the scandals of the 1990s, and that that should also be borne in mind when we come to our decision today?

Mr. Shepherd: My instinct is that it would do the House of Commons no good and add to a general feeling, which I profoundly believe to be incorrect, that we are self-serving—that we are more interested in our own well-being than in that of society at large.

Mr. Bellingham: We have had an interesting and well informed debate on the amendments, and several colleagues have spoken with great passion, including the hon. Members for North Southwark and Bermondsey (Simon Hughes), for Lewes (Norman Baker) and for Walsall, North (Mr. Winnick), and my hon. Friend the Member for Aldridge-Brownhills (Mr. Shepherd).

When the Bill was debated in Committee, there was no guillotine and it was able to sit for as long as it wanted. The hon. Member for North Southwark and Bermondsey said there had not been a proper debate, but his hon. Friend the Member for North Devon (Nick Harvey) served on that Committee.

The hon. Member for North Southwark and Bermondsey spoke about the public interest in knowing what goes on in Parliament and how the money is spent. I would simply say that a huge amount of information is already made public. The House of Commons Commission publishes its report, which I looked at the other day. It is a huge, extremely complex document, and a mine of information for Members. If that is not enough, the hon. Member for North Devon, who is on the Commission, answers questions in the House, jointly with the Leader of the House. Any hon. Member can table questions, and we have business questions every week. Then we have the resource accounts for the administration estimates and the Members Estimate Committee, whereby, again, a huge amount of information is published.

To give hon. Members a chance to play a part in finding out what is going on and getting information, we have the Administration Committee, which was set up in July 2005 and is chaired by the hon. Member for Aberdeen, North (Mr. Doran), with the Liberal Democrats well represented by the hon. Member for Caithness, Sutherland and Easter Ross (John Thurso). Only this week, it published a very good report on improving facilities for educational visitors to Parliament. The argument that there is not enough information, and that there should be ways in which the public can get more and more of it, does not stack up.

David Howarth: Will the hon. Gentleman give way?

Mr. Bellingham: No. I want to draw my remarks to a conclusion quite quickly because many Members have spoken and many want to speak on the next group of amendments.

[Mr. Bellingham]

On the highly vexed subject of Members' allowances, I take the view that now that those allowances have been published there is no going back on that. I take on board the point made by colleagues on both sides of the House that that is a driver for better standards. Every Member now has an eye on trying to give good value for money and is a genuine custodian of the public purse. One example is that of travel. There was a time, before these allowances were published, when Members did not go quite as far as they should have done in trying to find a super-saver ticket, off-peak travel, a travel card concession, or whatever it might be. Now, all Members do those things. Perhaps we should have done them before, but very few Members did. That is just one example.

I want to nail the point that somehow the Bill would stop those allowances—and the breakdown of travel allowances, about which the hon. Member for Lewes spoke—from being published as they are at present. When the Bill was going through Committee, my right hon. Friend the Member for Penrith and The Border (Mr. Maclean) read out a letter from Mr. Speaker, who made it clear that the allowances had been published. Mr. Speaker wrote:

"as you know, the House has issued a publication scheme which, I can confirm, the Committee has no intention of withdrawing whatever any changes made in its formal obligations."

As my right hon. Friend pointed out to the Committee,

"the view of the House of Commons Members Estimate Committee and Mr. Speaker is that we should continue every October to publish the same information on travel, allowances, accommodation and secretarial costs that we have published in the past few years."—*[Official Report, Freedom of Information (Amendment) Public Bill Committee,* 7 February 2007; c. 6.]

Nothing will change there.

There has been a lot of talk—

Mr. Winnick: Will the hon. Gentleman give way?

Mr. Bellingham: I shall not.

There has been a lot of talk to the effect that the flame of progress that is spurring on the new culture of opening up information will somehow be extinguished if this modest Bill is enacted.

Mr. Winnick: Will the hon. Gentleman give way?

Mr. Bellingham: I will not.

We strongly support the freedom of information legislation and we are appalled by Her Majesty's Government's attempts to curtail the release of such information. However, the Bill is very narrow. The amendments that we have debated this morning do not improve the Bill; I am not convinced that they have been well thought out. I have listened to the arguments and they are well intentioned, of course; however, Opposition Front Benchers do not feel that the amendments do anything to improve what is a very modest, small Bill.

The Parliamentary Under-Secretary of State for Constitutional Affairs (Bridget Prentice): I, too, shall be brief, Madam Deputy Speaker. The amendments have had a comprehensive airing this morning. I want to reiterate what I said in Committee: the Freedom of Information Act 2000 has been a significant success. It has resulted in the release of information that is of real interest to the public. Most importantly, it has increased the transparency of public authorities. As the hon. Member for North-West Norfolk (Mr. Bellingham) has just said, so much information is now available through Government Departments and the Houses of Parliament on websites and so on that a great deal of information is available to people.

The amendments are inconsistent with the intention of the Bill, and I suspect that the hon. Member for North Southwark and Bermondsey (Simon Hughes), in whose name they stand, would agree. The question for the House today is whether the House authorities should be covered by the 2000 Act; that is the thrust and question behind the amendments. There are very few examples of public authorities being covered for only some of the information that they hold—those that relate to the protection of the journalistic integrity of the BBC, for example. There may be a whole new debate on that, but I do not intend to go into it today.

Seeking to alter the scope of the 2000 Act to cover only certain types of information, such as Members' expenditure, for example, would risk confusion within the organisations that have to administer and regulate compliance with the Act. The hon. Member for North-West Norfolk read out some of the letter that Mr. Speaker wrote to the right hon. Member for Penrith and The Border (David Maclean); as it stated, the authorities of the House are already very open and already publish information on Members' expenses. The right hon. Gentleman read that letter out in Committee and I am sure that he will want today to repeat the commitment given by Mr. Speaker on that issue and say that the House would continue to publish information on expenses if the Bill were enacted.

Mr. Winnick: Will the Minister give way?

Bridget Prentice: I should like to finish my comment. I cannot add to what the hon. Member for North-West Norfolk said about the driving-up of standards; I believe that that has absolutely been the case. In Committee, several hon. Members made telling points, including the hon. Member for North Devon (Nick Harvey), about Members' ability to represent their constituents properly through correspondence and other means. We will deal with that shortly.

The amendments are inconsistent with the Bill's intentions and it is therefore up to hon. Members to decide whether they wish the Act to continue to cover the House authorities. I leave it to the House to make that decision because it is a matter for this House.

David Maclean (Penrith and The Border) (Con): The debate has been long and interesting. Of course, all hon. Members who spoke, including my hon. Friend the Member for North-West Norfolk (Mr. Bellingham), kept within the rules of order and addressed the amendments, occasionally with a little chiding from you, Madam Deputy Speaker. Nevertheless, the substance of colleagues' comments was that they fundamentally oppose the Bill in principle. Many of the points were Second Reading points—the hon. Member for Walsall, North (Mr. Winnick)

nods—I have no objection to that. Colleagues felt that what I am doing in the Bill is wrong—they suggested that it would bring the House into disrepute or set it back a few years.

My hon. Friend the Member for Aldridge-Brownhills (Mr. Shepherd) said that amendments Nos. 1 and 9 went to the heart of the Bill. That is true. If they were accepted, the result would be inconsistent with what I am trying to achieve. It would mean an absolute reversal and I cannot, therefore, ask the House to accept them.

I emphasise the point that Mr. Speaker made in his capacity as Chairman of the Members Estimate Committee. It is not just a passing fancy. Yes, it is theoretically possible that a future Speaker could reverse the ruling—and that Mr. Speaker or a future Speaker could reverse a range of things that we have done—but it will not happen. I accept the assurances that we will continue to publish the details of the expenses of Members of Parliament as we have published them in the past, and with the more detailed breakdown on travel that has been provided in the past couple of years after the tribunal decision. That will continue to happen. The House of Commons will not be brought into disrepute because there will be no cover-up on expenses.

Mr. Winnick: I said that I did not question the right hon. Gentleman's intentions. I believe that they are wrong, misguided and would greatly harm the House of Commons, but I am sure that he has acted in all sincerity. Does he accept that, although the Speaker's letter, which I quoted among others, is clear that if the Bill became law, we would continue to provide the information, it would be done not under the law but on an optional basis? Yes, the information would continue to be provided for the moment—and perhaps for the next few years—but the House of Commons Commission could reach a different conclusion. We would thus be in a completely different position from other public bodies.

David Maclean: I take the view that the House of Commons should be capable of governing itself on a range of matters. The decisions of the Chair are made under the rules and regulations of the House. There is a range of other matters that the House of Commons and the House of Lords do under their own conventions and rules, not because that is required by law. If we are incapable of maintaining a decision to publish annually reports of our expenditure, God help us. I believe that we will continue to publish the reports.

David Howarth: Will the right hon. Gentleman give way?

David Maclean: No. I am sorry, but I will not give way to the hon. Gentleman. He walked in about half an hour ago, when the debate was almost concluded. With all due respect, it is not acceptable to come in at the last moment in such an important debate and seek to catch my eye.

We know the game today. Hon. Members of all parties oppose the Bill in principle. I accept that. However, let me quote from Wednesday's press:

"Freedom of Information campaigning MPs Norman Baker and Richard Shepherd have vowed that they would seek to stop the bill being passed to the House of Lords this Friday... 'This will do nothing to enhance the reputation of MPs and I and others will attempt to stop the bill.'"

I shall not go into the detail of the amendments—I know the game. Colleagues have attempted to stop the Bill. I think that they are misguided and I hope that the House will vote against the amendment. On the basis that I am content to be assured by Mr. Speaker's letter and the letter from the Members Estimate Committee, I hope that the House will reject the amendments, well meant though they may be, and stick with the content of my Bill.

Simon Hughes: I am grateful to the right hon. Member for Penrith and The Border (David Maclean) for speaking to his Bill. I want to deal with his points first. He made both a broad point and a slightly narrower point. On the broad point, there are, of course, some hon. Members who are opposed to the Bill. The right hon. Gentleman has been a Member of this House as long as I have, so he knows that we have two ways of making arguments: on Second and Third Reading, we argue about a Bill as a whole; and in Committee and on Report, we try to make a Bill as least problematic and least offensive as possible, by improving it. The amendments in this particular case are designed to restrict the scope of this part of the Bill. The right hon. Gentleman rightly and kindly acknowledged that: I am grateful to him and would expect no less.

On the narrower point that the right hon. Gentleman made, he followed up the question put to him by the hon. Member for Walsall, North (Mr. Winnick). I cannot believe that the right hon. Gentleman believes it credible, however good our practice as a result of our own choice led by Mr. Speaker—who absolutely represents the views of Members on the House of Commons Commission as well as his own views—to say that we should be able to make our own choices while everyone else has to follow laws that we impose on them. That is the issue.

Every public Government Department must do what we tell it. We say that the Welsh Assembly must do what we tell it. We say that the Northern Ireland Assembly must do what we tell it. We say that the armed forces of the Crown—with the exception of the special forces, which have to act to protect national security—must do what we tell them. Yet the Bill is effectively saying that we must not be governed by the same law, which some of us find unacceptable.

However good our practice—this point relates to what the hon. Member for North-West Norfolk (Mr. Bellingham) said—it is Members of Parliament who are driving what information is available. As the hon. Gentleman rightly said, we can question the Leader of the House. We can also question the person who speaks for the House of Commons Commission—currently my hon. Friend the Member for North Devon (Nick Harvey). We can question orally and in writing. We can read the reports that the Commission produces. Other bodies such as the Members Estimate Committee are also relevant. All those matters are driven by Members of Parliament and I have listed things that we can do. However, as it happens, the tribunal case was brought by my hon. Friend the

[Simon Hughes]

Member for Lewes (Norman Baker), but also by someone who was not an MP. The question is about whether people other than MPs can ask the difficult questions. For very obvious reasons, there may be people other than MPs who are prepared to ask questions that we are not willing to ask.

It is no great secret that the person responsible for Members' standards in the House who was in post before the current occupant was regarded by some colleagues as over-zealous. Her contract was not renewed. I do not know whether she wanted it to be renewed, but there was common talk about not renewing it for her. The reality is that she was an external watchdog. The law is an external watchdog. The right hon. Gentleman, however, suggests that it is sufficient for us to drive our own agenda and that we should achieve by our own deliberations what the amendments are designed to achieve through legislative provision.

I do not accept that that is sufficient. I do not question the motives of colleagues. I do not doubt that we will diligently seek to be more and more open. I hope that that is the case, but as we always say about Government legislation—the right hon. Gentleman says it as much as I do—the reason we want provisions built directly into Bills is that we cannot guarantee that the next Government, the next Minister or the next Secretary of State will be as diligent, assiduous or open-minded as the present one. I do not think that the guarantee suggested by the right hon. Gentleman will work.

Mr. Winnick: In reply to my earlier intervention, the right hon. Member for Penrith and The Border (David Maclean) said that he believed that the House of Commons should regulate itself. Was that not the argument—it was certainly not a compelling argument—put forward at the time by those who strongly opposed having a Register of Members' Interests? They said that it was totally unnecessary. They said that we were all honourable, so we should be able to regulate our own affairs. We all know what happened about that, do we not?

Simon Hughes: The hon. Gentleman is exactly right. I have the latest copy of the Register of Members' Interests with me. It is now regarded as hugely important and failure to comply with it is regarded as very serious, because the public expect to know the financial considerations that might occupy our thoughts and labours. That is absolutely right. However, the hon. Gentleman will know that the argument goes further than that. This has been the argument for all sorts of organisations for a long time. I have recently finished serving on a Committee dealing with compensation claims, in which the Minister's Department was involved. We were investigating claims farmers who go round putting a note through people's doors saying, "We are willing to take up your compensation claim." Why were we legislating on that? We were doing so because the Government, supported by colleagues on all sides, took the view that self-regulation would not achieve the right outcome.

I do not know whether the hon. Gentleman has been as critical as I have over the years, but I have had serious cause for concern about the way in which complaints against solicitors were dealt with. Solicitors were self-regulating. Yes, they are a private body, and we are a public body. A Bill is coming down to us from the other end of the building that deals with regulation. These amendments are not about the regulation of private bodies; they deal with the regulation of a public body. Amendments Nos. 1 and 9 would ensure that the House of Commons—a public authority—was governed by regulation, like all the other public authorities.

I made the point in an intervention on the hon. Member for Sheffield Brownhills—

Mr. Shepherd: Aldridge-Brownhills.

Simon Hughes: I beg the hon. Gentleman's pardon. I do not usually make that mistake.

I have made the point that the Commons and the Lords are the second and third bodies listed, but there are a huge number of other public authorities on which we place these requirements. There are six that are regarded as very important, of which we are one. There are also 28 local government authorities on which we place these requirements. We are seeking, through amendments Nos. 1 and 9, to ensure that the House of Commons is subject to the same requirements. There is one Northern Ireland local government organisation, and we are seeking to ensure that we have the same obligations as it has. There are nine NHS public authorities in England and Wales, and we are seeking, through amendments Nos. 1 and 9, to ensure that we are subject to the same requirements as they are. There are six Northern Ireland health and social services authorities—

Mr. Deputy Speaker (Sir Alan Haselhurst): Order. I must remind the hon. Gentleman that the concession of a wind-up speech is that it winds up the debate. He addressed the House for almost an hour earlier on, and I think that he would be trespassing on the House's good will if he were to make an extended speech at this point. He is meant to be summing up the amendments that he has proposed.

Simon Hughes: Let me then summarise the points in regard to the relative consequence of the amendments for the legislation as a whole. I have not added up the total number of bodies involved, but there are two education authorities in England and Wales, and three in Northern Ireland. There are three police authorities in England and Wales, two in Northern Ireland, and three others. There are 371 other public authorities in England and Wales and 85 in Northern Ireland. The point that the hon. Member for Walsall, North made earlier was that it would be totally indefensible if we said to the public, "All those hundreds of other bodies must be governed by this law, but we will not be."

David Howarth: The right hon. Member for Penrith and The Border (David Maclean) said that the argument that voluntary disclosure is enough—the amount of voluntary disclosure in this House is quite

considerable—could be used by any of the other public authorities. Are we not trying to give ourselves an exemption that we are not willing to give to other bodies?

Simon Hughes: And—as was pointed out by the hon. Members for Walsall, North and for Aldridge-Brownhills—if we did that for local government, we would be seen as undoing progressive legislation that makes local government more accountable. As the hon. Member for Aldridge-Brownhills said, the salary of that chief executive in the west midlands is of public interest, as it should be. We cannot have one standard for one body and a different standard for another body.

The hon. Member for North-West Norfolk, by means of an example, amplified what had been said by my hon. Friend the Member for Lewes. One of the benefits of the exposure of expenditure that we incur here—apart from revealing whether we are using "green" travel—is that people can know whether we, like most other members of the public including us when we are spending our own money, are taking advantage of cheaper fares by, for instance, taking a train after 9.30 am. The only way in which to guarantee such benefits of exposure, and to guarantee that the public have access to the information when they want it, is to support the amendments and, ideally, to reject the Bill even as amended.

I accept that there is no Whip on the Conservatives' vote, as there is none on ours. Nevertheless, I was surprised that the hon. Member for North-West Norfolk took the line that the Conservative Front Bench support the Bill. That was not said in Committee; it is a new revelation. I am not sure whether it has been cleared with the party leadership, but it is certainly not consistent with the new cuddly, friendly, open-government, we're-on-your-side Tory party that the party leader is seeking to sell to the country over the next couple of weeks and beyond.

The Freedom of Information Act was not entirely accepted by all members of the Conservative party—they resisted it, and a Labour Government introduced it—but in the end there was a broad consensus. I hope the hon. Gentleman will recognise that the view he has now adopted goes further than saying that this is a matter for colleagues alone, and that he would be ill advised to align himself and his party formally with the argument for exempting the House of Commons rather than supporting amendments Nos. 1 and 9. If that is his position, I should be intrigued to hear him defend it against the critique—already clear and voluble—that has been delivered not just by the well-regarded and respected Campaign for Freedom of Information but by the press, not least in the past couple of days.

The Minister adopted a neutral position, saying that it was a House of Commons matter, but failed to answer two of the major questions of the debate. First, how is it possible to be neutral about an Act which the Government introduced, which came into force only two years ago, and which the Government regarded as flagship legislation? The Department for Constitutional Affairs, which is the lead Department, has regularly and consistently made the point that it introduced freedom of information legislation. I have never heard it say that, having introduced the legislation, it now supports the idea—or is neutral or relaxed about the idea—that it may not apply to the House of Commons, the House of Lords or both.

The Minister expressly did not respond to the point made earlier in the debate about the view of her senior ministerial colleague. Perhaps I can tempt her to do so now. In any event, I remind her of the very specific report that appeared in *The Guardian* on 31 January. The paper's Westminster correspondent wrote:

"The lord chancellor"

—the Minister's boss—

"has warned ministers that exempting MPs from freedom of information inquiries will damage public confidence in the principles of open government.

A leaked letter from Lord Falconer, seen by the Guardian, shows that the cabinet is split on whether to back a private member's bill to exempt parliament and MPs' correspondence from the Freedom of Information Act."

Apparently—I know no more than the report tells me, Mr. Deputy Speaker, but this relates directly to amendments Nos. 1 and 9—

"Jack Straw, Margaret Beckett and Peter Hain want to back the bill...Mr Straw's support is crucial...Opponents include Hilary Armstong...Lord Rooker...and Gerry Sutcliffe".

I quote the next passage specifically because it relates to the Minister's Department.

"Lord Falconer expresses concern that the measure would add to the perception 'of being an increasingly secretive government' because he is already consulting on measures to curb the use of the act by journalists and the public."

If the Minister is today saying that she and the Government are neutral, when between two and three months ago the Secretary of State was arguing that the Government should not be seen to be supporting the Bill and should be opposing the measure, something strange has happened in the Department. The public would find it troubling that the Government, who expressly, as we know, took the proposal from the Select Committee and put it in the legislation to ensure that the House of Lords and House of Commons were included, are now going back on that and not being consistent.

12.45 pm

Mr. Winnick: My intervention, as always I hope, is political; it is in no way personal. I have listened to the Front-Bench speeches. Does not all the evidence demonstrate that the three parties—I emphasise the three parties—are collaborating through the usual channels in order to get the Bill on the statute book?

Simon Hughes *rose—*

Mr. Deputy Speaker: Order. I hope that the hon. Member for North Southwark and Bermondsey (Simon Hughes) will not be tempted down that line. It is extraneous to the amendments under discussion, and I remind him that he is winding up.

Simon Hughes: I am seeking to deal with the speeches that have been made. I can only speak for myself on the specific point. The amendments were tabled by me and my hon. Friend the Member for Lewes with colleagues in other parties. They have not been opposed by my parliamentary colleagues; I am not aware of any of them opposing them. I made clear earlier the view expressed in Committee by my hon.

[Simon Hughes]

Friend the Member for North Devon, who is a member of the House of Commons Commission. He has understood the issue but, if I can paraphrase the point that he made to me, he does not think that the Bill is the right solution to any problems that there are. I hope that that is clear.

Norman Baker: I am grateful to have the opportunity to make a point at this stage. Does my hon. Friend agree that it is impossible for the Government to be neutral on the issue? They are either for their legislation as it currently exists, or they want to abandon it. Would it not be helpful on such a serious matter if the Minister made it plain whether she was in favour of her legislation or against it?

Simon Hughes: I have been surprised that there has been such a lack of clarity. I can understand the Government taking a view that they were content to let the Bill be debated on Second Reading, and to see what the mood of the House was and whether there was any basis for change, but no one here in the debate so far has argued that there is evidence that people outside the Chamber have expressed support for the Bill to MPs. All the argument that has been put to me and others is in support of the sort of amendments that we have tabled. They may not be perfectly drafted, but amendments Nos. 9, 1 and others seek to ensure that we do not today or later exempt the House of Commons or the House of Lords from the provision.

In a little exchange earlier, the question was asked, if the House of Commons and House of Lords are taken out of the Bill and they are not public authorities, what are they? We are clearly public authorities. The paradox is that we would be taken out of the Bill and not treated as public authorities. Therefore, we would be the two unique exceptions in the list of hundreds of other public authorities, which would be bizarre.

Norman Baker: The proposition that has been put forward is that the House of Commons and House of Lords should be exempt from the legislation. As my hon. Friend says, no reason has been given. All that we have been told is that there is a letter that guarantees that the present situation will continue. If the intention is to continue the present situation, why change the law?

Simon Hughes: That is a question that we might have had an answer to, but we have not.

The support of the hon. Member for Aldridge-Brownhills is, as always, welcome. As he knows, his view on these matters is hugely respected. He has been here a considerable time seeking to win the battle for the advance of freedom of information legislation. He remembers how hard he and others had to fight for freedom of information. He remembers how it was seen to be central to bringing trust into government. He has argued many times that Members work hard as individual MPs to try to serve their constituents and to stand up for freedoms, and that it is often difficult to persuade Governments in respect of that subject because Governments naturally get nervous about it. However, the battle was won—effectively on an all-party basis. It was won less than 10 years ago, and we had the five-year implementation period. Today is a Friday just before the Scottish, Welsh and local elections so fewer colleagues than usual might be present, but on any day of any year after having fought that battle and having only recently reached the place that America, Australia and other countries have reached before, suddenly to row back from that place by saying that the Commons and the Lords should not be exempted from the Bill would be a most bizarre, strange, inconsistent and discordant note for the House of Commons to strike.

The other point that the hon. Gentleman made was that nowadays we are judged not only by our constituents but by the press, and that external comparisons are made. Let us look across the water to Ireland. It has an extremely progressive regime. Has there been any attempt to row back? No, there has not. People accept that there should be a more accountable and open structure. I hope that colleagues heed the hon. Gentleman's reminder about having fought so hard. The point I am making is relevant to our recent debate on slavery and to debates on women's suffrage and Select Committees, although the issues involved are different; great battles have been fought, and the idea that we should go backwards after only a few years is almost inconceivable.

Mr. Winnick: If the Bill unfortunately becomes law, that will make all the more necessary the amendments that the hon. Gentleman has tabled and I and many other Members support—it will be all the more important that the Bill is amended along the lines that the hon. Gentleman urges.

Simon Hughes: I am grateful for that intervention. I have tried to make sure that we do not have a debate in which we suddenly discover what has happened. Having missed an opportunity on Second Reading for whatever reason and having had a Committee stage in which, of course, only a handful of Members participated, I wanted to make sure that the House did not miss the opportunity of making a judgment on the following questions. Should we include the Commons at all? If we include the Commons as an exempt organisation, should we include the Lords, which is what another amendment in the group proposes? If we include the Commons and the Lords, should that be done generally or should we make sure that we retain the ability for people to inquire about expenses and finances?

The hon. Member for Walsall, North is right in what he says about the amendments. If they are passed, we at least say that although there might be a debate, which we will come on to later, about communication with MPs—constituency correspondence—we reject the central issue about information held in this House being exempted from the freedom of information legislation.

The hon. Gentleman has been a veteran in standing up for liberties, and he has done so not in a party political way, but from a general political perspective. He has stood up for liberties regardless of which party was in government and who the Ministers were. He made two points that were not made previously and which I want to associate myself with. First, he said that Members are now judged in terms of our

responses in respect of openness and accountability. We are being called to be more accountable, and as we are now under more scrutiny it would be a particularly bad time to seek to close that down. However clever or generous we might want to be in our arrangements, that would be an inexplicable route to go down.

Secondly, the hon. Gentleman made the point that as far as he was aware there had been no consultation with his colleagues, and that there had been no formal proposition to test the mood of the House. Many matters of House business are brought before us merely in order to take a view—to take a sounding and find out the mood of the House. I have not heard any formal proposition, other than by the right hon. Member for Penrith and The Border and in other speeches today in the Chamber—

Mr. Deputy Speaker: Order. The hon. Gentleman is going way beyond the scope of the amendment, on which, I remind him, he is now speaking for the second time. He understands the Standing Order about repetition so I hope that I do not have to invoke it.

Simon Hughes: Of course, Mr. Deputy Speaker. I apologise if I went too far.

I shall end by referring to the speech of my hon. Friend the Member for Lewes and his comments on the tribunal judgment. The tribunal has just adjudicated and the law has now made it clear that certain things ought to be made public, although in theory that clarification could go to the High Court. However, the ruling is merely weeks old so I make this point to the public outside, as well as to the House. If we set up systems such as information tribunals and commissioners and are willing to abide by them and give their judgments credibility by respecting what they say, it is entirely inconsistent for us not to support the amendments, because they follow the logic of what the tribunal decided in the recent freedom of information case. I hope the House will make it clear that we support retaining the freedom of information provisions on public authorities that govern the House of Commons and the House of Lords, and that we can make sure that everything that we do financially is as accountable as in any other public body.

Question put, That the amendment be made:—

The House divided: Ayes 6, Noes 46.

Division No. 094] **[12.56 pm**

AYES

Baker, Norman	Winnick, Mr. David
Brown, Lyn	
Creagh, Mary	**Tellers for the Ayes:**
Linton, Martin	**Simon Hughes and**
Shepherd, Mr. Richard	**David Howarth**

NOES

Ainsworth, rh Mr. Bob	Dowd, Jim
Bailey, Mr. Adrian	Evennett, Mr. David
Bellingham, Mr. Henry	Fabricant, Michael
Blackman, Liz	Gibson, Dr. Ian
Brown, rh Mr. Nicholas	Goggins, Paul
Burnham, Andy	Healey, John
Cawsey, Mr. Ian	Heppell, Mr. John
Dismore, Mr. Andrew	Hill, rh Keith
Donohoe, Mr. Brian H.	Howarth, Mr. Gerald
Hughes, rh Beverley	Munn, Meg
Irranca-Davies, Huw	Neill, Robert
Jones, Helen	Newmark, Mr. Brooks
Jowell, rh Tessa	Pearson, Ian
Keen, Alan	Pelling, Mr. Andrew
Keen, Ann	Pound, Stephen
Ladyman, Dr. Stephen	Randall, Mr. John
Lilley, rh Mr. Peter	Snelgrove, Anne
Maclean, rh David	Spellar, rh Mr. John
McAvoy, rh Mr. Thomas	Sutcliffe, Mr. Gerry
McCabe, Steve	Thomas, Mr. Gareth
McGuire, Mrs. Anne	Watson, Mr. Tom
McIsaac, Shona	
McLoughlin, rh Mr. Patrick	**Tellers for the Noes:**
McNulty, Mr. Tony	**Mr. Greg Knight and**
Mudie, Mr. George	**Richard Ottaway**

Question accordingly negatived.

Amendment proposed: No. 1, page 1, line 3, leave out subsection (2).—*[Simon Hughes.]*

Question put, That the amendment be made:—

The House proceeded to a Division.

Mr. Deputy Speaker (Sir Alan Haselhurst): I ask the Serjeant at Arms to investigate the delay in the Aye Lobby.

The House having divided: Ayes 6, Noes 46.

Division No. 95] **[1.8 pm**

AYES

Baker, Norman	Winnick, Mr. David
Brown, Lyn	
Creagh, Mary	**Tellers for the Ayes:**
Linton, Martin	**Simon Hughes and**
Shepherd, Mr. Richard	**David Howarth**

NOES

Ainsworth, rh Mr. Bob	Maclean, rh David
Bellingham, Mr. Henry	McAvoy, rh Mr. Thomas
Blackman, Liz	McCabe, Steve
Brown, rh Mr. Nicholas	McGuire, Mrs. Anne
Burnham, Andy	McIsaac, Shona
Cawsey, Mr. Ian	McLoughlin, rh Mr. Patrick
Cohen, Harry	McNulty, Mr. Tony
Dismore, Mr. Andrew	Mudie, Mr. George
Donohoe, Mr. Brian H.	Munn, Meg
Dowd, Jim	Neill, Robert
Evennett, Mr. David	Newmark, Mr. Brooks
Fabricant, Michael	Ottaway, Richard
Gibson, Dr. Ian	Pearson, Ian
Goggins, Paul	Pelling, Mr. Andrew
Healey, John	Pound, Stephen
Heppell, Mr. John	Randall, Mr. John
Hill, rh Keith	Snelgrove, Anne
Howarth, Mr. Gerald	Spellar, rh Mr. John
Hughes, rh Beverley	Sutcliffe, Mr. Gerry
Irranca-Davies, Huw	Thomas, Mr. Gareth
Jones, Helen	Watson, Mr. Tom
Jowell, rh Tessa	
Keen, Alan	**Tellers for the Noes:**
Keen, Ann	**Mr. Greg Knight and**
Ladyman, Dr. Stephen	**Mr. Adrian Bailey**

Question accordingly negatived.

Norman Baker: I beg to move amendment No. 2, page 1, line 5, leave out subsection (3).

Mr. Deputy Speaker: With this it will be convenient to discuss the following amendments: No. 14, leave out lines 7 to 12 and insert—

'(1) For the purposes of section 41(1), information which—

(a) is held only by virtue of being contained in a communication between a member of the House of Commons, acting in his capacity as such, and a public authority, and

(b) consists of information relating to the personal affairs of a constituent of that member

shall, unless the contrary is indicated, be deemed to have been communicated in circumstances importing an obligation of confidence.'.

No. 10, line 7, leave out from beginning to end of line 9 and insert—

'(1) Information is exempt information if—

(a) it is held only by virtue of being contained in any communication between a member of the House of Commons, acting in his capacity as such, and a public authority, and

(b) it consists of personal data relating to a constituent of that Member, and

(c) the constituent has not consented to its disclosure.'.

No. 11, line 7, leave out from beginning to end of line 9 and insert—

'(1) Information is exempt information if—

(a) it is held only by virtue of being contained in any communication between a member of the House of Commons, acting in his capacity as such, and a public authority, and

(b) it consists of—

(i) personal data relating to an individual in connection with whom the member has made representations or enquiries and the individual has not consented to its disclosure, or

(ii) information relating to the personal affairs of a deceased individual.'.

No. 12, line 9, at end insert

', except insofar as it relates to any representations which the member has made to the authority in connection with—

(a) any matter of policy which it has adopted or may adopt, or

(b) any decision which it has taken or may take other than a decision expressed in terms which affect only the personal affairs of a particular individual or individuals.'.

No. 24, line 9, at end insert—

'(1A) Information is not exempt by virtue of this section if it is—

(a) contained in a communication made to or received from a public authority from whom the member receives any remuneration or benefit, and

(b) relates to that remuneration or benefit whether or not the remuneration or benefit is recorded in the Register of Members' Interests.'

No. 25, line 12, at end insert—

'(3) For the purposes of this section "communication" means a communication in writing, or by electronic means, made by a member to a public authority or by a public authority to a member but does not include a record of meeting, or of a conversation, between a member and a person or persons acting on behalf of the public authority.'.

No. 26, line 12, at end insert—

'(3) This section does not apply to any communication made before the Act comes into force.'.

No. 16, line 13, leave out subsection (4) and insert—

'(4) After section 63(1) insert—

"(1A) Information contained in a historical record cannot be exempt information by virtue of section 34A except insofar as it consists of personal data information relating to the personal affairs of a living individual who can be identified from that record or from that record and other information which is in the possession of, or is likely to come into the possession of, the public authority."'.

No. 36, in title, line 2, after second 'and', insert 'certain'.

Norman Baker: The amendments deal with Members of Parliament's communications with constituents and public bodies. The wider question whether the House of Commons and House of Lords should be exempted from the legislation was dealt with in the debate on the first group of amendments. The second group relates to the ostensible reason the Bill has been introduced—I hope that I do not misrepresent the right hon. Member for Penrith and The Border (David Maclean) by saying that. My understanding is that his Bill arose from concern about the security of MPs' correspondence. In general, MPs' correspondence falls into one of two categories. The first is MPs' communications with public authorities in our official roles—as constituency MPs in particular, but in some cases as spokesmen for our parties if we have Front-Bench or shadow ministerial responsibilities. The second is communications with individual constituents, who may write to us.

There would indeed be grave concern if a letter sent to an MP by a constituent subsequently appeared in the public domain. That would be an intolerable breach of the trust that Members of Parliament quite properly expect to exercise on behalf of constituents who write to them. As we all know, correspondence sent to us by constituents can be of an extremely personal and sensitive nature. We all do our best to deal with their concerns in the most effective way possible, which frequently involves writing to public authorities. It would be intolerable if some of the correspondence that crosses my desk—and yours, Mr. Deputy Speaker, in your capacity as a constituency MP—were to become public.

The reality, however, is that that has not happened and would not happen. A change to legislation is not required to ensure that it does not happen. There are several reasons for that. First, we have the Data Protection Act. To assess the impact of any of the changes proposed in the Bill, it is important that the suggested alterations to the Freedom of Information Act relating to MPs' communications with public authorities and individual constituents be read across to the Data Protection Act. Unless that is done, it is impossible to understand how the system works. The system can be quite subtle, but it seems to be effective in the delivery of what we want, and I suggest that what we want is a system that holds Members of Parliament accountable for actions that they take on the public's behalf, and particularly on behalf of constituents, whether they be approached about personal matters, or matters raised by groups, voluntary organisations or others operating in the constituency. Of course, that is a slightly different matter from the Freedom of Information Act requirements on Members of Parliament to be accountable, open and responsive.

I hope that all of us in the House want an appropriate balance to be struck, so that we are held accountable when we need to be held accountable, namely for the discharge of public money and for the way in which we exercise our duties, both in the constituency and in the House. However, we have a separate role as Members of Parliament—a second job, as it were—which some would say involves acting as a one-person citizens advice bureau in our constituency. We receive large numbers of letters, e-mails, telephone calls, faxes and visits to surgeries from members of the public who have problems, which are often of a highly sensitive and personal nature, and which require the greatest discretion when they are brought to and handled by MPs.

Of course, it would be inappropriate to discuss those cases today in any way, shape or form, other than to say that the subject matter can range widely. Thinking back to my casework from the past couple of weeks, it has involved the need for a housing transfer for particular medical reasons, issues to do with child abuse, and allegations against the police. There is almost no end to the variety of casework that comes our way, and which we have to deal with in a sensitive manner. That much is common to all Members of the House.

The first question that needs to be asked of the Members who introduced the Bill is whether there are faults and deficiencies in the present arrangements that have in any way justified the proposal to change existing legislation. Also, we need to ask whether there are any reasons why the amendments should not be accepted. As was the case with the amendments in the previous group, by and large, the amendments that we are discussing essentially seek to support the status quo and the Government's existing legislation. I am trying my best to support the Government, but they did not seem very grateful for it this morning.

The issue is whether we want to support the status quo, which seems to be working, or whether there is a reason to change. I suggest that it is up to the Members who wish to make the case that the present arrangements are not working to demonstrate in what way a problem has arisen. I went through the *Hansard* report of Committee proceedings recently. Let us face it: we had no Second Reading debate, and we only had an hour in Committee. We had a bit of discussion this morning, but obviously not on the group of amendments before us, as we were dealing with another matter then. I have yet to hear of any example, from any Member, of any deficiency in the present arrangements that justifies change to legislation.

Simon Hughes: I want to know my hon. Friend's view on the matter; I have a clear opinion myself, but I have not yet asked him for his. Has he any example from his constituency experience, or had an example reported to him by any colleague, of a case in which there has been an improper disclosure of information relating to a constituent in a communication with a public authority?

Norman Baker: I have not, and I hope that you will believe me, Mr. Deputy Speaker, when I say that I write lots of letters on behalf of my constituents. I have not come across any example of a case in which there has been a problem. Indeed, the only problem that I have come across, if it is a problem—I do not regard it as such—relates to cases where a public authority is reluctant to release information to a Member of Parliament who is acting on behalf of a constituent. That has been dealt with by an amendment to the Data Protection Act 1998 and should no longer happen, but the public authorities with which I deal are scrupulous in the way in which they deal with individual data protection issues.

I have not come across any examples of information being released inappropriately by a public authority, whether or not an MP is involved. Data protection is an issue that is well understood by public authorities, which comprehend their duties, so the Bill's proposals are not justified. Consequently, the amendments that I tabled with my hon. Friend the Member for North Southwark and Bermondsey (Simon Hughes), the hon. Members for Aldridge-Brownhills (Mr. Shepherd) and for Stoke-on-Trent, Central (Mark Fisher) and others should be accepted, because they retain the status quo.

1.30 pm

Mr. Winnick: If public bodies released information about Members' correspondence and there was widespread disclosure, that would be a constant issue at Question Time, for instance, and Members would take every opportunity to raise points of order and to protest. There are no such examples, as the hon. Gentleman suggested, so that is simply a flimsy excuse for the measure.

Norman Baker: I fear that that is a correct interpretation of events. The hon. Gentleman is quite right: if correspondence on a sensitive matter involving a constituent had been released, points of order would have been raised in the House and there would be a debate. It would be the subject of ministerial questions, and there would be stories in the newspapers. We would be under pressure to ask why it had happened because, in some ways, the kernel of our job is to look after our constituents and to inspire confidence. No Member of Parliament, however long he or she has served in the House, no matter what part of the country they represent, no matter what their political colour, wants to be party to an arrangement in which sensitive material about a constituent is released, as that would be extremely damaging to them. I believe that all of us, without exception, take very seriously indeed the need to be sensitive and discreet in our use of information with which we are provided. If anyone wishes to suggest otherwise, I challenge them to produce information to that effect.

Simon Hughes: I should be grateful if my hon. Friend amplified a point that he touched on. He said that his problem, if he has a problem at all in this area, is the reverse. Occasionally, he has run into difficulties when, with his constituent's agreement, he has written on their behalf to seek information. Is that still the case occasionally, and are people more careful, rather than incautious, or was that historic commentary?

Norman Baker: Occasionally, public authorities err on the side of caution, but that occurs less often. The sadness of the Bill, which must be corrected by the

[Norman Baker]

amendments that I tabled with other hon. Members, is that people are beginning to understand the situation. The slightly complex relationship between freedom of information and data protection is now being grasped by public authorities, and the number of occasions on which they err on the side of caution has diminished. It would be a tragedy to throw that up in the air and rewrite arrangements that are working quite well.

May I deal in detail with the concept of amendment No 2, which seeks to leave out subsection (3) of clause 1 and would ensure that communications by a Member of Parliament with a public authority are not exempted, as the Bill proposes? It is important to deal with that, as reference was made to it in Committee. Even if we are careful with correspondence as Members of Parliament, the argument goes, we could write to a public authority on a constituent's behalf and it could release that information about our constituent. That is the thrust of argument in the Bill even though, as we know, the measure goes much wider than that. It is proper to ask whether or not occasions arise on which correspondence is released inappropriately by a public authority with the say-so or approval of a Member of Parliament. I have to say that I am not convinced that that is the case.

Dealing first with issues directly related to amendment No. 2 that do not involve constituents but a general exchange of correspondence between a Member of Parliament and a public authority, the Bill as drafted would include a new exemption to cover all communications between a Member of Parliament and a public authority. The justification for that is partly that it would protect MPs' correspondence. It is worth pointing out that the exemption for personal data in section 40(2) of the 2000 Act protects information about any identifiable individual, the disclosure of which would breach the Data Protection Act 1998. In practice, that protects any information relating to an individual's medical condition, housing or social services needs, entitlement to pension or benefits, education, immigration status, criminal record, relations with the police or probation service and similar matters. All those matters are already protected under the 1998 Act, so information cannot be released about them. Given that the existing law seems to be working pretty well, there is no need to try to change it.

The mere fact that a Member of Parliament had written to a public authority on behalf of a constituent, even in the absence of other information about that constituent, would in itself be personal data about the constituent, the disclosure of which would breach the 1998 Act, so that protection is already there. If public authorities are being cavalier in the way they approach this matter—I have seen no evidence of that—the remedy is there in law, because such behaviour can be dealt with under the 1998 Act. The promoter of the Bill seems to be arguing that a law that already exists and achieves what he wants to achieve is not working—although we have seen no evidence of that—so the remedy is to get another law, which presumably would not work either, to deal with the same thing. If there was a problem—I do not know of one—as regards correspondence and other material of a sensitive nature being released, the matter is already protected by law, and the answer would not be to enact more legislation but to improve the advice and training given to those who deal with data protection issues in public authorities. The Information Commissioner has told the Campaign for Freedom of Information that he has received no complaints, from anywhere in the country, from any source, about the improper release of personal information, either from MPs or constituents. I would suggest, for example, that had a constituent with a sensitive medical problem found that information to be in the public domain—in the local press or whatever—there would certainly have been a complaint about it. People are not afraid to come forward and make a complaint to an authority when they feel that their rights and privacy have been abused. There are frequent complaints about intrusions from the press, for example, and they are published on a quarterly basis, yet no complaints have been given to the Information Commissioner about the improper release of personal information from MPs or constituents.

The Information Commissioner, for whom I have a high regard, is a very active person who takes his job very seriously. His staff work effectively. I am sure that had complaints come in they would have been recorded and acted upon, and he would have produced recommendations for this House to say that there is a problem with the law—that there is a gaping hole and information is seeping out. But no such report has been received. He has found nothing wrong with the present law—he has had no complaints—so why should we want to change it? What we need is to change the Bill by adopting the amendments, which would ensure that the present satisfactory arrangements continue.

Simon Hughes: Amendments were moved by the right hon. Member for Penrith and The Border (David Maclean), whose Bill this is, in Committee a couple of months ago. The issue was flagged up, and several Committee members said that there was a theoretical problem. Since that Committee debate, has my hon. Friend received any representations that suggest that the Bill is more necessary as it is than it would be if the amendments were agreed to?

Norman Baker: As my hon. Friend says, the issue has been flagged up since the Committee stage. Those promoting the Bill were made aware of the need to ensure that active cases were brought forward. Nobody in this House, and I include myself, is unsympathetic to the stated objective of the promoter of the Bill. If there were genuinely a problem about constituents' correspondence, I, for one—and every other Member would be the same—would want to deal with that.

The challenge has been put down for someone to give examples of when things have gone wrong, but none has been forthcoming. I shall deal with one or two theoretical examples that were given in Committee, but they do not stack up. There have been no actual examples of anything that has gone wrong. The Bill is seeking a purpose; the purpose of the amendments is to ensure that this purposeless Bill, in so far as it relates to MPs' correspondence with public authorities and constituents, goes no further.

The only foreseeable circumstances in which such information about a private citizen might legitimately

be disclosed would come if the individual concerned gave their consent, or if all the information concerned was already in the public domain—for example, if the individual had taken it to the press to run a campaign for a particular purpose. In such a case, the information would of course be in the public domain, but the Bill would not deal in any way with such a matter. Obviously, if the individual gave permission for information to be in the public domain, or to be passed to a public authority, they would quite properly have been entitled to do so. Again, nothing in the Bill deals with that circumstance.

Those are the circumstances of which I am aware in which information about individuals would come into the public domain. There have been such issues in my constituency, of which I can speak personally. It may be useful to give one example; I speak for myself, although I am not at all unique among MPs in how I approach such matters. My example has been in the public press, which is why I wish to talk about it. It concerns a young constituent of mine, in his 30s, who was losing his sight. Moorfields eye hospital would not make available to him the drug that he required for his sight to be retained. Representatives of the hospital said that they were not sure whether it would work; he said, "I will definitely lose my eyesight if I am not given the drug. I want to try it."

The case involved correspondence over a lengthy period between the hospital and me—and, indeed, a health Minister and me. All the correspondence was dealt with properly, behind closed doors; proper confidentiality was observed. There was no question of data protection being abused. The matter became public, not because Moorfields released the information by accident or because the Government Department or some other public body released my information that included my constituent's details but only because my constituent expressly asked me whether I would make it so to force the case with Moorfields eye hospital.

All Members of Parliament have stories of that nature, and I do not believe that we have fallen foul of the present arrangements. When we arrive in this place, we all know, as if it were instinctive and in our bloodstreams, that we must treat with respect and sensitivity issues raised with us by constituents. We all know that; we do not need to be told, nor do we need a Bill to reinforce the point—let alone the damage that the Bill would cause. I shall come to that.

I turn to the issue of public authorities. Correspondence between an MP and a public authority about an individual constituent would normally also be exempt under section 41 of the 2000 Act, which applies to information whose disclosure would be an "actionable breach of confidence". The exemption applies when the information involved, first, is not publicly accessible, secondly, is supplied in confidence—either explicitly or implicitly—and, thirdly, is likely to cause some detriment to the confider if disclosed.

Mr. Winnick: When we debated the 2000 Act, we found section 42 essential because so much of our correspondence concerns constituents. We want to protect individuals' confidentiality. When we write to the authorities about matters arising from constituents' correspondence, the information must be confidential. That was the reason for including section 42 in the Act. There is no justification for arguing that it is being undermined.

1.45 pm

Norman Baker: The hon. Gentleman is right. To be fair to the Government, for those responsible for drafting parliamentary legislation and those who scrutinised the Freedom of Information Act 2000 and the Data Protection Act 1998, such issues were central to their thoughts. They are the bread and butter of our job and we give them proper consideration. No problem has arisen.

In Committee, the promoter said:

"Clearly if one writes to a public authority and gives the personal details of a constituent, such as their CSA claim, information relating to their children and so on, that information should be protected. It should quite clearly be protected under the current Act."

That is my point, with which the promoter agrees. He continued:

"However, inadvertently, someone may release it. This measure would remove that small problem."—[*Official Report, Freedom of Information (Amendment) Public Bill Committee*, 7 February 2007; c.7.]

If the Act already protects the information, an offence is committed if it is released. If a further Bill is drafted, it will only create a further offence. It will not prevent the information from being released.

There is an idea in Parliament—and sometimes more generally—that everything can be sorted out only by passing laws. That is not the case. Things are sorted out through advice, information dissemination and training. It does not come down to more legislation. The legislation already exists. Murder is a criminal offence. It still happens, but we do not introduce another Bill to outlaw murder. It is already an offence. The problem is not the legislation but its enforcement.

Simon Hughes: The hon. Member for Walsall, North (Mr. Winnick) referred to section 42 of the 2000 Act. Part 2—from section 21 to section 44—is intended to cover all the cases where disclosure would be unhelpful, wrong, unprincipled and inappropriate. Reasons include national security and helping to catch criminals. A raft of matters was carefully considered and included.

Norman Baker: Indeed. Some of us may believe that the 2000 Act contained too many exemptions. The Act that was passed was but a pale shadow of the White Paper that David Clark, the then Minister, produced. He became the first Minister to be sacked for implementing his party's manifesto. Nevertheless, the 2000 Act is full of exemptions and covers the concerns that hon. Members who have not examined the facts might legitimately have.

The correspondence of Members of Parliament with a public authority about a constituent's personal affairs is normally protected by the exemptions to which I referred. They include: matters that are not publicly accessible; information that is supplied in confidence, and information that is likely to cause detriment to the confider if disclosed.

[Norman Baker]

Even if correspondence is not marked "confidential", the nature of the relationship between a Member of Parliament and his or her constituent, and of a Member of Parliament with a public authority, establishes an implicit expectation of confidentiality that the courts recognise. Everyone accepts the confidentiality of such correspondence—it is one of the most commonly understood matters in our conduct of public affairs. When constituents write to us, they sometimes include the most personal details. They expect their problem to be treated confidentially. One or two may write, "Will you please treat this confidentially", but most do not because they know that that is the way in which we deal with our correspondence. It is universally understood.

Similarly, if we write to a public authority about a constituent, we would not expect it to publish the letter and no public authority would think of doing so. An implicit understanding has been built up over generations about the relationship of a Member of Parliament with his or her constituents and a Member of Parliament's position in advocating and representing constituents and their concerns to a public authority. We do not need to meddle with that. It works well.

Simon Hughes: I have just one last linked point before my hon. Friend moves on. Does he agree that it is important to separate the need to protect information given to us in confidence so that we can take up a case on behalf of constituents from the issue of where a constituent—or anyone else—might want to access their own information? That is a linked issue in the debate, but a separate one. Sometimes people want to see information, though we or a public authority may not be so keen that they do. They must nevertheless have the right to see it if they want to.

Norman Baker: Of course they must. It was suggested in Committee that one of the consequences might be that individuals would ask for the release of information about themselves. They can do that already under the Data Protection Act 1998—and quite rightly so. Indeed, I have used that Act myself to access information held about me, including from the Government—and very interesting it was, too. That right already exists, so this is another misunderstanding of the terms of the Bill, which the amendments in the group are designed to correct.

In Committee, it was also suggested that information about potential criminal offences passed by an MP to the police might be at risk of disclosure. I believe that it was the right hon. Member for Knowsley, North and Sefton, East (Mr. Howarth) who made that suggestion. He said that

"if a constituent comes to me and says, for example, 'The family at No. 60 are drug dealing.' I make it a practice—and I am sure that I am not unique in this—to say, 'I will pass that information on to the local police inspector, and I will not give your name or address, or mention the fact that we have had this conversation.' That is important but, equally, drug dealers and individuals involved in low-level organised crime have the capacity to put two and two together. If they had access to privileged correspondence sent to a senior police officer, they could work out by a process of elimination who was in the frame."—*[Official Report, Freedom of Information (Amendment) Public Bill Committee,* 7 February 2007; c. 10.]

Individuals involved in low-level organised crime do have the capacity to put two and two together, as the right hon. Gentleman argued. Doubtless, he would argue against the amendments that are designed to negate that. In fact, such information is already protected from disclosure by no less than three additional exemptions in the legislation. There is thus a wide misunderstanding on the part of Members who say that they are in favour of this Bill about what the law already says. It already achieves a great deal of what the Bill's proponents seek to achieve.

I am sure that many of us in the Chamber have followed the example of the case that I have just cited and passed information to the police. As I have explained, however, that is already protected. Why? First, because information whose disclosure is likely to prejudice

"the prevention or detection of crime"

or

"the apprehension or prosecution of offenders"

is exempt under section 31(1)(a) and (b). Secondly, because information held for the purpose of an investigation that could lead or could have led to criminal proceedings is exempt under section 30(1). Thirdly, because information relating to

"the obtaining of information from confidential sources"

is exempt under section 30(2)(b). Clearly, we are dealing with an Aunt Sally—a worry that we will not be able to tell police forces about suspected drug dealers—raised in Committee, which is absolute nonsense. We already tell police forces and we are already protected by the law as it stands in that regard.

In any event, public bodies such as police forces, NHS trusts, social services departments—indeed, all public authorities—and the devolved Administrations all take extreme care not to disclose personal data about the individuals they deal with. If there were shortcomings in the Act, which meant that such information was not properly protected, I am sure that it would have come to light by now. I am also sure that we would all have united on a cross-party basis to accept legislation that dealt with any problems that had arisen. No one is seeking to justify using information from constituents in an inappropriate way. No one wants to do that. The difference between those who propose the Bill and those who propose the amendments is that the latter do not believe that such misuse of data is happening. Until such time as we have information that demonstrates otherwise, it is difficult to support the Bill.

Mr. Winnick: Does the hon. Gentleman agree that, if there were many examples of the misuse of correspondence of Members of Parliament on behalf of their constituents, they would have built up over time into quite a dossier? That would then be dealt with by the House of Commons, and perhaps debated at Question Time. If such information were available—clearly it is not at the moment, to the best of my knowledge—there would be a case for looking at the Freedom of Information Act as it applies to Members of Parliament. But that would be in the future, and it would have to be based on evidence that would convince the majority of Members of Parliament that there was a case. At the moment, there is no such evidence.

Norman Baker: That is absolutely right. Members of Parliament also have extra protection, in the sense that we have greater access to personal data than, say, a local councillor would have. If we write to an NHS trust on behalf of a constituent, for example, the trust will take us at our word that we are acting on behalf of the constituent. If a local councillor were to write to the trust, they would need an authorisation form from their constituent to say that the trust was authorised to respond to the councillor. So the law already allows us to go further in our representation of others. It could be argued that that would make problems more likely to arise, but no such problems are arising, even though the arrangements are more flexible for Members of Parliament than they are for, say, local councillors.

Simon Hughes: The hon. Member for Walsall, North (Mr. Winnick) is correct. Furthermore, part of the solution is in our own hands. If I am writing a letter about an allegation of crime, for example, I write it in a way that does not put anyone at risk. I do not put a reference or a name at the top of the letter, and I do other things to protect people. We can solve the problem, and clearly colleagues are doing so, because there have not been any complaints.

Norman Baker: That is exactly right.

I mentioned earlier that if information is leaked or inadvertently released, that is already an offence under the Data Protection Act 1998 and can be dealt with under existing regulations. There is no need for further legislation to deal with that problem. I challenge the right hon. Member for Penrith and The Border—and, indeed, the Minister, who seems to be supporting him on behalf of the Government—to come up with some cases to show why changes to the present arrangements are necessary. If they cannot do so, they should support the amendments tabled in my name.

Any official with even the most modest understanding of the freedom of information regime would immediately recognise that an MP's correspondence about a constituent's personal affairs could not legitimately be disclosed. Unauthorised disclosure of such information would be likely to involve a breach of the Data Protection Act 1998, or a breach of confidence at common law. This could lead to enforcement action by the Information Commissioner under section 40 of the Data Protection Act. As far as I am aware, no such cases have been brought by the commissioner in respect of MPs' correspondence. Such breaches could also lead to action for compensation under section 30 of the Act, if the individual concerned had been damaged by the disclosure. I am aware of no such cases involving the disclosure of MPs' correspondence. They could also lead to action for damages at common law if an individual had suffered damage as a result of a breach of confidence. Again, I am aware of no such cases involving MPs' correspondence.

The Bill seeks to deal with a problem that does not exist, and the amendments seek to recognise that, and to support the Government's own legislation, which the Government themselves now seem to be abandoning. Amendment No. 2 deals with communications with a public authority. There might be other issues that do not involve constituents but which would involve discussions between Members of Parliament and public authorities. There is a concern that material produced by a Member of Parliament in his or her constituency role with a public authority might be released, inadvertently or otherwise, and that that would be damaging. The right hon. Gentleman told the Public Bill Committee:

> "We must have the freedom to express to chief constables, the tax authorities and so on, our personal view about the veracity of a constituent. That may not be protected information in all circumstances. If that information is released accidentally by a police clerk releasing the file, it puts us in an enormously difficult position. We must have the right, as Members of Parliament, to express a personal opinion about a constituent or someone else when we write on behalf of a constituent and we must have a guarantee that that is protected. That is my motivation. It is what is driving me and I hope to convince the Committee that it is a problem that has to be remedied." —[*Official Report, Freedom of Information (Amendment) Public Bill Committee*, 7 February 2007; c. 8.]

2 pm

Now that we know what is driving the right hon. Gentleman, I hope he will accept that the amendments deal with the problem that he identified. What concern him are issues related to data protection rather than to freedom of information. I would have understood his intentions better had he sought to identify and articulate the problem, cited examples, and then tried to remedy deficiencies in the Data Protection Act, if there are any. The problem that he identified relates not to the freedom of information regime, which is ostensibly what the Bill is about, but to data protection. If that problem does indeed exist, the right hon. Gentleman is seeking to amend the wrong Act.

Personal information of the kind that the right hon. Gentleman described in Committee is not disposable under the Freedom of Information Act. It is as simple as that. As my hon. Friend the Member for North Southwark and Bermondsey pointed out a moment ago, it might, in theory, be available under the Data Protection Act, but that would not constitute a public release of information. An individual has the right to go to his or her Member of Parliament and ask to see information that is held by that Member of Parliament, or a public body, in a particular file. Members of Parliament are not covered by the Freedom of Information Act in the same way as public authorities, but we are subject to the Data Protection Act. The regimes are different, in terms of the way in which they operate, their purposes and whom they cover.

Even the right that is granted by the Data Protection Act, which is what concerns the right hon. Gentleman, is subject to exemptions. For example, disclosures likely to prejudice law enforcement or, in the case of health or social work records, seriously to harm the physical or mental health or condition of the individual or some other person are exempt even from the permissive provisions of the Act, which allow people to view their records. However, an opinion expressed about an individual—this may be what the right hon. Gentleman was referring to in Committee—is not as such protected, whether it is expressed by a Member of Parliament, a member of a public authority's staff or anyone else. The right hon. Gentleman wishes to deal with that, but the Bill would not affect disclosures under the Data Protection Act, and therefore would not deal with his concerns. He may wish to consider

amending the Data Protection Act, but what the Bill deals with is the freedom of information regime, and what information about public bodies can be released as a result of requests from individuals, Members of Parliament and the media.

Simon Hughes: We all have massive experience of dealing with these matters. We know that if people complain to us about having been unlawfully sacked, one way of assisting them is to consult their files to establish whether procedures were followed properly. There may be revelations about something that was said inappropriately, but if we think a complaint is entirely self-delusional, there are perfectly proper ways in which we can say that, sometimes to the constituents themselves. We must accept that we cannot say one thing to a constituent and another to an authority, and not expect to be accountable for that.

Norman Baker: That is true, and it brings me to my next point, on correspondence between Members of Parliament and public bodies. I do not think we should have the right to make libellous or slanderous comments about individuals. It is entirely proper to pass on concerns to, for instance, the police or a law enforcement agency about certain information that has been received and needs to be checked out; but it is a very serious matter for a Member of Parliament to make allegations about an individual in a letter to a public body, and I do not think we should be able to do that in a cavalier fashion. We would be able to do that if we were exempted from the requirements of the Freedom of Information Act. I personally do not have a problem about letters that I send to public authorities being made public. They are accountable. They use public money. They are listed in the Freedom of Information Act as public bodies that are subject to the Act. I am elected, as we all are in the House, to represent the public. We spend public money. We are publicly accountable, so the idea that there should be some problem with correspondence from a public MP to a public authority being released seems to be difficult to sustain.

There may be occasions when there is sensitive information that needs to be conveyed from one to the other. If that is the case, I believe that that is already covered by the exemptions in the Data Protection Act which relate to health and social work, mental health conditions or other matters of that nature. It is possible to pass on information without libelling or slandering someone. If we are going to exempt MPs from having correspondence scrutinised, the danger is that we will all become loose in our language about individuals who are our constituents. That would be entirely improper.

Mr. Wilnick: Would not it have been useful if the right hon. Member for Penrith and The Border (David Maclean) in introducing his Bill had given examples of where abuse has occurred concerning MPs' correspondence? If he had given example after example after consulting colleagues as well as perhaps his own cases, we would be in a better position to decide whether there is any justification for what is being proposed.

Norman Baker: That is absolutely right. In referring to the right hon. Gentleman and his contributions, I keep hoping that he will intervene to say, "Here is a cast iron case. Will you deal with that?" I invite him to do so. It is a most curious Bill and debate. Arguments are advanced in these amendments and in the previous group of amendments. We do not hear much against them, but there is a vote, with 46 MPs coming from nowhere to decide that the law should be changed. However, that is one of the curiosities of the House of Commons. That is open debate—so far as we have it. The votes are recorded. It shows the value of accountability and openness that we know the result. Accountability and openness are certainly worth preserving in terms of how we operate in the House and how we deal with public authorities.

Simon Hughes: These are important matters, as everyone who is here testifies, but there is huge merit in the present system being retained. If I think that my police force, the Metropolitan police, has far too few police and I write to the commissioner of the Met police saying that I think that Southwark should have 200 more police, surely I must expect that to come into the public domain. If I am saying one thing privately and writing another thing publicly, I should be exposed for doing that. If on the other hand I want to say to the commissioner that one of his deputies is corrupt, presumably, I should have the intelligence to ask to see the commissioner privately to say that to him face to face and not put it in a document, which could then be released, with all the implications that would follow.

Norman Baker: Yes, or indeed in an e-mail that might be subject to investigation by the Metropolitan police under certain circumstances for particular alleged offences, as we may find out shortly.

The main impact of the proposed exemption in the Bill, which the amendments that I have tabled with colleagues seek to negate, would be to exempt MPs' correspondence with public authorities on matters other than constituents' personal affairs, as well as that relating to constituents. That is the point that my hon. Friend has referred to. The Bill as drafted would protect classes of information, including, for example, a response by a Member of Parliament to a public consultation exercise. By definition, public consultation exercises are public and it is generally the habit of public authorities to publish, sometimes individually, the responses that they have received to a public consultation.

In my constituency, we have had a very controversial proposal for an incinerator, which has been agreed, I am sorry to say, by the Conservative county council. I have been vociferous, along with the population of Newhaven and others, in opposing that. I have opposed that publicly and written to make representations to the county council and to the Minister responsible in the Department for Communities and Local Government. How would it be if I said—I hasten to say that I have not done this—to my constituents in Newhaven, "This is terrible and I will do everything I can to fight the incinerator," and then wrote to the county council and said "Actually, chaps, it is not too bad, go ahead but do it quietly, and if we get there quietly, we will be all right"?

Mr. Bellingham: That is the Liberals all over.

Norman Baker: Well, no.

If I, or any other Member of Parliament, had behaved in that way, that would be reprehensible and should be exposed. I would be very happy for my correspondence with my county council or a Minister on any issue to be available for public scrutiny, provided it did not cut across the data protection legislation protecting constituents. If I am writing on general issues of relevance to my constituents, of course my views should be on the record. My constituents want to know what my views are, as do constituents of all MPs, and they have the right to know them—they have the right to receive a full view. If MPs are to be given the capacity to say one thing in public and then separately to write something very different to a public authority, that will be a dangerous road to go down and it could bring parliamentary democracy and individual MPs into disrepute, as will exempting the House of Commons from the Freedom of Information Act 2000.

Mr. Winnick: Should not the distinction be made between when we are writing on behalf of constituents, where it is essential that the information should be confidential, and when we are writing on broader policy matters? When Members of Parliament engage in criticism, we are the first to send out press releases expressing our opinions and the last thing we want is for such information to be kept confidential. If we write to the chief executive of our local authority saying what we feel should or should not be done, we are the first to let the press know about that. Therefore, we should be a little careful about being sensitive about our correspondence being so confidential.

Norman Baker: That is right. It would be easy for public bodies—such as Government Departments, NHS trusts or individual MPs—to present a rosy picture of their activities when there might be something less rosy underneath the skin. The Government are appointing hundreds of new press officers at vast cost and yet they are also telling us that the Freedom of Information Act cannot be afforded. In a democracy we ought to be able to access all relevant information, except in respect of the proper exemptions on which we are all agreed, rather than merely the information that the public authority feels that it is beneficial to it to release. The key test of freedom of information and of accountability of MPs—which is being threatened by the Bill, and which the amendments would negate—is whether information that the body concerned, such as the Government Department or the MP, does not wish to be released can be accessed under freedom of information legislation. If we move to a position where MPs are able to put out a line that is popular and to cover up that which is not popular, that will be dangerous, and it could bring MPs into disrepute. Further lessons should be learned about how we are perceived by the public.

I mentioned public consultation exercises. A planning application might be called a public consultation exercise. If an MP writes to a planning authority about a planning application, at present what happens is that the MP's representation is included in the file of representations made on that application, which is available for public inspection. That is what should happen. We might have written on behalf of our constituents because there is a perceived wider issue. There might be particular adverse effects on the neighbours which the MP feels so strongly about that they wish to support them. There might even be an issue that personally involves the MP. There might be a planning application next door to where the MP lives. If that is the case, we are perfectly entitled—and so we should be—to exercise the same rights as anybody else and to submit comment on that application.

However, if there is a planning application for a House next door to an MP and the MP then sends in a representation—which might be libellous and include many unfounded allegations in respect of the property or the applicant—if the Bill is passed unamended by the amendments in this group that representation will be exempt. It, uniquely, will not be on the planning file and will not be available for inspection by the public. Therefore, we will not be accountable to anybody for what we put in such a planning representation. Why should we be exempted from legislation relating to planning matters, unlike anybody else in the country? There is no case to be made for such an exemption.

2.15 pm

Simon Hughes: Sometimes there are difficulties. Someone wrote to me the other day saying, "You have written to the police and the council saying that I've been guilty of being a nuisance neighbour". I replied that I had not done that, but had in fact written to the police and the council saying that an allegation had been made and asking for the facts. If we tell people the facts, they normally understand; these are not problems that cannot be dealt with by intelligent communication, which most MPs are well able to undertake.

Norman Baker: I am sure that we can. As and when such situations arise, we can all deal with them sensibly.

Let us suppose, however, that an issue arises about jobs in our constituency; for example, the employment consequences of the possible closure of a factory in the defence industry—I use that illustration to depersonalise my argument, as there is no such industry in my constituency. Clearly, if we had such an industry on our patch our constituents would expect us to protest vigorously in defence of those jobs. We have to represent local views, so we would have to say that the closure was wrong. We would try to find either a way of protecting the jobs or, if there were to be job losses, alternative employment for the work force. All MPs recognise that we have to do our best to represent our constituents and we all try to do so.

What if the Government line was different, however? If one was a Labour Back Bencher at present, or a Back Bencher in a Conservative or Liberal Democrat Government, what would happen if the Government took a different view? What if they had a policy of closing defence establishments? For example, if there had been a Labour Government in the early 1980s, they might have wanted to close defence establishments. In such a case, the consequences for the individual constituency would not matter; the important thing would be to carry through a national policy of winding down defence expenditure. If that was the policy, the Member of Parliament would have a conundrum—

[Norman Baker]

should they support their constituents, or their Government who want to make cuts that affect the constituency?

Such dilemmas arise time and again. Do MPs support their constituents who want better flood defences—a problem that I face in my constituency—or, if they are in the governing party, do they support their Government, even though the Government want to cut the DEFRA budget so that there is no money for flood defences? Do Government MPs support more police on the beat because there are antisocial behaviour problems in their constituency, even though that year's Home Office budget has been redirected towards something else?

Such political dilemmas, where the constituency and parliamentary interests are different—

Mr. Winnick: Keep me on board.

Norman Baker: I shall do my best. Those dilemmas are difficult and I do not envy anybody who finds themselves in such situations—although we all do in various regards—but if it happens we have to take a view. Do we say, "Yes, I shall support my Government"—whoever they are; I assure the hon. Member for Walsall, North (Mr. Winnick) that I am not talking about the present Government—or do we stand up for our constituents and say, "No, this is wrong"? I am sure that all Members of whatever party find themselves in situations where they have to make such choices. Whatever they do, they will make somebody unhappy—either in their party or their constituency.

The choices are tough, but we have to make them. What we cannot do, however tempting it may be, is to say one thing to our constituents and something entirely different to Ministers in the House. Of course, the matter may be flushed out by a vote, but not always; not everything is put to a vote. Things may be dealt with in Committee or in other ways. It is thus possible that an MP could paint a picture of his or her constituency activities that is wholly at variance with the position that they take in discussions with Ministers. I think that is improper and that it should not be allowed. The way we stop it is by—

Mr. Deputy Speaker: Order. I have listened carefully and attentively to the hon. Gentleman, but he is making the same point over and over again—it may have different clothing but it is the same point. He is in danger of being unduly repetitious. I think the House has probably understood his argument, so to produce 100 or 200 examples of the same thing is not necessarily to advance it.

Norman Baker: I am grateful, as always, for your guidance, Mr. Deputy Speaker. I concede that there are hundreds of examples, but in the light of your comments I will not outline them to the House today.

To summarise the point that I was making and to conclude this section of my contribution, the exemption in the Bill—which some seek to put into law and which the amendments in this group seek to negate—for MPs' correspondence with public authorities would allow Members of Parliament to present different faces at local level and national level. That is also a reason why the exemption is unhelpful. Members of Parliament should be made to make a choice and should be clear where they stand. It is key to whether we are seen to be accountable that members of the public in our constituencies are able to access letters that we have written to public authorities on important matters. Where the matters are inherently sensitive, they will, of course, fall within the scope of the existing exemption in the same way as normal. The Bill would mean that correspondence would be protected regardless of its sensitivity. That cannot possibly be right.

Moving on to a new point, having taken your strictures to heart, Mr. Deputy Speaker—painful though it may be—I also wonder why the correspondence of Members of Parliament should enjoy special protection that is not available to correspondence from other sources. There is no special protection for communications to a public authority from, say, a local councillor. Local councillors are elected at various levels, including, of course, the London assembly level. They have constituents, as we do, and they take on issues on behalf of their constituents. They have their representational role, as we do. In many ways, their roles in public life mirror what we do. They have a role in creating the framework for action in their council and they have a role in looking after individual constituents.

If the correspondence of Members of Parliament is exempted, why should that exemption not apply to local councillors in the same way? However, there is no suggestion that local councillors should be dealt with in that way. There is no suggestion that Members of the Welsh Assembly, Members of the Scottish Parliament, or anyone in the Northern Ireland Assembly should be dealt with in that way—or anyone in the London assembly, or any other elected public body in this country, all of which have their democratic mandate and constituents with whom they deal, and all of which interact on a daily basis with public bodies of various sorts.

So what is so special about the House of Commons that we have to exempt MPs' correspondence in that way? It gives out a double-edged message—a message that we create the law for somebody else and do something else ourselves. That is an extremely unattractive message. It risks our being seen by the public at large as hypocritical and it does not command public support. If we are going to provide a special exemption for Members of Parliament, there needs to be a pretty good reason for it, and so far no such reason has been given. I mentioned local councillors. The same thing might apply to NHS chief executives—

Mr. Deputy Speaker: Order. The hon. Gentleman cannot go on repeating examples. He is making the error that he made earlier. I would respectfully say to him that—if we are not going to hear any other arguments—so far there has been no opportunity for anyone else to intervene.

Norman Baker: I am happy to take any interventions.

If MPs' correspondence alone is withheld—regardless of the circumstances—while everyone else's

is disclosed, that will diminish rather than enhance the esteem in which MPs are held. Unfortunately, it will raise the spectre of the possibility of improper lobbying. Above all else, we need to make sure that we are seen as pristine clean and that we have our house in order and have the highest possible standards. The amendments are part of the campaign to achieve that. In recent years, we have seen progress in that regard, whether it is the Register of Members' Interests or the publication of MPs' expenses. Those things are part of the same deal.

Mr. Winnick: Would we not have a particular problem in our constituencies and boroughs? If our correspondence is protected in the way outlined in the private Member's Bill of the right hon. Member for Penrith and The Border (David Maclean), what do we say to councillors in our own borough who say, "Why don't we have the same protection?" Councillors could ask, "Is our correspondence less important than yours?" That correspondence may be about the same problem. It may be quite likely that someone has written to both of us, so—

Mr. Deputy Speaker: Order. The question that the hon. Gentleman is posing follows the answers that the hon. Member for Lewes (Norman Baker) has already politely given to the House. The hon. Member for Lewes should not be tempted to repeat what he has said in response to the desire of the hon. Member for Walsall, North (Mr. Winnick) to get information on that point.

Mr. Winnick: If I may continue with my intervention, Mr. Deputy Speaker, I was trying to support what the hon. Member for Lewes (Norman Baker) was saying by giving an illustration of what could happen in my borough.

Mr. Deputy Speaker: Order. Of course, I understood that, as the hon. Gentleman knows. However, I thought that we had already had a full exposition of that point.

Norman Baker: I am grateful both for your guidance, Mr. Deputy Speaker, and for the intervention made by the hon. Member for Walsall, North. It is useful to know that one is not alone and that other Members share my concerns.

Having dealt with amendment No. 2, let me turn to amendment No. 14, which states:

"Page 1 [Clause 1], leave out lines 7 to 12 and insert—

'(1) For the purposes of section 41(1), information which ... (a) is held only by virtue of being"—

Mr. Deputy Speaker: Order. There is really no need for the hon. Gentleman to read out the amendment; everyone has it in front of them.

Norman Baker: I am grateful, Mr. Deputy Speaker. I was merely trying to be helpful to the House as we address this complicated matter.

Amendment No. 14 would slightly reinforce the protection of personal information about Members' constituents by a different route. As I explained when I was speaking to amendment No. 2, I do not believe that amendment No. 14 is necessary. Nevertheless, it has been tabled in good faith to encourage Members who have genuine worries about the issue to find an alternative way forward. I make it plain for the record that the amendment is not my preferred solution. However, it offers a way forward to those who have concerns but are not persuaded by the arguments for amendment No. 2, difficult though it is to believe that that could be the case.

Amendment No. 14 would establish part of the case for the exemption of personal information about Members' constituents under section 41 of the Freedom of Information Act 2000. There are three criteria under which information would qualify for an actionable breach of confidence: the information disclosed must be confidential; it must be supplied explicitly or implicitly in confidence; and it must be likely to cause detriment to the confider if disclosed. The amendment would establish the second criterion precisely, especially through the phrase—I was about to read this out before you properly curtailed me, Mr. Deputy Speaker—

"communicated in circumstances importing an obligation"—

Mr. Deputy Speaker: Order. The hon. Gentleman is defying the Chair if he is proceeding to read out something that I had asked him not to read.

Norman Baker: I beg your pardon, Mr. Deputy Speaker. I did not intend to read the entire amendment. I was merely picking out eight words to highlight the key point about the criterion, but obviously I will not read them out if you believe that it would be inappropriate for me to do so.

It is clear that the supply of material to a Member of Parliament in confidence is at the heart of our discussion. The question whether it is implicitly or explicitly supplied in confidence is also important. Constituents will write to us saying that information is being explicitly given in confidence by writing "confidential" on a letter, or by expressly saying in a letter that they do not want the information to be passed on. However, we get a much greater volume of correspondence including information that is implicitly given in confidence. Amendment No. 14 would ensure that that implicit confidentiality was recognised. I hope that that will give succour to hon. Members who still have concerns.

David Howarth: I do not want to cause trouble for my hon. Friend's amendment. However, given that there is now a lot of common law about confidentiality, did he intend the amendment to be in line with judge-made law on confidentiality, or to start a whole new statutory scheme?

Norman Baker: It is important that we try to build on existing law when possible. We should try to ensure that what the House does through legislation corresponds as fully as possible to what the public expect and case law in the courts. It would be very foolish to begin a whole new process and create a structure that people did not understand. That might lead to correspondence being dealt with inappropriately. The strength of the present position is that the Data Protection Acts and the Freedom of Information Act are clearly understood. They work

[Norman Baker]

well together, and amendment No. 14 builds on them without seeking to open up new avenues—

It being half-past Two o'clock, the debate stood adjourned.

Debate to be resumed on Friday next.

Remaining Private Members' Bills

VEHICLE REGISTRATION MARKS BILL

Not amended in the Standing Committee, considered.

Bill read the Third time, and passed.

LOCAL PLANNING AUTHORITIES (ENERGY AND ENERGY EFFICIENCY) BILL

Order read for resuming adjourned debate on Question [19 January], That the Bill be read a Second time.

Hon. Members: Object.

Debate to be resumed on Friday 18 May.

CRIMINAL LAW (AMENDMENT) (PROTECTION OF PROPERTY) BILL

Order for Second Reading read.

Hon. Members: Object.

To be read a Second time on Friday 29 June.

INFRASTRUCTURE AUDIT (HOUSING DEVELOPMENT) BILL

Order for Second Reading read.

Hon. Members: Object.

To be read a Second time on Friday 29 June.

Elder Abuse

Motion made, and Question proposed, That this House do now adjourn.—*[Mr. Cawsey.]*

2.31 pm

Mr. Deputy Speaker (Sir Alan Haselhurst): I call Mr. Paul Burstow. Where is Mr. Burstow?

Mr. Paul Burstow (Sutton and Cheam) (LD): Thank you for calling me, Mr. Deputy Speaker.

Mr. Deputy Speaker: Order. I have to say to the hon. Gentleman that he is extremely fortunate. Because of where he was sitting I might have thought that he was not in the Chamber.

Mr. Burstow: I apologise for my laxness in not being in the right place at the right time. I am grateful to you, Mr. Deputy Speaker, for giving me the opportunity to speak on this subject.

I have come to the House in the past to express concerns about elder abuse, and I hope not to have to do so in future. I start by acknowledging that things are being done by the Government, the Commission for Social Care Inspection and other agencies that mark progress since I first raised these matters in the House in the early part of the century, in 2001-02. However, I want to deal with a number of issues that require more response, more action and more initiative from the Government. I look forward to hearing the Minister's response.

I want to deal with two recurring examples of abuse of our elderly citizens. Indeed, they are recurring indictments of the failure fully to realise the nature and scale of the problem and what needs to be done to tackle it. The first is the appalling practice of elderly people in care homes being subject to chemical management by over-medication and inappropriate medication. The second is the continued failure of the "No Secrets" guidance to deliver the professional and compassionate protection that vulnerable and elderly people deserve.

Elder abuse is a widespread, growing and historically under-acknowledged problem. In many ways it is still a taboo subject. The most up-to-date research is from 1995, and I openly acknowledge that during the Health Committee's inquiry the 1995 estimate of the number of older people being abused was not accepted by the Government as an indicator of the position today. The problem is that two or three years after the Health Committee published its report we do not have an up-to-date figure. The 1995 data given to the Committee during its inquiry indicate that at any one time 500,000 older people are being abused. That is without accounting for the abuse of people in care homes. In 2004, the Community District Nursing Association revealed that 88 per cent. of district nurses reported seeing cases of elder abuse. That cannot continue.

There is some evidence, from research by King's College London, that public awareness of the problem is beginning to grow, thanks to campaigns such as those run by Help the Aged and Action on Elder Abuse. Some 55 per cent. of respondents interviewed felt that there was a great deal of neglect and

mistreatment of older people in Britain, while 25 per cent. knew an older person whom they believed had been subject to neglect and mistreatment, with half saying that it had occurred either in care homes or hospitals. Lack of personal care was felt to be the greatest failing, and one in 10 respondents cited mismanagement of medicine as a core problem. Despite the growing public awareness, a lot still needs to be done to meet the challenge.

I come now to the question of over-medication and inappropriate medication. That is sometimes described as the "chemical cosh", although that might or might not be appropriate. I have spoken on past occasions about the dangers of anti-psychotic drugs, their overuse in care homes, the tendency for care homes to use them to sedate patients to the extent that they lose mobility and mental capacity, the way in which the drugs strip patients of their dignity and autonomy, and the Government's failure to address such abuse.

In 2001, I published a report entitled "Keep taking the medicine." It detailed the worrying rise in the prescription of those drugs to people in care and highlighted the evidence that thousands of elderly people in nursing homes were being kept in a state of sedation for no medical reason. I updated the report in 2003, finding that little had changed and that action was still required. A third report in 2006 revealed that more than 25,000 people in care homes could be the victims of over-medication and inappropriate medication.

The evidence is clear: medicine is being given incorrectly; adverse reactions to the drugs are under-recorded; and better alternatives are available. The Minister may therefore understand the disappointment and concern that I felt last month when I read a report from the Alzheimer's Research Trust confirming that anti-psychotic drugs are still being used to manage dementia patients, to the long-term detriment of their health, well-being and dignity.

Those drugs are not licensed for the treatment of dementia, yet they are prescribed to as many as 45 per cent. of sufferers in nursing homes, and are used in an attempt to deal with problems such as agitation, delusion, anxiety and aggressive behaviour. The trust's findings show that far from enhancing the life of those patients, the drugs shorten life, they slow response, mobility and cognition, and they do nothing to treat the illness. That is to say nothing of the fact that the medicine safety experts state that patients suffering dementia are three times more likely to suffer a stroke if they are being given those drugs.

The issue of prescription is key. The Commission for Social Care Inspection published a report entitled "Handle with care." The CSCI has stated that

> "nearly half of all nursing and care homes fail to meet national minimum standards for how they manage residents' medicines".

It has also said:

> "Over 200,000 people are living in homes that fail to meet the medication standard."

In addition, it has said:

> "The same problems persist, with homes keeping poor medication records, failing to train care workers adequately and to ensure good practice."

Why is it that these drugs continue to be prescribed, over-prescribed and misused? I believe that there are three reasons for that: poor staff training, despite both guidance and support being given; under-resourced care homes that find it cheaper to sedate patients than to employ more qualified staff; and, underlying all of that, poor Government guidance and a failure rigorously to enforce the targets that are being set.

There are two easy steps to resolving the problem, and taking them is long overdue. I call on the Government to take action on both of them now. What specific action is the Department taking on the prescription of neuroleptic drugs—or anti-psychotics—covered in the Alzheimer's Research Trust study? A combination of atypical and typical anti-psychotics are listed in the report. Will the Minister give urgent consideration to the report's recommendation that their use be withdrawn when treating people with only mild cases of Alzheimer's?

In my first report on the subject, I called on the Government to reassess the national minimum standards for training care staff, and to start to offer staff an alternative to the application of a chemical straightjacket. Research published last year by the *British Medical Journal* emphasised that where staff are offered training and support programmes that focused on alternatives to chemical management, the proportion of residents taking anti-psychotic drugs can fall by nearly a fifth; it can fall by 19 per cent. More importantly, that fall is marked by no increase in behavioural problems. So why has there been no progress in this area? What more progress can be achieved?

Secondly, and more broadly, if the Government feel that they can ignore the contributions of an individual Member of Parliament producing reports in this way, perhaps they need to take note of the CSCI report and to take it more seriously. I called for more frequent and more thorough reviews of prescription procedures for these drugs in 2001, but that is still not happening six years on. The national service framework, which sets standards for the care of older people, particularly in respect of medication, said that reviews should be delivered once a year for the over-75s who are on four or fewer medications and once every six months for the over-75s on more than four medications.

In 2005 the Department published "Room for Review", which reported that only 8 per cent. of primary care trusts achieved the first target and only 5 per cent. the second. I take this opportunity to ask again what the Department has done to tackle the problem since "Room for Review". This is a tragic case study of how best practice and target setting can prove useless without effective enforcement and determined leadership.

Lack of enforcement and guidance brings me to my second concern about the scandal of elder abuse—the continuing and well documented failure of the "No Secrets" guidance to provide thorough, professional and compassionate investigations into reports of abuse of those in care. "No Secrets", which was widely welcomed, was published to establish local council social services as lead agencies in developing multi-agency codes of practice for the protection of vulnerable adults. Following from that were the equally welcome "Safeguarding Adults" protocols drawn up by the Commission for Social Care Inspection. The measures set out in "No Secrets" were supposed to be

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implemented and completed in full by October 2001—more than half a decade ago—and "Safeguarding Adults" has been in circulation for nearly two years. Although I commend the good intentions behind the guidance and the protocols, I believe that more still needs to be done. We should be showing zero tolerance for abuse of vulnerable adults. Having lists of those who have abused is not adequate prevention; it is merely catching people after the event.

In the past five years, I and other hon. Members have come to the House to raise case after case in which "No Secrets" has failed. Earlier this month, listening to Radio 4, I heard—sadly, but not to my surprise—of three more cases in which "No Secrets" failed the very people it had been put in place to protect. The report arose from research undertaken by the BBC showing that one sixth of the 150 local councils in this country that are responsible for the arrangements fail adequately to safeguard the adults in their care. I shall take two of the cases highlighted by the BBC to illustrate once again how essential it is to do more to protect vulnerable adults.

The first case is a story that I have heard far too often. An elderly lady fell and broke eight ribs after undertaking a simple task for which her home care worker should have been responsible—the simple matter of turning on a light switch. The incident went unreported and unassessed by that home care worker, and even though he had clearly seen what happened, he did nothing about it. It was not until her son found her three and a half hours later—she had not moved from her chair and was in a great deal of pain—that the hospital was contacted. The lady died from her injuries two weeks later.

It transpired that the son had made numerous complaints to social services both before and after his mother's death, but they were ignored. He later discovered that they had been lost by the local authority in its internal e-mail system. Eventually, when he went to the local government ombudsman, the ombudsman upheld his view that the council had let his mother down. The question remains, however: why did the lady's son have to push for an investigation when "No Secrets" should have put in place the very protocols and mechanisms necessary to trigger one?

During the radio interview, the Minister who has responsibility for this matter, the Under-Secretary of State for Health, the hon. Member for Bury, South (Mr. Lewis), who is not present—I can understand why—said that "this is not acceptable" and that

"they are learning from their mistakes",

but how many more such cases must come to light before we truly have learned from the mistakes? A tragic, high-profile public case of the sort that convulsed the child protection in the 1990s, such as the Victoria Climbié case, should not be needed to trigger the changes that are necessary to put adult protection on the same statutory footing as child protection. "No Secrets" should have been implemented more than five years ago, but it seems that the most basic lessons have yet to be learned.

The second case I want to mention is that of an elderly lady who was attacked and killed in a care home by another, younger, resident. The younger resident had a history of mental ill health and physical violence, but the care home was not informed. The council still fails to admit its fundamental failings which allowed that to happen. "No Secrets" says it all, but the secrets are still being kept. Councils are clearly responsible for leading the sort of inter-agency work that is essential to uncovering the secrets and making a difference in people's lives. I repeat: "No Secrets" should have been implemented by 2001. What is being done to establish the necessary performance indicators by which councils can be made accountable for delivering what is set out in "No Secrets"? I am not alone in stating that "No Secrets" is not working, and that it needs legislative backing. Until it has that backing, councils will not deliver. In Scotland, and overseas in America, Japan and even as far away as South Africa, legal protections for vulnerable adults are being put in place.

More than 10 years ago, the Law Commission produced a report on mental incapacity, which called for a reassessment of the legal protection offered to vulnerable people. It recommended

"that local social services departments should be under a duty to investigate where they have reason to believe that a vulnerable person is suffering or likely to suffer significant harm or…exploitation",

and it recommended that courts be given powers to take necessary action in that regard. I congratulate the Government on introducing the Mental Capacity Act 2005; the differences that it will bring are to be applauded. However, they did not implement the proposals of the Law Commission when they had the opportunity, and that is a gap that still needs to be closed.

There are a number of initiatives that still need to be taken. First, the Government need to reassess the use of anti-psychotic drugs in care homes. The use of that chemical straitjacket really has to end. Secondly, the Government must follow through with the recommendations of the Commission for Social Care Inspection report and raise the abysmal standards of medicine management that are all too common in many of our care homes. Thirdly, the Government must do more to make sure that the procedures of "No Secrets" are in not only place, but are being adopted and enforced, are making a difference, and are grounded in law. Fourthly, we need the Law Commission protections in place. Finally and most importantly, as I have said, we need "No Secrets" to be put on a statutory footing, because that seems to be the way to get the necessary action. Every child matters, but at the moment every older person does not seem to matter. That is not the message that should be sent from this House. I hope that the Minister will respond positively to the concerns that I have raised, and that we can ensure that the next essential steps are taken to secure an end to the scandal of elder abuse in this country. Whether there are 500,000 cases of abuse or 1,000, there are too many, and it is time for them to end.

2.47 pm

The Minister of State, Department of Health (Andy Burnham): I begin by paying tribute to the hon. Member for Sutton and Cheam (Mr. Burstow) for securing the debate and, more broadly, for the personal effort that he has put into raising awareness of the

crucial issue of elder abuse and the work that he has done on it. I bring apologies from the Under-Secretary of State for Health, my hon. Friend the Member for Bury, South (Mr. Lewis). The hon. Member for Sutton and Cheam will know that my hon. Friend takes a huge personal interest in the subject, and I have no doubt that he will read the proceedings in *Hansard* and will want to make his own response to the hon. Gentleman.

The Government endorse much of what the hon. Gentleman said and they are, of course, determined to root out abuse in all its forms. There is no room whatever in social care for those who would harm people or place them at risk and we have already done much to help to support that important idea, and I am pleased that he acknowledged that in his remarks. Everyone should feel safe, secure and well looked after, wherever they live, so that they are able to maintain their dignity at all times. We want vulnerable and older people to be treated with respect by everyone who works in social care. They must receive the dignity that they deserve.

The Government are appalled to learn of terrible instances of abuse in institutional settings and in the community in the recent past. We acknowledge that in a small number of settings, things have been far from ideal. Obviously, abuse takes in a whole spectrum of behaviours—at a basic level, it includes ignoring someone or speaking to them in an unfriendly way, and it goes right the way through to more extreme forms of abuse. Speaking from family experience, it is not uncommon—let us put it that way—for families to have some form of unhappy experience when a loved one is in a residential or nursing home. It has to be said that on the whole, the dedication of the individuals who work in care homes is outstanding and they give a great deal of attention and support to the people under their care. Sadly, however, there are too many instances of care that is not of the standard that we expect, which leads to some deeply distressing and upsetting incidents for the families concerned. This is therefore a rare occasion on which there is a cross-party commitment to work together to improve our systems further so that we make those incidents even fewer and further between, and remove them from our social care and nursing care system.

The hon. Gentleman began by referring to the scale of the problem. When people begin to engage with the issue, they will discover that it is appallingly widespread and that there are far too many incidents a year for anyone to be comfortable with. He is right, however, that we do not have the robust level of information that Members of Parliament, councils and other authorities need to give due prominence to the situation. We are therefore extremely pleased to partner Comic Relief in a research project that looks at the abuse of older people who live in their own homes. We expect the results of that research to be published shortly. We are looking, too, at introducing a national collection of reports of abuse to local authorities. At the moment, information about reports of abuse varies across the country, so a single data collection would tell us how many investigations are carried out by each council. There are signs, as I hope the hon. Gentleman accepts, of improvement, but he is absolutely right to point out the issue as it underpins all the policy initiatives to which he has drawn attention. If we have that sound evidence base it will make much of what he has called for more likely and more effective.

The Government are giving every consideration to measures that will effectively tackle the growing concern in our society about this matter. Older people and adults with disabilities have the right to expect that everything is done to minimise the risk of abuse. I trust that the hon. Gentleman will permit me to mention some of the things that the Government have done to help to deal with the problem. On 14 November last year, the Department of Health launched the first ever national dignity in care campaign. Our intention is to create a care system in which there is zero tolerance of abuse of, and disrespect for, older people, as well as a situation in which people are as outraged by the abuse of parents and grandparents as they are by the abuse of children.

The Department launched the protection of vulnerable adults scheme in July 2004. In short, the POVA scheme is a work force ban, and is one means of ensuring that known abusers who have abused or mistreated vulnerable adults in their care do not remain in the work force or find their way back into such positions again. POVA has significantly increased the level of protection for vulnerable adults. As at the end of March, 6,352 people had been referred to the scheme. I can update the hon. Gentleman: more than 1,009 individuals have been prevented from working in social care, with a further 1,300 provisionally listed, awaiting confirmation. The POVA scheme was set up under the Care Standards Act 2000. In some instances, standards of care are unacceptable and staff need to be disciplined or, in the case of managers, have their registration removed. Care workers in regulated settings prescribed by the Act—adult placement schemes, care homes and domiciliary services—must be referred to the POVA list when misconduct has caused harm or put people at risk of harm. As the hon. Gentleman will know, it is illegal not to do so. I acknowledge, however, that our analysis shows a significant proportion of POVA referrals do not result in people being placed on the list.

To assist providers' understanding of their responsibilities, the Department commissioned the Social Care Institute for Excellence to develop practice guidance to encourage referrers better to understand both the referral process and the information required to aid the POVA team to process referrals effectively. We believe that that will lead to better referrals. The guidance was published on the Department of Health and SCIE websites on 17 May 2006. If the hon. Gentleman is not aware of it, may I recommend that he look at it?

I come to some of the specific issues that the hon. Gentleman raised. He rightly referred to the importance of people receiving the right medication in care homes. Indeed, he has produced his own report on the issue—"Keep Taking the Medicine". In February last year, the Commission for Social Care Inspection reported that about 88 per cent. of homes meet, or almost meet, the national minimum standards on medication management. However, we fully accept that work still needs to be done to improve on that. The Department acknowledges the findings in CSCI's follow-up study and is disappointed that care homes

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have made little progress towards meeting the national minimum standards on medicines management since the last report in 2004.

Through the National Prescribing Centre and Medicines Partnership, we have worked with several primary care trusts to identify what works best and to share that learning with others through the national Medicines Management Services Collaborative. Nearly half of all PCTs have participated in that programme to implement local medicines management schemes so that people get more help from their GPs, pharmacists and others in using their medicines.

Mr. Burstow: I am grateful for the Minister's response. Will he write to me giving some indication of the likely time scales for 100 per cent. of PCTs to be implementing those changes to medicine management?

Andy Burnham: I certainly will. If the hon. Gentleman will permit me, I will also write to him with a fuller answer on the issue of anti-psychotic drugs, on which I do not have any specific briefing to give him.

The hon. Gentleman asked about "Room for Review", a guide to medication that was published by medicines partnership in conjunction with the Medicines Management Services Collaborative. That was followed up by the publication of the medication review for patients, which better prepares patients and enables them to ask the appropriate questions. Although the focus has been on older people, the principles apply to other patients, including those with learning disabilities. He asked what the follow-up has been since the publication of "Room for Review". The national prescribing centre is currently working on an updated version to be published later this year. That will help to deal with some of the issues that he has brought to the House.

Let me turn to "No Secrets", which formed a large part of the hon. Gentleman's remarks. He will know that CSCI, in assessing the performance of local authority social services, takes into account how "No Secrets" is being implemented. I appreciate that that is different from his call for it to be placed on a statutory footing, which he has made on other occasions. This is the system that we have at present, and there is no reason why it cannot and should not be effective, given that it is reflected in the star ratings that councils receive. I am told that CSCI will also consider how local authorities are ensuring that directors of adult social services have the resources that they need to meet their adult protection responsibilities. Again, that will be reflected in their overall rating.

I understand the hon. Gentleman's concerns, and those raised through the Association of Directors of Social Services and others, about financing the implementation of "No Secrets" guidance. That issue is on the Department's agenda, and I am sure that my hon. Friend the Under-Secretary will want to update the hon. Gentleman in due course as we further consider it.

Usually, I would want to refer to further measures to reassure the hon. Gentleman that we are taking action on a range of fronts. However, given the time that remains, I shall just give a brief indication. Of course, the Safeguarding Vulnerable Groups Bill has become the Safeguarding Vulnerable Groups Act 2006, which will bring into place the new vetting and barring scheme. As a former Home Office Minister, I think that it will have a huge beneficial impact right across our health, education and social care system in ensuring that timely and relevant information is put before employers so that they can make good decisions. I hope that the hon. Gentleman agrees that that will be a considerable step forward. Encouraging progress on the issue is being made and it will build on the principles of the protection of vulnerable adults scheme.

I thank the hon. Gentleman for introducing this debate. He said that the message sent out should not be that old people do not matter. I agree entirely, of course, and we need to work together to make sure that the opposite message is heard loud and clear.

Question put and agreed to.

Adjourned accordingly at Three o'clock.

House of Commons

Monday 23 April 2007

The House met at half-past Two o'clock

PRAYERS

[MR. SPEAKER *in the Chair*]

Oral Answers to Questions

WORK AND PENSIONS

The Secretary of State was asked—

Child Support Agency

1. **Anne Main** (St. Albans) (Con): If he will make a statement on the recent performance of the Child Support Agency. [132661]

The Secretary of State for Work and Pensions (Mr. John Hutton): The Child Support Agency saw improvements in a number of areas over 2006 as a result of the operational improvement plan, with 58,000 more children receiving maintenance payments, a reduction in uncleared applications of 13 per cent. across both schemes, and new applications being dealt with more quickly. Legislation to replace the agency and overhaul the child support system will be introduced shortly.

Anne Main: I thank the Secretary of State for that reply, but I gave him details earlier today of a case involving my constituent, Mrs. Marshal, who has been woefully served by the CSA. The MP hotline in Belfast that we have tried to access cannot seem to get any answers out of Bolton—it does not even have the telephone numbers. Mrs. Marshal's investigations show that the amount paid in by dad is £22,365.24, yet she has received only £19,809.91, which means that the CSA is sitting on some of her money. Where is the money? Mrs. Marshal can see the discrepancies from the spreadsheets, so why cannot the Department? Why cannot I get any access via the MP hotline in Belfast to sort out this woeful mess?

Mr. Hutton: The system is far from perfect—*[Laughter]*—I think that we all recognise that. However, unlike the previous Administration, we have put in place significant additional investment to try to improve the service provided to hon. Members. As I said, we are beginning to make progress. The details of the hon. Lady's case have not yet been brought to my attention.

Anne Main: I sent a copy to the Department earlier today.

Mr. Hutton: I am sure that the hon. Lady did so, but unfortunately I have not yet seen that correspondence. However, I assure her that I will look into the matter.

Mr. Frank Field (Birkenhead) (Lab): Does the chief executive of the CSA exist—perhaps this is one of the problems with the CSA—because I never get a reply from him to any letter that I write to him at the CSA? If the chief executive took some care in signing replies and, more importantly, reading our letters, he might get some idea of what still needs to be done.

Mr. Hutton: I reject my right hon. Friend's suggestion that the chief executive of the CSA is not doing a proper job. He is doing a proper job, and that is why the performance of the agency is beginning to improve in several important areas. We set out proposals in last year's White Paper to bring about significant changes to the system of child support in our country, and I hope that my right hon. Friend will support those changes.

Mrs. Maria Miller (Basingstoke) (Con): The Government's figures show that fewer child support cases are being cleared each month and that the number of complex cases that the computer system simply cannot handle has increased by a third in the past 12 months. The system cannot cope. Does the Secretary of State now agree with Conservative Members that the assessment process needs urgent reconsideration, or is he happy to continue to tell families who rely on child support that they will have to wait until perhaps 2013 until they see some change?

Mr. Hutton: We are determined to try to improve the operation of the CSA as much as possible. I understood that there was a consensus between the two sides of the House on the changes that were necessary. I also understood that Conservative Members supported the changes that we were trying to make through the operational improvement plan for the CSA. I am not aware that the hon. Lady and her colleagues have any other proposals to put forward.

Keith Vaz (Leicester, East) (Lab): My right hon. Friend is right to abolish the CSA and replace it with a new body. However, the fact remains that there are still enormous problems in dealing with the existing case load—that is the issue that is being raised by hon. Members on both sides of the House. While I support what the Secretary of State is doing, what additional resources is he proposing to give the organisation in the meantime so that it can deal with the transitional arrangements? Many of our constituents have to wait an inordinate length of time just for their assessments to be made. That practical, administrative issue is the responsibility of the chief executive. What additional resources is my right hon. Friend prepared to give the agency now?

Mr. Hutton: We are making £120 million of additional investment available over the next three years to support the turnaround in performance that is wanted by all hon. Members, including my right hon. Friend. The first year of the additional investment was spent primarily trying to improve training and recruit additional staff so that we could bring about

improvements in the processing of new applications. As I said in reply to the hon. Member for St. Albans (Anne Main), the length of time that it takes to process new applications is coming down.

Simon Hughes (North Southwark and Bermondsey) (LD): Will the Secretary of State also consider, as a category, those people who flee from domestic violence, or whose partner has gone abroad? I will give just one example, but we could all give many: I know of somebody who left when their child was 10 months, and their child is now four. The child was meant to have received £94 a month, but they have received a total of £12 because the ex-partner boasts that he can always get away with it. That is unacceptable in any society, so will the Secretary of State consider those categories, and ask the chief executive to make them a priority, as well as other work that he has to do?

Mr. Hutton: I shall certainly do that. If the hon. Gentleman will give me the details of that case, we will look into it. I agree that it will be of primary importance to improve the enforcement arrangements within the agency. To that end, we have proposed a number of additional measures to improve the enforcement powers available to the agency, but I am sorry to say that all of them have been opposed by the hon. Member for Yeovil (Mr. Laws).

Mr. Nigel Evans (Ribble Valley) (Con): The Secretary of State said that the CSA was far from perfect; that is an example of perfect English understatement on St. George's day. I cannot remember the last time I held a surgery in which I did not have at least one case involving the CSA before me—I often have more than one—and I suspect that it is the same for the Secretary of State. Will he give some indication of the scale of the problems? How many cases where errors are being made are outstanding?

Mr. Hutton: There is a backlog of, I think, over 200,000 cases in the system which needs to be dealt with, and we are trying to do that. Sensible Members understand that the problem did not start in 1997. I am afraid that its origins go right back to day one of the agency, which tried to do a job without the right tools and with the wrong policy framework, and which operated in a way that was simply never likely to deliver the results that all of us wanted and expected. When it comes to the CSA, it is easy for people to jump up and criticise its staff, the chief executive or anyone else, but we have a responsibility, which we should acknowledge in this place, for getting things wrong at the beginning and not correcting them in time. Now we are trying to do that.

Work-focused Interviews

2. **Lynne Jones** (Birmingham, Selly Oak) (Lab): What lessons have been learned from the result of work-focused interviews for lone parents. [132662]

The Minister for Employment and Welfare Reform (Mr. Jim Murphy): There are more lone parents in work than ever before, and part of that success is because of regular work-focused interviews. Most lone parents think that the experience is useful and, crucially, the contact with advisers means that they are aware of the range of help and support that is available to assist them in their return to work.

Lynne Jones: I am disappointed that my hon. Friend has not quoted any of the studies that the Department has had carried out on its behalf, but given the success of the voluntary new deal for communities programme, and the fact that 69 per cent. of lone parents whose youngest child is over 12 are in work, what would represent better value for money: spending more money on more compulsory interviews and signings-on, or spending money on removing the barriers to work identified in the studies that have been undertaken for his Department?

Mr. Murphy: I am delighted to see my hon. Friend in the Chamber, just in time to put her question. A range of studies show that over recent years there has been real improvement, both in the employment rate of lone parents and in the earnings potential of lone parents who enter work. I am delighted to confirm again to the House that the new deal for lone parents has helped more than 480,000 lone parents across the United Kingdom into work, but we have to go further. The issue is partly giving personal advice and support, so that we can get lone parents into work, but it is also about the barriers that remain, to which my hon. Friend referred, quite fairly. The top of the list of those barriers remains making affordable, flexible child care available to all, and that is what we are determined to do, across the Government.

Mr. David Gauke (South-West Hertfordshire) (Con): The Government welcomed the Freud report, which advocated greater involvement of the voluntary and private sectors. Will the Minister confirm the story in *The Guardian* last Friday, which said that despite that welcome, the Government are not able to implement measures in the report because the Chancellor is refusing to provide any funding for pilot schemes?

Mr. Murphy: I have not had the opportunity to read last Friday's *Guardian*, unlike the hon. Gentleman, but the whole Government are committed to delivering on the Freud report, including my right hon. Friend the Secretary of State for Work and Pensions, the Prime Minister and of course the Chancellor, because it is that sort of teamwork that has, over time, enabled us to deliver the most successful economy and the highest rates of employment that the country has ever known, as well as a fall in the number of people on jobseeker's allowance, incapacity benefit and income support. We are determined to continue that record of success.

Mary Creagh (Wakefield) (Lab): One of the biggest concerns for any lone parent accessing work is access to affordable child care. Workers at the Sure Start in St. Swithun's in Eastmoor in my constituency of Wakefield have told me that they have noticed a trend, in which people access work just before Christmas, so that they can save up money to buy Christmas presents and get through the festive season, and then take their children out of child care and go back on benefits afterwards. Is that a trend that the Department has noticed, and if so, how can we better help those parents to stay in work?

Mr. Murphy: I have not noticed or had any reports of situations along the lines that my hon. Friend suggests, but I am of course happy to listen to the specifics of her experience in her constituency or elsewhere. She is right to identify the need to provide more support for lone parents to be in sustained employment, because across the welfare system many people who wish for the chance to work and are determined to do so go into part-time or temporary work and go through a revolving door in the welfare system. The Freud report and a series of other reports put a firm emphasis on ensuring that work is sustained and well paid.

Kali Mountford (Colne Valley) (Lab): Has my hon. Friend noticed that the further away somebody is from the labour market, the more difficult it is to get back into it? In order to gain skills, it is important that people keep in touch with the labour market. Has he thought about how the Leitch report can benefit lone parents and help them to get back into work?

Mr. Murphy: My hon. Friend is right. The evidence is that for many lone parents, regular contact with the labour market through Jobcentre Plus or a private or voluntary sector provider, getting closer to the labour market and keeping close to it, and going into part-time work that must sometimes be flexible by its nature, are all involved in the journey back to work. The continued investment in getting people back into work to achieve that full employment is a price well worth paying.

Chris Bryant (Rhondda) (Lab): Notwithstanding the figures that the Minister gave as regards the numbers of lone parents now in work, we still fall pitifully far down the league compared with the Scandinavian countries, for example. There are still 1,420 lone parents in the Rhondda who are not in work, and that is one of the major causes of child poverty. Will the Minister consider ways of ensuring that lone parents become part of the solution to this problem, for instance by gathering together lone parents so that they can provide flexible child care to other lone parents who want to get into work, thereby getting two parents into work rather than just one?

Mr. Murphy: In a devolved sense, some of the detail of that is part of the approach of the Welsh Assembly and the Scottish Executive. However, given the increased role in welfare for the private and voluntary sectors, it is also about the involvement of community groups, faith organisations and trade unions at a local level to support people in giving them the chance to get back into work. My hon. Friend is right about our different profile compared with Scandinavia. There are two differences between our country and those countries. First, as regards the availability of child care, they have had decades of investment, whereas we are catching up after decades of under-investment. Secondly, we have the most liberal—if my hon. Friend will pardon my using that word—approach to job search for lone parents of any major European nation.

Household Incomes

3. **Mr. Edward Leigh** (Gainsborough) (Con): What assessment he has made of trends noted in the latest "Households Below Average Income" statistics; and if he will make a statement. [132664]

The Secretary of State for Work and Pensions (Mr. John Hutton): The "Households Below Average Income" statistics continue to demonstrate an overall improvement to child and pensioner poverty since 1997. The Government have achieved this through their welfare to work policies—in particular, the new deal for lone parents—and increased financial support for children and pensioners through the introduction of pension credit and the child and working tax credits, in addition to substantially increased levels of benefits for children.

Mr. Leigh: Is the Secretary of State concerned that under our system the poorest effectively pay the highest tax? According to the Office for National Statistics, the poorest fifth of households pay 36.4 per cent. of their gross income in direct and indirect tax, compared with 35.6 per cent. for the richest fifth and 35.3 per cent. for households on average incomes. Instead of forcing poor people through an impenetrable maze of means-tested benefits and overpaid tax credits that have to be paid back, is not the more moral and economically efficient way to use the proceeds of growth to raise tax thresholds so that increasing numbers of poor people do not pay tax at all?

Mr. Hutton: I am grateful to the hon. Gentleman. For us, the issue is very clear. We want to provide further support for low-income households, and that is precisely what we are doing. In relation to tax credits, my understanding is that his Front Benchers support the tax credit system. He may not, but then there is now probably very little that his Front Benchers propose that he feels in any way comfortable with. I am relieved to be able to say to him that matters of taxation are the responsibility of my right hon. Friend the Chancellor of the Exchequer.

David Taylor (North-West Leicestershire) (Lab/Co-op): A large swathe of households below average income has significant difficulty in accessing welfare benefits and entitlement. To what extent does the Secretary of State believe that the Freud report has addressed those specific problems? Will he encourage hon. Members to attend a valuable Public and Commercial Services Union seminar on Wednesday at 5 pm in Committee Room 16, where all will be revealed?

Mr. Hutton: I do not know what will be revealed in the meeting. However, I am convinced that David Freud's report has identified some important issues for the Department and for the way in which Jobcentre Plus should increasingly individualise and tailor the support that it provides for people who are out of work, through a range of new services to help them get back into work. I suspect that my hon. Friend is worried about the role of the voluntary and private sectors. To put the record straight, it is worth reminding ourselves that those sectors deliver virtually all the flagship success policies that we have pursued through the new deals for lone parents and for disabled people. They do an outstanding job.

Mr. David Laws (Yeovil) (LD): Does the Secretary of State accept the Government's figures, which show that, according to the overall measure of inequality in the UK—the so-called Gini coefficient—the position has deteriorated since 1997?

Mr. Hutton: It is usually a good idea for Secretaries of State to accept Government figures—

Mr. Laws: But.

Mr. Hutton: No buts. Through our reforms, such as the national minimum wage, and the tax credits which the hon. Gentleman opposed, we have been able to provide significant additional financial help, which has increased the income of the poorest in our society. The hon. Gentleman might also like to consider the fact that the income of the poorest two fifths has increased in the past 10 years at a faster rate than that of the top two fifths.

Mr. Mark Harper (Forest of Dean) (Con): The Secretary of State knows that the revised figures that he announced in his written statement this morning show that poverty among adults of working age has increased by 100,000. Does he have any explanation of that?

Mr. Hutton: As the hon. Gentleman knows, he refers to a relative poverty measure. Some people suggest that the overall income of poor households is falling—it is not; it is rising significantly. Obviously, we need to reflect on and tackle some matters and we will do that.

Mr. David Ruffley (Bury St. Edmunds) (Con): Fighting poverty is a priority for all politicians but in March, the Government's figures showed that the number of our fellow citizens in severe poverty had increased by 600,000 in the past 10 years. It is said that, in the past year, the total number of individuals in poverty—with less than 60 per cent. of median income before housing costs—rose from 10 million to 10.4 million, and that poverty among working age adults rose from 5 million to 5.4 million. The Secretary of State's figures show that poverty is getting worse. Why?

Mr. Hutton: I wish it were true that tackling poverty was an issue for all politicians. That is not what the history books tell us about the Conservative Government's record. Child poverty doubled under the Conservative Government and it is now falling significantly for the first time in a generation because of our measures. If the hon. Gentleman had a record about which he could boast, I would seriously take something from it. He has no such record.

Income Support Fraud

4. **Mr. Greg Hands** (Hammersmith and Fulham) (Con): What plans his Department has to strengthen its mechanisms for tackling income support fraud. [132665]

The Secretary of State for Work and Pensions (Mr. John Hutton): In October 2005, we published new proposals for reducing benefit fraud. Fraud in income support is now at the lowest level since figures were recorded: down from an estimated £550 million in 1997-98 to around £200 million in 2005-06. That equates to a drop from 6.7 per cent of income support expenditure to 2.1 per cent.

We are determined to make further reductions in fraud, for example, by trying new data-matching initiatives with credit reference agencies.

Mr. Hands: Everybody living in Hammersmith and Fulham—except, it seems, the Secretary of State—is baffled by the unwillingness of the Department to investigate past and present claims for income support and other benefits by former local resident, Abu Hamza, and his family. Despite owning various properties, receiving rental income and buying a flat in Hammersmith with £75,000 in cash, there has never been a DWP investigation. Will the Secretary of State tell us why?

Mr. Hutton: My understanding is that inquiries have been made into whether fraud or criminal activity has taken place. We have not found any evidence yet.

David T.C. Davies (Monmouth) (Con): Does the Minister agree that if he wants to find examples of fraud or criminal activity, he could try to ensure that the DWP runs proper checks to ensure that those claiming income support are not among the thousands who have disappeared from open prisons over the last few years and are not living out in the wild somewhere like Australian bushmen, but are back at their home addresses, no doubt living off the benefits that they received before they were convicted of breaking laws in the first place?

Mr. Hutton: I do not know whether the hon. Gentleman heard the answer I gave to the hon. Member for Hammersmith and Fulham (Mr. Hands), but fraud in respect of income support is falling sharply and we are determined to make further progress. In that regard, I am happy to say that this Administration has a far better record of dealing with these problems than the Administration to which the hon. Gentleman lent his support.

Financial Assistance Scheme

5. **Mr. Philip Dunne** (Ludlow) (Con): If he will make a statement on the impact of the 2007 Budget on the financial assistance scheme. [132666]

The Minister for Pensions Reform (James Purnell): As a result of the Budget statement and the amendment tabled to the Pensions Bill, all the estimated 125,000 people with losses will be helped, receiving 80 per cent of the core pension rights accrued in their scheme. In addition, we have started a review of non-public sources of funding to top up the financial assistance scheme. I have today placed a note in the Library with details of the review and an indicative list of 17 schemes where we understand a compromise agreement is in place. We are asking for any similar schemes not on this list to come forward. The review will look at the definition of solvent employers, provide an initial view in the summer and make a final report by the end of 2007.

Mr. Dunne: I thank the Minister for that answer and look forward to reading his statement. Last week, facing a Back-Bench revolt, the Chancellor was forced to expand his Budget measures to cover solvent

schemes. He seems able to commit funds for pensioners when it suits him, but when a cross-party agreement for a solution is put forward, he rejects it out of hand. Surely what pensioners need now is not just another review, but action and payment in respect of pensions that many people saved a long time for, but may not live to receive.

James Purnell: I have looked at the proposed amendment and have found that it promises to pay 90 per cent., without saying how it can be funded. There is a word in the pensions sphere for guaranteeing pensioners a certain level of income with no guarantee to fund it—and the word is mis-selling. That is exactly what the Opposition are doing.

Andrew Miller (Ellesmere Port and Neston) (Lab): On behalf of the pensioners of HH Robertson's, may I say how grateful they are for the work done by the Minister and the Secretary of State in developing the financial assistance scheme as they did? However, may I ask the Minister to look carefully into some of the smaller technical issues, such as bridging pensions, that remain as obstacles? Some of the rules of schemes such as HH Robertson's are still presenting tiny problems for a small number of members, but they are entitled to benefits from the scheme. It is often a case of working out precisely what they are. Will the Minister meet me to discuss those issues?

James Purnell: I would be very happy to meet my hon. Friend to discuss them. He may well have been the first Member to raise this issue in the House, so his constituents and others owe him a real debt of gratitude. He may want to make a submission to the review so that those issues can be looked into by the external panel.

Mike Penning (Hemel Hempstead) (Con): As one trade unionist to another—*[Interruption.]* For those in doubt, I used to be a member of the Fire Brigades Union. In respect of this cobbled-together agreement that took place on Thursday evening between the trade unions, the Secretary of State and the Chancellor, can I ask whether any people who were not members of trade unions were present? Many of the people who have lost their pensions, including the Dexion workers in my constituency, are not trade union members and were not invited to this little gathering.

James Purnell: To be honest, I am not quite sure what meeting the hon. Gentleman is referring to. The important thing is to provide 80 per cent. to those affected and look further into how to top it up. It would be mistake to go for the sort of dodgy small print that the hon. Gentleman's scheme has. The shadow Chancellor guaranteed on Wednesday morning that no extra public money was available, but that afternoon he was contradicted by his shadow Secretary of State who said that it was. We are opting not for that sort of dodgy small print, but for a proper review, which will look at the available money and make recommendations in due course.

Derek Wyatt (Sittingbourne and Sheppey) (Lab): May I ask my hon. Friend about the timetable for the unclaimed pension assets—he said that a statement was due some time before the recess—and whether the measures will need primary legislation? Are any pension funds, such as Legal and General or Prudential, not co-operating with this process and, if so, how are we going to get them to co-operate?

James Purnell: One of the things that the review needs to look at is whether legislation will be needed, as well as considering any technical, financial and legal issues. That is why we believe that the right way to proceed is to hold the review and to make recommendations in the light of its findings, rather than guaranteeing levels of payments that cannot be guaranteed. It is important that the financial services industry co-operate with the review; we will need its help and support. It is in the interest of everyone involved to come up with as good a settlement as we can, and I would urge my hon. Friend and other hon. Members, as well as those on the Front Bench, to put in a submission to the review.

Mr. Philip Hammond (Runnymede and Weybridge) (Con): The Budget changes to the financial assistance scheme and the additional change that the Minister announced last Wednesday are welcome. They will improve the position of those who are some way away from retirement, and of those on higher incomes. They will do nothing, however, for those at or near retirement who are on low wages, including shop floor workers and trade unionists. Such people are increasingly having to look to the Conservative party to defend their interests and fight their case, because the Labour Members who have taken up their case let them down last week. Will the Minister tell the House why he rejected a perfectly sensible proposal, supported on both sides of the House, that would have delivered an immediate solution at no cost to the public purse, save that of providing a short-term loan?

James Purnell: The hon. Gentleman has just illustrated why the proposal needed to be rejected; he contradicted himself in the space of one sentence. Either there is a taxpayer guarantee, in which case his shadow Chancellor was wrong last week to say that there was no public spending commitment involved, or this is mis-selling the Conservatives' policy. Which is it?

Mr. Hammond: The Minister might want to be a little bit careful about what he says about the package of policies that we announced last week. On Tuesday, shortly after my hon. Friend the Member for Tatton (Mr. Osborne) announced the package, the Chancellor accused him of having announced a reheat of his own policy. The Minister should therefore be a bit careful before he rubbishes it. This is about people. Let me give him two examples: Peter Humphrey, a former Dexion worker, and John Brooks, a former Early's of Witney worker, are both now seriously ill. The Minister will know about their cases. They are receiving precisely nothing from the financial assistance scheme, and the announcement that he has made will deliver nothing extra to them. Is he not sending a message to them today that people will have to wait still longer, and that, in their cases, they might never receive the benefits for which they have been saving for many years?

James Purnell: That is not the message at all. We made it clear that we were increasing the level of initial payments from 60 per cent. to 80 per cent. The problem with the hon. Gentleman's proposal is that he does not know how to fund it. The House will notice that he absolutely refused to say which of the two options was correct. We still do not know who is right. Is it the shadow Chancellor, who said that no public spending commitment was involved, or is it the hon. Gentleman? There is a contradiction at the heart of their policy. What I was saying was exactly what the Chancellor said, namely that we should have a review and make decisions in the light of its findings and of proper technical advice, rather than adopting cooked-up amendments from the Conservative Front Bench.

State Second Pension

6. **John Robertson** (Glasgow, North-West) (Lab): How many more women will receive entitlements to the state second pension as a result of Government pension proposals. [132667]

The Parliamentary Under-Secretary of State for Work and Pensions (Mrs. Anne McGuire): As a result of reform, around 1 million more people will build up entitlement to the state second pension from 2010, 90 per cent. of whom will be women.

John Robertson: I thank my hon. Friend for her answer. As a Member of Parliament whose constituency has one of the highest percentages of women, I am naturally concerned about the treatment of women. Does my hon. Friend agree that the low take-up of the state second pension among women might be due to the fact that they are still being paid less than men? Of course, it could be that they are going for other pensions that are more favourable, but what are the Government doing to investigate why there is such a low take-up of the state second pension?

Mrs. McGuire: My hon. Friend is correct that for many years the number of women who build up a full state pension has been significantly lower than the number of their male counterparts who do so, which is why in our reforms, including the reform of the second state pension, we seek to equalise the take-up of the basic state pension and the building-up of that entitlement. He is correct, too, that there are other issues to do with the advice given to women workers and whether or not they think it worth their while to join in a private pension scheme. That is something that the Department for Work and Pensions must look at, along with employers and with the sponsorship of other Government Departments, to make sure that the right information is given to women. For too long, women have been second-class citizens with regard to pensions, whether it is the payment of the small stamp or the fact that they have never been given the opportunity to build up an entitlement, and we seek to rectify that.

Dr. Brian Iddon (Bolton, South-East) (Lab): I wonder whether my hon. Friend will join me in congratulating the Association of Greater Manchester Authorities which, last Thursday, with the help of Age Concern and Bolton council launched a new mobile advice centre that has three interview rooms and a large satellite dish on the roof, and allows professional staff from the Department for Work and Pensions and the Pension Service to give all the citizens of Greater Manchester who receive pensions or are about to receive them proper advice?

Mrs. McGuire: I am delighted to join my hon. Friend in offering my congratulations. He has illustrated the way in which the Department for Work and Pensions, through the Pension Service, goes out to people and ensures that information is taken to the community. It works closely with voluntary organisations and local authorities to ensure that there are no barriers to information among the local population, and I should be interested to learn from the Pension Service the improved take-up in the Greater Manchester area.

Inactive Benefits

7. **Ms Diana R. Johnson** (Kingston upon Hull, North) (Lab): If he will make a statement on progress in reducing the number of people on inactive benefits. [132668]

The Minister for Employment and Welfare Reform (Mr. Jim Murphy): There are more people in work than ever before in the UK. There are also 900,000 fewer people on out-of-work benefits compared with a decade ago. There is a real contrast with the decade before that, in which the number of people on incapacity benefit trebled.

Ms Johnson: May I ask my hon. Friend to look at the position of people with mental health problems, particularly given the scheme that operates in Hull through the local branch of Mind? It is called Mindful Employer, and it offers support and encouragement to local employers to employ people with mental health problems, so will he look at whether it can be rolled out across the country to support employers?

Mr. Murphy: I know how carefully my hon. Friend looks at all those issues, and she has spoken to me before about the Mindful Employer experience in her constituency. She is absolutely right, and there are some extremely enlightened attitudes among employers small and large across the United Kingdom who are doing an awful lot to support people with a mental illness as well as people with a learning disability, who have traditionally been excluded from the labour market. I am happy to listen further to my hon. Friend's experiences to see what more we can do to embed those reforms so that they genuinely support those with a fluctuating mental health condition.

Miss Anne McIntosh (Vale of York) (Con): The Minister will be aware that there is a record number of 16 to 18-year-olds among the number of people not in education, employment or training. Does he accept that the path through university to work is very much embedded in young people's minds but that the Government need to do more to encourage them to go on and secure vocational training, which does not necessarily involve university but will give them a job for life?

Mr. Murphy: I am not sure that there is a job for life for many people in today's labour market in a world of globalisation. Nevertheless, there is a significant task ahead concerning the skills and aspirations of many young people. Of course there has been progress in recent years on the number of young people not in employment, education or training, but we have to go further. One way of doing so is perhaps raising the school leaving age; another is continuing to make a success of the new deal, which has transformed the lives of hundreds of thousands of young people and is a policy that was, and still is, opposed by the Opposition.

Mr. Adrian Bailey (West Bromwich, West) (Lab/Co-op): Does my hon. Friend agree that getting people who have been on an inactive benefit for many years into work is one of the most challenging jobs for us? Will he give me an assurance that Jobcentre Plus has sufficient resources to meet that challenge?

Mr. Murphy: My hon. Friend is right, and that is why 250 people have come off an inactive benefit, with the chance to go into work in many cases, every day over the past 10 years. My hon. Friend is right to allude to the remarkable work done by Jobcentre Plus in supporting people to get into work in many communities and towns across the country. But clearly, Jobcentre Plus cannot, and should not, be asked to do that job on its own. Increased involvement by the private and voluntary sector, community organisations, and—as I have alluded to—faith groups and trade unions in communities is also important in supporting more people into sustained employment.

Mr. Owen Paterson (North Shropshire) (Con): The latest edition of "Labour Market Statistics", published on 18 April, showed that the number of economically inactive people of working age rose by 76,000 in the past quarter to 7.93 million. Is the Chancellor to blame?

Mr. Murphy: The figures released will also show, of course, that the number of people on jobseeker's allowance fell last month—the seventh fall over the past eight months—that the number of people on incapacity benefit is the lowest that it has been for six years, and that the number of lone parents on income support has decreased. Alongside the fall in the number of people claiming each and every one of those benefits, a record number of people are in work—a record of which the Government are rightly proud.

Pension Contributions

8. **Justine Greening** (Putney) (Con): What estimate his Department has made of the number of people aged 40 years or under who do not make any contributions to either occupational or private pensions; and if he will make a statement. [132669]

The Minister for Pensions Reform (James Purnell): In 2005-06, 6.2 million employees, 0.9 million self-employed people and 3.6 million economically inactive people aged 20 to 40 in the UK were not contributing to a non-state pension.

Justine Greening: I am grateful to the Minister for those statistics. If he has looked at the general household survey conducted by the Office for National Statistics, he will know that since 1995 the number of men and women in full-time employment who have occupational or private pensions—in the age bracket about which I asked—has fallen. Many of my constituents in Putney see getting a pension as a luxury to come after having paid off student debt and perhaps having bought their own home. Given that we know from Barclays that the average starting salary fell last year to £13,800, does the Minister agree that it was particularly unhelpful and counter-productive for the Chancellor to increase income tax on low earners when his Department seeks to introduce personal accounts in which those people are expected to save money?

James Purnell: Obviously, taxation policy is a matter for Treasury questions. I believe, however, that the hon. Lady shares in the consensus that personal accounts should be introduced. I have read with interest the helpful and serious report on that by the Select Committee on Work and Pensions, of which she is a member, and we shall examine that in detail. The right response to the issue of pension saving is automatic enrolment and a matching employer contribution—both of which I think that she agrees with—and the introduction of the national pensions saving scheme, which is the right model to deliver low charges and good returns for those saving in it.

Mr. Desmond Swayne (New Forest, West) (Con): I was visited recently by a constituent who has lost not one, but two, pensions, and who falls outside the FAS. He complained to me that when he chided his daughters for not contributing to a pension scheme, they replied that he was a mug for having done so. Until Ministers are prepared to grasp the nettle, which our amendments last week offered them the opportunity to do, there is every likelihood that people who save for a pension will simply be told that it is a mug's game.

James Purnell: We have grasped the nettle. We have introduced an amendment that guarantees at least 80 per cent. of what people have lost. We are examining how that can be supplemented. We are not prepared to make empty promises, which have been described by the Association of British Insurers as robbing Peter to pay Paul, or as yet another raid on pensions, which should not be done. We are saying that we should have a proper review. I would say to his constituent's daughters that we now have the Pension Protection Fund, which does provide a safety net for people in the future. The Labour party tabled proposals for that in the 1995 Pensions Bill. If the hon. Gentleman's party had supported them, we would be in a very different situation now.

Mr. Nigel Waterson (Eastbourne) (Con): Does not the Minister realise the terrible damage done to long-term confidence in pensions by this Government's failure to ensure prompt and adequate compensation for people who have lost pensions? Does he think that the under-40s in particular will be encouraged to participate in personal accounts by the sad spectacle of some pensions victims dying before help reaches them, while the Government conduct yet another review?

James Purnell: It is not right to promise people money that we do not know how to deliver. That is not the right type of politics. The shadow Chancellor said that a test of the Opposition's credibility as a Government was whether they were going to come up with more unfunded promises on pensions. That is exactly what they have done. Voters will draw their own conclusions on the credibility of the Opposition party to be in government.

Welfare to Work

9. **Mr. Graham Allen** (Nottingham, North) (Lab): What recent progress has been made in implementing city strategies on welfare to work. [132670]

The Minister for Employment and Welfare Reform (Mr. Jim Murphy): We announced on 2 April that city strategy pathfinders have now succeeded in bringing together new partnerships capable of planning and driving through real change to local employment and skills services. We are now working with them to agree ambitious targets to tackle worklessness and expect to finalise these targets by the end of May.

Mr. Allen: I thank the Minister for that answer and congratulate him again on the work that he has done in getting the city strategies under way—certainly in my city of Nottingham, with 31,000 incapacity claimants and those on related benefits, we need it. However, does he share with me a small degree of impatience that in setting up the city strategies over many months, we have yet to begin the delivery? What does he expect in terms of targets and outcomes, not least in respect of my city?

Mr. Murphy: My hon. Friend has championed the city strategy approach for some months now, not least because Nottingham is, uniquely, the sixth richest city in the country and the seventh poorest. He also chairs the consortium in Nottingham. Let me say to him and, through him, to the partnership in Nottingham that we are looking for a real change in outcomes. Of course we have to get the processes right, but it is the transformation of people's lives that is important. In that sense, we have set aside additional money to incentivise further success so that the consortiums can share in the success of getting people off benefit and into work. That announcement was made to the 15 city consortium pathfinders when we set out the details of the flexibilities to them recently.

Pension Credit

10. **Mr. Bob Blizzard** (Waveney) (Lab): How many pensioners in Waveney constituency are in receipt of pension credit. [132671]

The Minister for Pensions Reform (James Purnell): Our latest estimates show that in November 2006 there were 6,130 households—7,810 individuals—in the parliamentary constituency of Waveney receiving pension credit. Across Great Britain, there were 2.7 million households—3.3 million individuals—receiving pension credit. This is nearly 1 million more than received the minimum income guarantee that preceded it.

Mr. Blizzard: I thank my hon. Friend for that answer. Has he estimated how much extra money per annum those figures amount to in terms of what comes into the Waveney constituency? It strikes me that it is not just good news for pensioners, but good news for the local economy in which my constituents spend their money. They remember the time when there was no such thing as pension credit.

James Purnell: The average amount that people get from pension credit is just under £50 a week. A quick off-the-top-of-the-head calculation would suggest that about £13 million a year goes into the Waveney constituency from pension credit—a measure that was opposed by the Conservatives and was described last week by their Front Bench as a cancer.

Child Support Agency

11. **Bob Spink** (Castle Point) (Con): What steps his Department is taking to reduce the number of Child Support Agency cases waiting to be processed. [132672]

The Parliamentary Under-Secretary of State for Work and Pensions (Mr. James Plaskitt): The main steps are increased staffing levels and improvements in the agency's IT, and those steps are working.

At the commencement of the improvement plan, there were some 220,000 new scheme cases uncleared. By last December, that was down to 186,000. The immediate target is to get it down to 160,000 by the end of the first full year of the plan—and given that clearances have exceeded intake for nine consecutive months, I am confident that the target will be met and that there will be continued improvement thereafter.

Bob Spink: I am grateful for the hon. Gentleman's response. He will recall that earlier today his right hon. Friend the Secretary of State said that there was a backlog of 200,000 cases with the CSA. What assessment does the hon. Gentleman make of the work of the Select Committee on Work and Pensions, which indicates a far higher level of problems and backlog? Does he accept that the backlog is causing real problems for vulnerable people in all our constituencies? What further will he do to clear that backlog quickly?

Mr. Plaskitt: As I told the hon. Gentleman, the backlog is now being reduced. It was reduced by 13 per cent. in just the first year of our operational improvement plan, and the targets that we have set for the agency include the clearing of 80 per cent. of cases within 12 weeks by 2009. The substantial improvement achieved in the first year will continue. If the hon. Gentleman wants to know what more is being done to support that improvement, I suggest that he read the detailed information that we have made available about reforms to the agency's information technology system. When we examined it at the start of the operational improvement plan, it contained 500 defects. More than half those defects have now been fixed, including all the important ones. Additional investment, new processes and new ways of working for staff are helping us to make rapid progress in reducing the backlog.

LEADER OF THE HOUSE

The Leader of the House was asked—

Early-day Motions

19. **Mr. Graham Allen** (Nottingham, North) (Lab): What assessment he has made of the merits of establishing an online system for tabling and signing early-day motions. [132696]

The Deputy Leader of the House of Commons (Paddy Tipping): My right hon. Friend the Leader of the House—who, unfortunately, is abroad today—is aware of both possible advantages and possible problems associated with e-tabling of and signatures to early-day motions. The Procedure Committee is examining the matter, and I understand that it is due to consider a report in the near future. The Government will pay close attention to any recommendations that the Committee makes, and will respond in the normal way.

Mr. Allen: Does the Minister accept that the currency of the early-day motion is now considerably devalued? It is now little more than parliamentary graffiti, and is used as the equivalent of parliamentary snout in this place. Could it not be returned to a central position in our deliberations? Perhaps the early-day motion that has the most cross-party signatures each week could be debated without a vote on a Friday.

Paddy Tipping: My hon. Friend is right to stress the value of the currency of both early-day motions and questions. There is concern in the House about the number of questions tabled. Another Committee of the House, the Modernisation Committee, is examining the use of non-legislative time, and among the issues that it is considering are early-day motions and the number of signatures to them. I understand that its report may be available before the summer recess, and will provide an opportunity for discussion of my hon. Friend's point.

Sir George Young (North-West Hampshire) (Con): The Deputy Leader of the House will know that, for the reasons given by the hon. Member for Nottingham, North (Mr. Allen), many Members on both sides of the House do not sign early-day motions at all. Before we adopt the proposal in the question and make it even easier to table and sign early-day motions, does it not make sense to wait for the more substantive review to which the Deputy Leader of the House has referred?

Paddy Tipping: I agree. That is precisely why the Procedure Committee is examining the matter, and I understand that its report is fairly imminent. As the right hon. Gentleman says, it is important for early-day motions not to be abused and to have significance, and I hope that we shall be in a position to reinforce that in the future.

John Bercow (Buckingham) (Con): In echoing the concern expressed by my right hon. Friend the Member for North-West Hampshire (Sir George Young), may I reinforce the argument by suggesting that the problem with the current system—and it would also be a problem with a system allowing early-day motions to be tabled online—is that it appears to many people to be profoundly ritualistic and to have no end result? Will the Deputy Leader of the House consider again the idea that if a decent number of signatures is achieved, that should be the threshold for a substantive debate, as suggested by the hon. Member for Nottingham, North (Mr. Allen)—but preferably not on a Friday? Monday, Tuesday, Wednesday or Thursday would do.

Paddy Tipping: The hon. Gentleman can name the day, as long as it happens. He will not mind my saying that he gave evidence to the Modernisation Committee fairly recently, and one of the issues discussed in the session that he attended was giving effect to early-day motions. I am not sure what the Committee will recommend, but I can tell the hon. Gentleman, fairly forcefully, that we will look carefully at any recommendation that the Committee makes.

Business Committee

20. **Sir Nicholas Winterton** (Macclesfield) (Con): If he will instigate discussions with all political parties represented in the House about the establishment of a business Committee. [132697]

The Deputy Leader of the House of Commons (Paddy Tipping): As the hon. Gentleman is aware, my right hon. Friend has received regular representations about the case for a business Committee. The proposal has been raised in evidence to the Modernisation Committee's current inquiries into the role of Back Benchers and the use of non-legislative time. I think it best to let the Committee make its recommendations on the matter.

Sir Nicholas Winterton: I welcome the Deputy Leader of the House back to the Front Bench. He is a thoughtful and kindly man who is deeply committed to the procedures of this House. Does he not accept that people are increasingly concerned that what takes place in this House is not topical, and does he not agree that if Back Benchers were represented on a business Committee of this House not only would more topical debate be part of debate during the week—not only on a Friday, although I support the hon. Member for Nottingham, North (Mr. Allen) in his question—but that would be more relevant and topical for the people of this country? That is one of the objectives of the current Modernisation Committee inquiry.

Paddy Tipping: I am grateful to the hon. Gentleman for his remarks about me, and let me reciprocate by saying that he is a long-standing and influential member of the Modernisation Committee and that I am sure that he will use all his powers to ensure that the report that comes forward addresses the case he makes that the Chamber should be more relevant and that there must be greater involvement of all the political parties in a more structured way. Because of his background, he will also understand that it is important, too, to persuade people that there should be an appropriate and agreed time for Government legislation and for their programme in general.

Mr. David Winnick (Walsall, North) (Lab): Does my hon. Friend accept that if such a business Committee were already in existence it might well have come to the conclusion, and have made recommendations to the House, that to exempt the House of Commons from the Freedom of Information Act 2000 would be totally against the interests of the House of Commons, and that therefore circumstances would not arise such as those that arose last Friday where Whips on both political sides were trying to bring about a situation whereby the Freedom of Information Act applies to everybody else but not to Parliament—

Mr. Speaker: Order. I call Mr. Heath.

Mr. David Heath (Somerton and Frome) (LD): The former Leader of the House, the late Robin Cook, was a strong supporter of introducing a business Committee. Indeed, he said that

"one of the ways in which the executive retains its control over the Commons is to make sure that only it can propose the business before the House".

Given that a business Committee is normal for most democracies and legislatures, and that there is a business Committee in the Scottish Parliament, the Welsh Assembly and the Northern Ireland Assembly, why is it taking so long for this Government to consider properly the merits of having a business Committee for this House?

Paddy Tipping: The hon. Gentleman rightly says that the late Leader of the House, my friend Robin Cook, was a great advocate of that. The simple answer to the hon. Gentleman's question is that there are different voices and views in Government. That is why I believe that the Modernisation Committee report is important. I speculate that it will say something about a business Committee although, clearly, I cannot make commitments; the only commitment that I can give is that the matter will be explored carefully and thoughtfully.

Mrs. Gwyneth Dunwoody (Crewe and Nantwich) (Lab): This House gave up without a whimper various very important powers that would have enabled us to vote, as we originally did, on resolutions of the House and Back-Bench motions. My hon. Friend will accept that we are one of the last legislatures not to have control of its own business programme, which is unacceptable, pointless and damaging—and may I add that I, too, think that he is lovely?

Paddy Tipping: Well, let me agree with that last point, and say to my hon. Friend that she has been a strong supporter over many years of more motions coming before the House and of the debates being on substantive motions, not motions for the Adjournment. My right hon. Friend the Leader of the House is committed to trying to ensure that that happens further.

Mr. Shailesh Vara (North-West Cambridgeshire) (Con): Under this Government, there has been an ever-increasing amount of legislation. Since 1997, the number of pages of secondary legislation has increased by almost 20 per cent. and the number of pages of primary legislation has increased by 125 per cent. What measures do the Government intend to introduce to ensure that there can be proper and effective scrutiny of all those laws?

Paddy Tipping: This is a matter not just for the Government, but for the whole House. The whole process of timetabling of motions and business—I know that it has been controversial—gives the opportunity to the Opposition to highlight the important areas of concern. This is a two-way street, and I am clear that we could use the way in which we timetable our business in a more effective and efficient way than we do at present.

HOUSE OF COMMONS COMMISSION

The hon. Member for North Devon, representing the House of Commons Commission was asked—

Parliamentary ICT Network

21. **David Taylor** (North-West Leicestershire) (Lab/Co-op): What recent submissions he has received on the performance of the parliamentary ICT network. [132698]

Nick Harvey (North Devon): Hon. Members raise their concerns with me from time to time, but the Administration Committee has been carrying out an inquiry into the provision for and by the House of ICT services and equipment. That has of course covered matters relating to the performance of the network managed by PICT. A report is expected from the Committee shortly.

David Taylor: Having working in IT for three decades before I became an MP, I have to say that the service that we get from the blend of hardware, software and staff, in support and technical design and development, is excellent, but the remote service in the constituencies is a different picture. The performance and stability of the remote network is as lethargic and unpredictable as a teenager on a hot day. May we please have some focus on, and investment in, that particular area, for the benefit of all 646 of us when we are not here between Monday and Thursday?

Nick Harvey: I thank the hon. Gentleman for his positive remarks about the network in general. It is recognised that there are problems with the remote access to the network and a programme of work is under way to improve the way in which that operates. I hope that as time goes on that will prove to be successful and that external users will get the same satisfaction as internal users generally report.

Mr. Andrew Mackay (Bracknell) (Con): May I dissent, because I think that the network is the most unbelievably incompetent bureaucracy? We had a much better service from individual suppliers before, and we should think again and return to that system rather than the network.

Nick Harvey: The taxpayer would pay considerably more if 646 Members each procured their own IT arrangements rather than it being done collectively. Overall, the performance of the network is extremely reliable. It is recognised that there are problems with some of the other services, but the right hon. Gentleman should not underestimate the scale of the task that PICT faces. These are early days. The joint department for the two Houses has only just been formed, and time will tell in the next few months as to whether it is able to improve the service. Generally, Members seem fairly satisfied with it.

Points of Order

3.32 pm

Mr. Henry Bellingham (North-West Norfolk) (Con): On a point of order, Mr. Speaker. May I ask your advice? Last Wednesday, during the debate on the Pensions Bill, I asked the Minister for Pensions Reform, the hon. Member for Stalybridge and Hyde (James Purnell) about the pensions expert, Ros Altmann. He replied:

"I have great respect for Ros Altmann, but...she never worked as an adviser to No. 10 or No. 11, as is often said."—[*Official Report*, 18 April 2007; Vol. 459, c. 329.]

Ros Altmann sent me an email pointing out—

Mr. Speaker: Order. That is a matter for debate, not a point of order.

Mr. Bellingham: But, Mr. Speaker—

Mr. Speaker: No. It is a matter for debate. Whatever information the lady gives, it is not a point of order.

Anne Main (St. Albans) (Con): On a point of order, Mr. Speaker. Perhaps you could help me. I gave the Minister more than three hours to research the case that I referred to, including the Child Support Agency number and the national insurance number. I wrote to the Minister on 26 March, so it cannot have been lost in the system. How much time does a Minister need to be able to find a case?

Mr. Speaker: Once again, the hon. Lady is trying to extend Question Time, and that is not the purpose of a point of order.

Damian Green (Ashford) (Con): On a point of order, Mr. Speaker. I seek your guidance on a written answer given on 16 April by the Minister for Local Environment, Marine and Animal Welfare, the hon. Member for Exeter (Mr. Bradshaw), in which he listed local councils that provide only fortnightly rubbish collections. He included Ashford borough council on that list, but that is factually wrong. Ashford borough council provides a weekly collection service—

Mr. Speaker: Order. That is not a point of order. Sometimes Ministers get things wrong. They do not mean to do so, but sometimes they do, and points of order should not be used to try to put the matter right.

Mike Penning (Hemel Hempstead) (Con): On a point of order, Mr. Speaker. May I seek your advice about what happens when constituents' lives are affected because they are misquoted by a Minister? Ros Altmann worked at No. 10, yet the Minister said that she had not. How is that lady to get compensation?

Mr. Speaker: The hon. Gentleman should go to the Table Office and put down a further question, or point the matter out at oral questions. Sometimes early-day motions are used to state that a Minister has got something wrong. There are ways to redress the balance.

Orders of the Day

Finance Bill

[Relevant document: the Fifth Report of the Treasury Committee, Session 2006-07, on the 2007 Budget, HC 389-I and -II.]

Order for Second Reading read.

Mr. Speaker: I have selected the amendment in the name of the Leader of the Opposition.

3.35 pm

The Chief Secretary to the Treasury (Mr. Stephen Timms): I beg to move, That the Bill be now read a Second time.

At the time of the Budget, my right hon. Friend the Chancellor was able to set out an upbeat account of the state of the British economy. It was not just my right hon. Friend, however: I draw the House's attention to the International Monetary Fund's report on the UK economy in February, which referred to

"a decade-long record of strong and steady macroeconomic performance",

and pointed out that

"growth of real GDP per capita was higher and less volatile than in any other G7 country".

We have seen a remarkable transformation of the British economy over the past decade. Uniquely among major economies we have avoided a downturn; 29 million people are in employment for the first time ever and gross domestic product per capita is up from seventh to second in the G7 and the economy is growing faster this year than in every other G7 economy. Locking in that new stability, avoiding risks to it and sticking to our fiscal rules are the immovable constraints around which the Budget and the Finance Bill were constructed.

Mr. John Redwood (Wokingham) (Con): Can the Minister explain why 1 million manufacturing jobs were lost in Britain over that decade and why 5.3 million people of working age are on benefit with no job?

Mr. Timms: As I have just said, and as the right hon. Gentleman knows, record numbers of people are in employment in the UK and unemployment is falling. The claimant count fell again in the most recent figures. Of course, there has been a shift from manufacturing to services—as there has been across the developed economies—but there has been positive news from the manufacturing sector in recent months, which I am sure the right hon. Gentleman and the whole House will welcome.

Rob Marris (Wolverhampton, South-West) (Lab): As a west midlands MP, may I remind my right hon. Friend that although it is sad that a huge number of manufacturing jobs have been lost, there is record employment in the economy and in the west midlands? Manufacturing output has continued to grow significantly over the past 10 years under the Government.

Mr. Timms: It has, with particularly strong figures in recent months, as I said, which reflect the strength in manufacturing across the economy. I particularly welcome the strength of the economy in my hon. Friend's region, to which he referred.

Acknowledging intensifying global competition, the Bill takes the next steps to prioritise investment and innovation. It includes important measures to simplify business tax and to ensure that everybody pays their fair share. With measures to deliver further emissions reductions, incentives to encourage fuel and energy efficiency and further support for renewable energy technologies, the Bill strengthens UK leadership in tackling climate change.

Mr. Frank Field (Birkenhead) (Lab): On fair taxation, can my right hon. Friend tell me how many representations he has received from low-paid workers about the abolition of the 10p rate of tax? Constituents of mine who earn only one sixth of what we earn are paying £3 a week more, and I have tabled questions asking how many other people are similarly affected. Is my right hon. Friend satisfied with the balance the Government have struck, and when might I receive a reply to my questions?

Mr. Timms: I am absolutely certain that my right hon. Friend will receive answers shortly. I am sure that he has seen the analysis published by the Institute for Fiscal Studies showing that the great majority of households will be better off. The IFS also points out that the proportionate gain is highest for those on the lowest incomes, although of course the changes to which my right hon. Friend refers will be in the Finance Bill next year, rather than this year.

Mr. Field: But does my right hon. Friend not accept that some people will be worse off and that some of them might have noticed that they are thought to be so unimportant that they do not feature in the reasoned amendment opposing Second Reading?

Mr. Timms: My right hon. Friend may be correct about that. Some, no doubt, will find themselves a little worse off next year as a result of the changes in the Bill but, by and large, their position will have been considerably strengthened by the other changes over the past 10 years.

Julia Goldsworthy (Falmouth and Camborne) (LD): Will the Chief Secretary respond to the recommendations in the Treasury Committee's report on the 2007 Budget, which raises two important issues? The first is that the winners and losers are not clearly identified in the Red Book and that this should be done in future. The second is that take-up of tax credits remains low and further efforts need to be undertaken to make sure that those who could benefit from tax credits actually do so. Many will lose out not only because of the tax changes, but because they are not claiming tax credits.

Mr. Timms: I welcome the report that has been published today. We will reflect on all the points that it makes. On the second issue that the hon. Lady raised, the report does welcome the recent initiatives, including the information that my right hon. Friend the Chancellor gave to the Treasury Select Committee at its meeting on take-up, but there is no doubt that more needs to be done.

Mrs. Theresa Villiers (Chipping Barnet) (Con): May I clarify something for the House? The abolition of the 10p rate is not referred to in the reasoned amendment because it does not appear in the Bill. No doubt, the right hon. Member for Birkenhead (Mr. Field) will hear more about that issue later in the debate.

Mr. Timms: On tax, spending and borrowing, the balance that we strike is of crucial importance. Our commitment, with the golden rule, is to borrow only to invest over the course of the cycle, and the Budget reported an £11 billion surplus on the golden rule over the current cycle. On borrowing, to keep net debt sustainable below 40 per cent. of gross domestic product and consistent with those rules, this Bill sets the right balance and underpins our commitment to maintaining the new stability in the economy that has been so invaluable over the past decade.

Crucially, the Bill also provides the resources to equip us to meet future challenges successfully, enabling the new investments for education and skills, science and the other key areas that my right hon. Friend the Chancellor set out in the Budget to be made. With total spending rising to £674 billion in 2010, we are committed to continuing to invest. In a world economy in which competition is intensifying, technology is changing fast and almost every country faces challenges from global insecurity, investment is vital to enable us successfully to address the long-term challenges ahead.

Let me turn to the details of the Bill. First, on business and productivity, our starting point is a very strong one indeed. In the past year, total investment is up by 6½ per cent., business investment is up by 7¾ per cent and inward investment is up by 15 per cent. Business investment is forecast to rise again by more than 7 per cent. this year. Maintaining that success requires a modern, corporate tax system that reflects the intense worldwide competition in the globalised economy, and the Bill introduces the changes that we need. From 2008, there will be a cut in the main rate of corporation tax from 30 per cent. to 28 per cent.

Mrs. Villiers: The Chief Secretary appears to think that everything in the economy is rosy. Is he concerned that inflation has hit a 16-year high?

Mr. Timms: Inflation is currently at 3.1 per cent., and the hon. Lady may have noticed that the recent sending of a letter by the Governor of the Bank of England to my right hon. Friend the Chancellor was the first time it had happened in 10 years. At the outset, it was expected that that would be required every year or two. The system and the macro-economic framework that we have put in place have been remarkably robust and successful. Inflation at 3.1 per cent. is a great deal lower than the rates of inflation that obtained when the party that she speaks for was last in government. At that time, we had double-digit inflation and double-digit mortgage rates. The system continues to work extremely well and the fact that, after 10 years, it has been necessary for a letter to be

[Mr. Timms]

sent need not give rise to undue concern. Indeed, it is generally agreed by those who study these things that the rate of inflation will fall sharply towards target in the second part of this year.

From 2008, as I said, there will be a cut in the main corporation tax rate from 30 per cent. to 28 per cent. That is a lower rate than those of all our major competitors and has been widely welcomed by, for example, the Institute of Directors and the City of London Corporation, which said:

"The City is very pleased that the Government is making such a clear commitment to keeping London competitive".

There is clear evidence that a lower headline rate of corporation tax attracts foreign direct investment and that the change will strengthen our position further.

Justine Greening (Putney) (Con): I am listening carefully to the Chief Secretary's comments about corporation tax. Small companies in my constituency are concerned about the increase in the small companies rate. Will he go on to talk about the representations that he has received from the Federation of Small Business and others?

Mr. Timms: I shall come to the small companies corporation tax rate in a moment, but let me say a little more about how we are funding the welcome and significant reduction in the main rate. It is being funded by modernising and streamlining the capital allowances system, which has been largely unchanged for the past 20 years and which, in part, still reflects the needs of post-war redevelopment. This is the most extensive reform of investment allowances since the 1980s, better aligning allowances for buildings and plant with economic depreciation, removing tax-driven distortions in business decisions and giving incentives for long-term investment.

My right hon. Friend announced just two rates in future for capital allowances—20 per cent. for short life assets and 10 per cent. for long life assets. Clause 35 paves the way for phasing out over four years industrial and agricultural buildings allowances, so removing a selective and outdated subsidy for some buildings, which is not available, for example, for commercial office space or for science parks. It is a strong package, pro-growth and pro-investment, which is expected to add 0.2 percentage points per annum to investment above the trend rate, strengthening our global competitiveness.

The Bill also sets the small companies rate of corporation tax at 20 per cent. for 2007. We have announced that we will raise it further to 22 per cent. from April 2009 as we remove incentives to incorporate solely for tax reasons. As the Red Book shows, setting out the figures for this year and the following two years, all the proceeds from that increase will be recycled to small businesses that invest, through a package that reduces the tax due from them and gives them incentives to invest, with current first year capital allowances for small firms maintained in the Bill at 50 per cent. until April 2008, and with the Finance Bill next year to introduce a 100 per cent. annual investment allowance of £50,000 for all firms. That shifts the incentives in favour of investment, which will further strengthen small firms.

Mrs. Villiers: The Chief Secretary has been extremely generous in giving way. Does he recognise the problem for many small retailers or small service businesses, which cannot make that level of investment to recoup for the tax increase? For example, a newsagent will not be able to make those high levels of investment and will end up with a higher tax bill.

Mr. Timms: Perhaps the hon. Lady will tell us when she speaks whether her party would reverse the change. We are using the tax system to improve the incentives for investment and thereby strengthening businesses, particularly the wealth-creating, job-creating businesses. I have no doubt that as a result of this package the economy will be strengthened further. It is a matter of using the available incentives in the right way, as we are doing. There will be a significant cash-flow benefit to small businesses that reinvest their profits, offsetting the small companies rate increase for small companies that are investing.

Through clause 50 and schedule 16, the Bill reforms venture capital trusts, the enterprise investment scheme and the corporate venturing scheme. Those measures will give greater certainty to investors and the companies in which they invest and help to secure the future of the schemes, which have been very valuable. All the yields from those changes are being recycled to fund enhancements in research and development tax credits to strengthen further innovation and productivity in the UK. These measures will encourage investment and innovation, promote competitiveness and help to equip the UK to meet successfully the challenges of globalisation ahead.

Stewart Hosie (Dundee, East) (SNP): The Chief Secretary is talking about the ability of companies to invest in some of the things that the Government are doing. However, of the 265,000 businesses in Scotland, 98 per cent. have fewer than 49 employees and 1.3 per cent. have between 50 and 249 employees. That leaves only a couple of thousand firms, of which 1,510 employ more than 500 people. The new definition of small and medium-sized enterprises that applies to much of the research and development tax credit stuff will apply to merely a few hundred companies out of 265,000. Is the Chief Secretary not overstating the benefits in the Finance Bill?

Mr. Timms: No, I do not think that I am. Of course, I am not familiar with the figures that the hon. Gentleman is quoting, but I suspect that he is including a large number of self-employed individuals. I am certainly not overstating the benefits. He will see in the Red Book the analysis of the additional revenue raised from the change in the small companies rate and the additional sums being relieved through the changes that I have described. Over the period set out, all the proceeds are being recycled.

The Budget extended support to hard-working families. It announced tax changes to help more people into work and to boost further the incentives for employment. But for 2007-08, in the Bill income tax rates are unchanged at 10 per cent., 22 per cent. and 40 per cent. The personal tax reforms set out in the Budget, amounting in total to a reduction in personal

taxation of £2.5 billion, will come into effect from April 2008 and will be contained in the Finance Bill next year.

Clause 4 of the present Bill will increase the nil rate band for inheritance tax to £350,000 for the financial year 2010-11, maintaining recent practice of pre-announcing nil rate band increases for future years. That means that 94 per cent. of estates are expected to pay no inheritance tax, with transfers of assets to spouses, civil partners and charities, of course, exempt.

Julia Goldsworthy: On the issue of personal taxation, will the Minister explain why the changes were not included in this year's Finance Bill?

Mr. Timms: If the hon. Lady looks at the arithmetic set out in the Red Book, she will see that the package has been carefully designed. There will be changes next year, balanced by other changes, which are all set out. The phasing of those changes is consistent with our commitments both to fairness and to stability in the economy as a whole.

Part 3 of the Bill includes important changes to ensure that everybody pays their fair share of taxation. We remain firmly committed to advancing fairness by tackling tax avoidance, as well as fraud. For example, clause 25 ensures that workers providing their services through managed service companies pay the same income tax and national insurance as those who provide their service as employees.

The Bill also takes the next steps in our response to the Stern report. It introduces further measures to protect the environment, building on the success of the climate change levy in tackling carbon emissions, supporting the introduction of carbon trading, reflecting our commitment to tackle climate change through effective international action, and providing incentives for change while maintaining our other economic and social objectives. Changes in clause 11 to vehicle excise duty sharpen the environmental signals to motorists to purchase more fuel-efficient cars. Clauses 17 to 19 introduce a range of other measures to encourage energy efficiency.

John Bercow (Buckingham) (Con): Stamp duty land tax relief for new zero-carbon homes was a feature of the Budget and is provided for in clause 19. In view of the absence of details in the list of measures, will the Chief Secretary tell the House the estimated cost of clause 19 in a full year and his latest estimate of the number of prospective beneficiaries?

Mr. Timms: The cost on introduction is small because there are very few zero-carbon homes. I am pleased to be able to tell the hon. Gentleman that a development of zero-carbon homes is going forward at Gallions Park in my constituency. We want to change the nature of house building in the UK and to provide incentives for a completely new zero-carbon approach. There is a lot of confidence in the construction industry that the measure and other mechanisms will enable us to bring about the changes that we want in the coming decade on a large scale.

Mrs. Villiers: Is the Chief Secretary aware of how many zero-carbon homes exist in the United Kingdom?

Mr. Timms: A very small number, but we want a great deal more. As I said, we want to change the whole nature of house building in the UK. The important and welcome measure will contribute towards that goal.

Julia Goldsworthy: Will the right hon. Gentleman give way?

Mr. Timms: I am going to make a little more progress.

Clauses 20 and 21 encourage the use of domestic microgeneration by helpfully and supportively clarifying the tax rules. The increases in the rates of fuel duty will help to reduce polluting emissions from road transport.

Clause 12 doubles the rate of air passenger duty with effect from 1 February 2007. I know that the principle of increasing the tax burden on aviation is supported by hon. Members on both sides of the House. The change reflects better the principle that the sector should meet its environmental costs. It is estimated that the measure will save 300,000 tonnes of carbon a year by 2010-11. Of course, we continue to work to ensure that aviation is included as soon as possible within the European Union emissions trading scheme, which is the right long-term solution. Taken together, measures outlined in the Budget will deliver a carbon saving of 6 million tonnes. They will also strengthen the UK's leadership on critically important international decisions that alone can deliver the worldwide changes that we need.

Justine Greening: Did the figure on aviation that the Chief Secretary gave us take account of the proposed expansion of Heathrow?

Mr. Timms: The figure that I cited is the difference between the emissions after the change to APD and the amount if there was no change.

The Bill is the right next step in extending further our decade-long record of economic success, stability, growth, investment and fairness that my right hon. Friend the Chancellor set out in the Budget. It promotes the international competitiveness of the UK economy because maintaining our success on competitiveness is vital to the prosperity of every family in Britain. The Bill provides further protection for the environment to ensure not only that we stay on track to exceed our Kyoto commitment, but that we strengthen UK leadership internationally. Our aims are to build on the longest period of economic stability and sustained growth in Britain's history, with a strong economy alongside a strong society, the right balance among tax, spending and borrowing, and Britain equipped to address successfully the long-term challenges of the future. The Bill takes those important next steps and I commend it to the House.

3.58 pm

Mrs. Theresa Villiers (Chipping Barnet) (Con): I beg to move, To leave out from "That" to the end of the Question, and to add instead thereof:

"this House declines to give a second reading to the Finance Bill because it fails to equip the UK to compete in the globalised world economy in the face of ever increasing competition from countries such as China and India, penalises small companies

[Mrs. Theresa Villiers]

with higher tax rates and a more complicated tax system, hits freelance workers with more tax bureaucracy and uncertainty, involves yet further instability and U-turns on pensions policy and does nothing to tackle the UK's worsening pensions crisis, gives HM Revenue and Customs intrusive and disproportionate new powers of investigation, misses the opportunity to provide effective mechanisms for tackling climate change, fails to reform the UK tax law after years of erosion of its competitiveness, and fails to reverse the massive increase in complexity and instability which the Chancellor has inflicted on the tax system of the UK."

This Finance Bill might not be quite as long as last year's—the Government have been able to squeeze it into a single volume—but that cannot make up for the massive increase in complexity and continuing instability that we have seen during the Chancellor's 10 years in charge of our tax system. Recent reports from Grant Thornton and Ernst and Young highlight the erosion of our competitiveness that has been caused by the complexity of a tax code that has doubled in length during that decade. We believe that there is an urgent and pressing need for tax reform. If the Government shirk the challenge, there is a real risk of an outflow of jobs to other countries. The limited steps in the Bill towards simplification and reform do not meet that challenge, which is one of the key reasons why we decline to give it a Second Reading.

Let me begin with clause 1. The right hon. Member for Birkenhead (Mr. Field) asked why our reasoned amendment did not cover the income tax changes announced in the Budget. As I said in an intervention, that is because they are not in the Bill. However, we remain concerned about the proposals that will be imposed next year, and my hon. Friend the Member for Rayleigh (Mr. Francois) will deal with that matter in his winding-up speech.

Mr. Frank Field: When the time comes and an amendment is tabled to provide transitional protection for workers who will be made worse off, does the hon. Lady think that Opposition Members will support the Labour Members who table it?

Mrs. Villiers: We will assess that amendment when we see it. We will certainly give consideration to the question that the right hon. Gentleman asks.

I now turn to clause 3. The Chancellor has changed the tax system for small companies in every one of his 11 Budgets, which have included six rate changes. The Bill not only raises tax rates for small businesses, but makes the tax system more complicated for them. More than 12 million people in this country work for small businesses, and it is they who will lose out—the thousands of small retailers on our local high streets just trying to make a living.

Nick Goulding, the chief executive of the Forum of Private Business, described the measures as

"a kick in the teeth for Britain's small businesses."

David Frost, director general of British Chambers of Commerce, said:

"This is a substantial rise and will hit those looking to grow their business."

The verdict of John Wright of the Federation of Small Businesses is that

"Small businesses were the main victims of this Budget".

The Chancellor and the Chief Secretary to the Treasury claim that the new allowances mean that businesses that invest will not lose out.

Kitty Ussher (Burnley) (Lab): I have listened to the hon. Lady's speech but I am slightly confused, because she quoted a business man saying that businesses seeking to grow would lose out, but a few moments ago another Opposition Member, the hon. Member for Falmouth and Camborne (Julia Goldsworthy), admitted that the Government's proposals will help firms that seek to invest.

Mrs. Villiers: The proposals will not help small business. They will lead to a higher tax bill for small business and a more complicated tax system, and other parts of the Finance Bill make it more difficult for small business to get advice about that complicated tax system. Most small businesses simply do not have the expertise to navigate their way around the Chancellor's eye-wateringly complex system of incentives and reliefs. The average hairdresser, newsagent or owner of a rural post office will not shell out on the research and development tax credit; it just is not feasible for them. What the Chancellor and the Chief Secretary do not seem to understand is that reinvesting profits is a luxury that many small businesses cannot afford at the moment. Most of them need to take money out of their business to live on, particularly now that inflation is at a 16-year high, and mortgage rates are going up.

Mr. Doug Henderson (Newcastle upon Tyne, North) (Lab): I am not trying to be awkward, and I understand some of the points that the hon. Lady is making about the dilemma facing small businesses, but will she concede that the main factor that affects small businesses is what is happening to big businesses and to the economy generally? When the economy is operating at a high level of demand, people have more money in their pockets, and there is more work for small businesses.

Mrs. Villiers: Small businesses are affected by rising inflation, like everyone else; they are also affected by rising interest rates and a rising tax bill, and under this Government they have all three.

Julia Goldsworthy: Does the hon. Lady agree that small and medium-sized enterprises include micro-businesses with fewer than five employees, and that those are exactly the type of business that will find it so difficult to navigate the ever more complex regulations?

Mrs. Villiers: The hon. Lady makes a good point, and one of the big disadvantages of the increasing complexity in the tax system is that it is more difficult for micro-businesses to make sense of it. Small companies such as hairdressers, newsagents, post offices and one-man businesses will be badly hit by the Bill, because it is not feasible in all cases for them to invest at significant levels.

In a double whammy, the Chancellor has hit small service businesses again in schedule 3, on managed service companies. Let me make it clear that we support attempts to crack down on abuse and abusive behaviour. Of course people who are not genuine freelance contractors but are in reality in a relationship

with their end client that amounts, to all intents and purposes, to employment, should pay their fair share of tax. However, it sometimes seems as though the Government think that all freelancers are tax dodgers. They are not, and those who are genuinely outside an employment relationship should not be penalised for making that choice about their working life. Flexible contract working is an important part of our economy, and it is invaluable in allowing businesses to respond quickly to changes in demand and innovations in the market. In particular, it plays a vital role in the IT sector, which, as I am sure the Chief Secretary will agree, is a crucial area for maintaining our economic competitiveness in a globalised world.

In seeking to crack down on abusive behaviour, the Government are in danger of hitting all contractors who have incorporated and chosen to outsource some of the administration and finance connected with their company. Whether someone is a genuine freelancer is irrelevant to the operation of schedule 3. It looks as if more or less any involvement with a third-party organisation that provides regular services to contractors and assists them with the operation of their service companies could bring the freelancer and her company within the new managed service companies legislation and completely change her tax status.

One of the worrying consequences of these proposals is that many contractors who have—understandably, given the complexity in the tax system and in regulation— allowed an adviser to take some of the burden of administration off their shoulders will have to set up their own personal service companies. They will no longer be able to outsource day-to-day corporate administration to an adviser. On top of an increase in tax rates and an increase in tax complexity, freelancers will have the hassle and bureaucracy of registering and running their own company into the bargain.

Kitty Ussher: The hon. Lady talks about complexity. Why, therefore, are more small companies operating in the British economy now than when her party was in power? Specifically, which bits of the tax code would the Conservative party abolish?

Mrs. Villiers: There are many ways in which we need seriously to reform the tax system so that it becomes much simpler, and in due course we will come forward with detailed proposals.

According to the Institute of Chartered Accountants, we are already seeing the symptoms of the changes involving managed service companies, because well over 56,000 new companies were registered in February—around double the usual monthly figure. Freelancers, as well as having to set up their own companies and being unable to outsource, are likely to see the bill for professional advice go up because of the risk that their advisers could find themselves caught by the definition of a managed service company provider; those professionals could find themselves liable for the tax debts of their clients. It is difficult to know in advance how the carve-out for professional advisers in proposed new section 61B(3) will be interpreted. While some basic accountancy and legal services may steer clear of the rocks, how will everyday tax advice, company formation and company secretarial work be treated? We will have to wait for a court decision before we can understand the legal position with confidence, leaving freelance workers and their professional advisers in an expensive limbo in the meantime.

The Contractors UK website reported many contractors feeling that

"this latest legislation is just part of an inevitable ongoing revenue attack. Freelance contractors are a valuable section of our flexible workforce, and once again, they feel victimised by this assault on their livelihoods."

Freelance software development expert Mr. David Hazell recently wrote that the Chancellor

"and his ilk have spent the last 10 years slowly twisting the public view of my chosen way of keeping myself in work to something akin to benefit fraud. Contractors are not tax dodgers, and they have better things to do with their time than spend it getting their heads around Gordon's corkscrew-like reinterpretations of tax and company law."

Martin Hesketh, who provides professional services to freelance workers, said:

"The UK economy relies heavily on people freelancing, and the Government has promoted this 'flexible' way of working for some time now to attract more people into the work force. However, the new rules seem to work against the Government's own agenda. Not only are they adding more confusion to this already complex market, but...are also requiring contractors to take on additional layers of legal and accounting responsibilities—something they've clearly not asked for".

A major plank of the Government's proposals is not even in the Bill for scrutiny this afternoon. Their highly controversial draft rules on making third parties liable for other people's tax debts are still to come, so we only have part of the picture—the rest is to be inserted via regulations. Yet clause 25 would bring the rules into effect from 6 April. People are being asked to deal with that upheaval even before the rules have been finalised and agreed by the House.

The Chancellor's attack on enterprise and small business start-ups continues in schedule 4 with the restrictions imposed on sideways loss relief. Under the Bill, it seems that people are damned if they do incorporate and damned if they do not, with schedule 4 hitting business partnerships. Restricting the ability to set off partnership losses against other income could have an impact on several important high-risk investment areas.

Several concerned entrepreneurs have contacted me about sideways loss relief, including Mr. Antony Blakey, who told me that many investors and scientists were worried about the impact on private collective investment. He told me that

"we now have a serious problem for environmental research and small business start-ups."

Film production is an example of something that could be negatively affected. I acknowledge that not everyone in the film industry is worried, especially since the Government carried out their spectacularly rapid U-turn on applying the rules to section 42 and section 48 reliefs. However, some in the film industry are worried, and concern about schedule 4 stretches to several other sectors, including the multi-billion-pound computer games industry, in which the UK has such an important opportunity to compete alongside the best in the globalised world economy.

[Mrs. Villiers]

I have also received representations about the damage that schedule 4 could do those trying to make use of the special capital allowances that the Chancellor introduced to encourage environmental projects. Biotech investment could also be hit. Rupert Lywood of Matrix Securities contacted me about a project to develop cancer vaccines. He told me that it would have been much harder to get that off the ground without sideways loss relief, because it would have been difficult to find a single investor who could fund the entire project. To get the necessary critical mass of investment for such high-risk projects, one generally needs several investors and, consequently, a partnership.

If investors can no longer relieve losses against other income, the risk increases and ventures find it more difficult to get financial backing. In many cases, spending 10 hours a week on the project, as required by the new rules, simply would not be practical. Mr. Lywood tells me of a business venture concerning Down's syndrome and genetic diseases, which is now in jeopardy as a result of schedule 4.

Again, it is true that avoidance has occurred, and we support attempts to crack down on abusive schemes, but the Government already have extensive tools with which to deal with partnership-based avoidance. Schedule 4 fails to distinguish between abusive and non-abusive schemes. We need to find a way to save sideways loss relief for projects undertaken for genuine commercial and entrepreneurial motives rather than for tax reasons, and we will table amendments in Committee to bring that about.

Coupled with the new restrictions on venture capital trusts in clause 50, schedule 4 comes as a body blow to enterprise in Britain, and we desperately need to encourage enterprise if more jobs are not to be sent offshore to India and China.

Let us consider the Bill's proposals on green issues. Tony Juniper of Friends of the Earth said that the measures announced were "disappointingly weak" and described the Chancellor's record as "woeful". During his 10 years at No. 11, green taxes have been falling as a proportion of total tax receipts. The much-hyped climate change levy is flawed because it targets the use of energy rather than focusing on carbon emissions. The Renewable Energy Association branded the low carbon buildings programme a fiasco. Clause 19's stamp duty exemption for zero carbon homes will make a minimal difference, especially as the Chief Secretary cannot tell us with certainty whether any houses in the entire country qualify for that relief.

The Chancellor's tax break for microgenerated energy sold back to the national grid is not exactly a big giveaway, since HMRC admits that it has never collected income tax on such payments to date. The Renewable Energy Association called the £22 a year that that might save home owners

"a drop in the ocean".

The Bill may contain provisions that are labelled as environmental, but it is not a genuinely green Finance Bill.

Part 6 deals with powers. Of course we acknowledge the importance of ensuring that the authorities have the right tools to fight tax fraud and organised crime such as missing trader intra-Community—MTIC—fraud. However, we also agree with the Chartered Institute of Taxation about the importance of

"ensuring those powers are used only by those who need them and are subject to proper control."

We welcome the extensive consultation carried out on that issue. There has certainly been an improvement since the initial draft, which took an Inspector Gene Hunt-type approach: "Kick the door down first and ask questions afterwards." Real progress has been made since the "PACE is for wimps" stance with which some of the proposals started. However, there are still a number of instances where the criminal powers granted by clause 81 to HMRC exceed those given to the police under the Police and Criminal Evidence Act 1984, so we will scrutinise those proposals with care.

Vesting responsibility for both civil and criminal investigation in the hands of a single body does give rise to certain risks; I am sure the Chief Secretary will acknowledge that. HMRC's criminal investigation officers should be separate and distinct from the rest of the organisation. There needs to be a limit to the range of people who can exercise the very considerable powers that the Government are asking the House to sanction in the Bill. We do not want to see every tax inspector given a power of arrest, so we seek assurance from the Government that the draconian powers to tackle smugglers that have built up at Customs and Excise over the years will not be allowed to leak into HMRC's civil jurisdiction.

Without even getting into the issue of the ferocious powers already vested in the Revenue and Customs Prosecution Office, we would welcome the clearest guarantees from the Financial Secretary in his summing up that that the powers of arrest and investigation contained in the Bill will not be used in the context of HMRC's day-to-day tax collection duties. We hope and trust that he will also be able to assure us that submitting a late tax return will not mean a dawn raid and frozen bank accounts.

Mr. David Gauke (South-West Hertfordshire) (Con): Before my hon. Friend leaves the subject of fraud—specifically MTIC, or missing trader intra-Community fraud—she will recall that we debated the provisions of the reverse charge in last year's Finance Bill. The Government appear to have gained agreement from our allies in the European Union on this subject, but reports suggest that in doing so, they made concessions on our rebate. Does my hon. Friend share my concerns that the Government may have made concessions on the rebate in order to deal with MTIC fraud?

Mrs. Villiers: Getting the derogation is certainly welcome, but it is deeply regrettable that it has come at the expense of our rebate. The Prime Minister's original decision to give £7.2 billion more of our money to the EU is regrettable, and the Chancellor is only confirming that in the negotiations on MTIC. That is indeed of great concern to Conservative Members.

Lastly I turn to pensions, and clauses 67 and 68. Clause 67 is not a particularly high-profile part of the Bill. It removes tax relief from something called pensions term assurance. On 6 April 2006, as

probably every hon. Member knows, the Government introduced new rules on certain types of life cover as part of their A-day reforms, which included new rules on certain types of life cover. Their aim, they said, was to increase fairness, but their premise seemed to be to give people who did not have access to employer-based death-in-service schemes access to similar benefits if they set up their own personal cover. The result was that the tax treatment for such schemes was the same both for employees and for the self-employed.

The Secretary of State for Communities and Local Government, when she was Financial Secretary to the Treasury, told the House that A-day reforms would

"create a transparent, consistent and flexible system that is readily understood. That will make it easier for people to concentrate on the things that matter, such as when and how much to save for their retirement, rather than on trying to understand anomalies between the different tax regimes."—[*Official Report, Standing Committee A*, 8 June 2004; c. 427.]

When the A-day reforms were being negotiated, the insurance industry made very plain to the Government what the impact of those changes would be—that certain types of life cover would be given the same tax treatment as a pension. The Government were clearly told by the industry about the sort of products that would be developed in response to the legislation. From A-day onwards, a competitive market developed in what became known as pension term assurance, or PTA.

Then suddenly, in December last year, after only 9 months, the axe fell and the Chancellor announced that tax relief for PTA policies was to be scrapped. As the Association of British Insurers put it, the Government had managed

"in one blow—to put an end to a developing market that they had only just helped create".

Scottish Widows estimated that £35 million had been spent on developing PTA plans.

We can see that the Government also found their reverse gear on clause 68, which introduces significant restrictions on the use of alternatively secured pensions—again, only nine months after their introduction on A-day. The Government have carried out U-turn after U-turn on pensions. These two latest examples come hard on the heels of their reverse on self-invested personal pensions—SIPPs—last year.

The Economic Secretary to the Treasury (Ed Balls): Does the hon. Lady support the principle of pensions tax relief being available for term assurance?

Mrs. Villiers: What we want is for the Government to work out what they want to happen to pensions and to stick to that. We want them to get their pensions legislation right the first time, not to create legislation that generates whole industries, and then shut them down. Time and again, we see the Government producing legislation with a wholly predictable outcome about which they are warned in advance—yet when that outcome duly materialises, they decide that they do not like the consequence about which they were warned, and seek to amend the legislation and crack down on products that they themselves were effectively responsible for creating.

This instability serves only to heighten the pensions crisis in this country. No wonder the savings ratio has halved in Britain since 1997, when there is always a threat that the rug could be pulled from under people's feet at any moment if the Government decide that they have got their legislation wrong yet again. These repeated blows to Britain's savings come on top of the Chancellor's £100 billion raid on our pension funds. The right hon. Member for Birkenhead (Mr. Field) has pointed out that

"when Labour came to office we had one of the strongest pension provisions in Europe and now probably we have some of the weakest".

The Chancellor should accept his share of the blame for that disastrous decline.

Mr. Robert Flello (Stoke-on-Trent, South) (Lab): Will the hon. Lady give way?

Mrs. Villiers: No, I am about to conclude my speech. The hon. Gentleman will have his chance later.

In conclusion, the Opposition decline to give a Second Reading to the Finance Bill because it fails to equip the UK to compete in the globalised world economy in the face of ever-increasing competition from China and India; it penalises enterprise and business start-ups and imposes higher tax rates and a more complicated tax system on small companies; it hits freelance workers with more bureaucracy and uncertainty; it does nothing to tackle the UK's worsening pensions crisis; it is ineffective in the fight against climate change; it fails to reverse the massive increase in complexity and instability that the Chancellor has inflicted on Britain's tax system; and it implements a Budget that was a tax con, not a tax cut.

4.22 pm

Mr. Doug Henderson (Newcastle upon Tyne, North) (Lab): I refer the House to my entry in the Register of Members' Interests.

It is sometimes useful to remind ourselves of why we have Finance Bills. They have two principal purposes, and one is to assess the state of the economy and make the necessary fiscal changes to ensure that we strike the proper balance between expenditure programmes and reasonably fair revenue raising systems. If we look back at Finance Bill debates of the past—I see at least one face opposite who used to take part in them with me—we see that the major focus has been on the macro-economic impact of the legislation. It was about whether the Finance Bill that followed on from the Budget was appropriate to regulate the state of the economy.

The second purpose of a Finance Bill, today as always, is to look at the way in which fiscal rules—and sometimes expenditure rules relating to matters such as education—affect the economy. Do they achieve what they set out to achieve? Do they raise the necessary revenues that the system was introduced to raise in the first place? Is it a fair and efficient system? Has it kept up with the times? Those are both legitimate purposes for a Finance Bill, and those are legitimate arguments that should take place across the Floor of the House.

I have read the Opposition's reasoned amendment—it is more of a rhetorical amendment—which comments on competing in the globalised economy. I hope that I am right in assuming that that relates to the first purpose of a Finance Bill, in that it deals with Britain's place in

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the world. The amendment goes on to mention a number of other issues, including whether small company taxation and the system that taxes freelance workers are appropriate. Is it better to be a freelance worker who sets up a company to manage the system or to have it managed by someone else? Should those people simply be self-employed? That is a legitimate argument, as is the question about the extent to which interventions or intrusions by the Revenue are proportionate. Those are all legitimate issues for debate on the Finance Bill, both in the House and in Committee, and our colleagues who will serve on the Public Bill Committee look forward to them. I may take part in the Committee of the whole House next week, but they may wish to look at the detail of those issues, and it is right that they should do so.

The problem with the Conservative amendment is that the first part does not relate to the second part. The way in which small companies are taxed, the tax regime for freelance workers and the degree to which the Revenue has powers of intrusion do not, in the real world, make a massive difference to the British economy. They make a difference to people who employ freelance workers and to people involved in a small company but, generally, but there is consensus among those who take an interest in those subjects that they do not make a big difference to Britain in the globalised economy, because they do not relate to the major issue of the level of expenditure and revenue in the economy. They do not relate largely to interest rate regimes in the economy or to Government expenditure programmes that equip the economy for future effectiveness and so on.

That is the problem with the amendment. It would have been better if the Opposition were more honest, like the right hon. and learned Member for North-East Fife (Sir Menzies Campbell), the Liberal Democrat leader, who said in the Budget debate that the Chancellor had governed a successful economy. At least the Liberal Democrats conceded that there was a successful economy in Britain, so it would be legitimate for them to argue about whether those micro-fiscal regulations are appropriate. The Conservatives, however, have not conceded the point about Britain competing in the globalised economy, and I want to focus on that in my contribution. I am happy to look at other issues, but I am not prepared to concede that what we do on the tax regime for freelance workers will make a colossal difference to the state of the British economy and our ability to compete in a globalised world, which is the principal point made by the Conservative amendment.

Mr. Redwood: The amendment is entitled to refer to all aspects of the Budget, but on its first point—competitiveness—what does the hon. Gentleman think about a whole dockyard in Britain being stripped out, sold and taken half way round the world, and a whole car plant being folded up and sent half way round the world to China? Is that a sign of success?

Mr. Henderson: I am tempted to tell the right hon. Gentleman that a few more dockyards, shipyards, car plants, steelworks, coal mines, engineering factories and chemical factories were either closed or shipped off somewhere else when the Conservatives were in power than is the case now. I am not one to say that, because an industry is in a particular position, it should be there forever. Things change, and I will come on to discuss high-value investment and jobs.

My main point is that the evidence for the Conservatives' argument that we are failing to compete in a global world does not hold up. I am happy to trade any evidence that the Opposition Front Bench wishes to use as a test. We would all agree, for example, that growth is a reasonable test, and the British economy has now had an all-time record 59 consecutive quarters of growth.

Mrs. Villiers: Is the hon. Gentleman concerned that this country came 22nd out of 27 European Union member states on economic growth? Is he also concerned that the UK has fallen from fourth to 10th in the World Economic Forum competitiveness league?

Mr. Henderson: I am also a bit of an anorak on football goal averages, so I am always happy to look at statistics. I want to take time to reflect on the hon. Lady's particular points, but in 1997 we came bottom among the G7 countries for growth, whereas in the last year for which figures are available we were second only to the United States. A longish to medium-term analysis of the past 10 years demonstrates significant, sustained growth in the British economy. That may have just fallen out of the sky—some would allege that that is the case—but I think that there are more fundamental reasons why that has taken place.

Mrs. Villiers: The hon. Gentleman was comparing the position in 1997 with the position now. Is he concerned that inflation is now running at about twice the 1997 rate?

Mr. Henderson: I am grateful to the hon. Lady for raising that point again. When I was a union official in the early 1980s, I used to negotiate 27 per cent. wage increases as my contribution to improving the state of the British economy. She will know that the Conservative years in the 1990s had average annual inflation of more than 10 per cent., and between 1981 and 1991, that figure was worse.

There is no scope for the hon. Lady to say that we might have won the growth argument, but that we can be challenged on the inflation argument. Inflation is a reasonable test of the direction of the economy, as it affects expectations, which are colossally important for investment. It is the right measure to consider, but I am not sure that the conclusions drawn are accurate.

Mr. Fallon: Will my hon. Friend also consider the impact of interest rates—which, in the early 1990s, were at 15 or 16 per cent.—on businesses?

Mr. Henderson: I welcome my hon. Friend's point. In those days, it was not just the high level of interest rates that made planning future investment difficult, but the wild fluctuation in interest rates. A fluctuation of 15 or 20 per cent. on an annual interest rate of, say, 15 or 17 per cent, has a lot more impact on the international

competitiveness of a company than a 15 per cent. fluctuation on a 3 or 4 per cent. interest rate, as will be obvious to most Members.

Mr. Philip Dunne (Ludlow) (Con): I am grateful to the hon. Gentleman for the history lesson in fluctuating interest rates. I think that the point he is trying to make is that expectation of interest rate movements has an influence on business investment. Does he agree that businesses currently have to operate in a very uncertain environment, with rising inflation and the expectation of rising interest rates? What will be the impact of that on business investment this year?

Mr. Henderson: I am happy to have an interjection of monetarism into my historical examination. To go back to the 1990s—in the sense of saying, "You started it"—the fluctuations on high interest rates made conditions extremely difficult. I am not saying that we can accurately predict interest rates—indeed, I am still in a quandary about whether to buy dollars today or wait until Friday. I accept that there is an expectations issue, but there is much greater stability. The ability to predict generally the trend that is going to take place greatly affects those who make the major investment decisions. As I said to the hon. Member for Chipping Barnet (Mrs. Villiers), if we get the major investment decisions right, in general, the small investment decisions will be right as well.

Julia Goldsworthy: Does the hon. Gentleman agree that one key to ensuring that we have more stable inflation and interest rates was the decision to give independence to the Bank of England to allow the Monetary Policy Committee, rather than a politician, to decide such things? That was obviously a Liberal Democrat proposal.

Mr. Henderson: The leader of the hon. Lady's party was helpful in the Budget debate in acknowledging the success of the British economy. I am grateful that she has acknowledged the correctness of the policy that was struck in 1997. If that was a policy that the Liberal Democrats agree with, it goes to show that it is not possible to get it wrong all the time. We all very much welcome that.

There are many other indicators. My test is not growth, although that is important. The thing that affects human beings of working age more than anything else is whether they have a job. If one looks at the misery in families up and down the country over the years, which we have all come across, sometimes in our own families, we can see that things have been at a nadir when people have had the least opportunity of getting employment.

The major gain in our economic performance made by the Government is the fact that employment is at an all-time high. Unemployment—not just this year or last year, or this month or last month, but over 10 years—is at a sustained low level. Unemployment in my constituency is way under half of what it was in 1997. That is the major achievement. That is what gives people hope, dignity and opportunity. That, to me, is the test of success in a global economy. If we do not compete successfully in a global economy, we do not compete on employment in the world in which we live.

It is useful again to consider further why we have been able to achieve that. To some extent, it is about the business world and people in general having confidence in what is going to happen—in knowing that the economy is in good hands and that policies on tackling inflation, on having an independent determination of interest rates and on having high employment as a major political and economic goal are going to be consistent. Everybody knows that that is the case. People might not agree with some of the objectives, but they know what they are. It is that stability, given by the strong leadership of this Government, and in particular by the Chancellor, who has sustained it over 11 Budgets, that has got the economy in a position where it is competing successfully in the global world.

Mr. Brian Binley (Northampton, South) (Con): Does the hon. Gentleman appreciate that we are in the middle of a cycle where UK plc is shedding about 1.5 million jobs and the small and medium-sized business sector is creating about 2 million jobs? In the light of his comments about employment, what impact does he think the increase in corporation tax for small business will have on that scenario?

Mr. Henderson: I come back to the point that I raised with the hon. Member for Chipping Barnet. I am not underplaying the importance of taxation regimes for the small business world, although they have to be fair. There must be equity between people who work for themselves and people who work for themselves with perhaps others in a company. That is an important principle of taxation. However, I do not believe that what we do in that regard ultimately affects our international competitiveness very much. What does affect our competitiveness is the ability of the economy to sustain a high level of aggregate demand, along with our ability to invest now to ensure that that continues in the future.

I know that I have been speaking for rather a long time, and that many other hon. Members want to speak, but I want to say more about education and reskilling. I do not wish to underplay the hon. Gentleman's point, but sustained demand helps small businesses more than anything else. If someone wants to buy a product, there is an incentive for the producer to ensure that it is worth buying. Businesses must live with the various regulatory regimes—financial, environmental, or whatever they may be.

Leadership and predictability are important. It is also important to understand that we live in a global world in economic and indeed in social terms. It is not a case of Bradford competing with Birmingham or Bordeaux; it must compete with every town in the world that begins with "B".

Mr. Fiello: Beijing?

Rob Marris: Bombay?

Mr. Henderson: Beijing, yes. Bombay—well, that has changed to Mumbai.

Small business people who are trying to sell engineering products or the like know who they must compete with. They know the market: they know what

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other businesses compete in it, and what those businesses are doing. There is now a recognition in the British economy, driven to some extent, but not entirely, by the Government, that we operate in a global world. It does not matter whether we are talking about BAE Systems, employing thousands of people, or a small contractor, perhaps a freelancer, doing some computer work for it. That recognition is a major achievement. It may not have been achieved only by the Labour Government, but it has been achieved while there has been a Labour Government. It means that we must have a more flexible economy than we have ever had before, in all sorts of different ways. A flexible economy does not mean throwing away workers' rights, which should be secured, but the workers must be flexible in the way in which they do their jobs.

How can we keep all this going? There is not much difference in the availability of capital around the world. Someone who has a good idea in the relatively stable political environment that much of the world can offer can usually obtain capital from somewhere to finance it. If it is necessary to develop or purchase technology, it does not matter where one is in the world, as long as people are prepared to provide money to be invested in technology. Where we can make a difference is in labour. The business environment factor is also important, but the labour factor is crucial, as I think all Members recognise.

The test of the Budget is, does it help? Will the Government's policies generally, as reinforced by the Budget, and the specific policies in the Finance Bill help us to invest in a skills base in the future? The evidence suggests that it is possible. I am told that we expect to spend £90 billion on education in 2010. We are now spending 5.6 per cent. of our gross domestic product on education, compared with 4.7 per cent. in 1997. Our expenditure levels have increased dramatically, and we all know what that has enabled us to do in our constituencies. There are new schools in Westerhope and Gosforth and new equipment in virtually all the schools in my constituency, and that is replicated in most constituencies in the country. There has also been more spending per pupil. Earlier Budget decisions gave head teachers more control over the way in which expenditure could be used, and those welcome decisions have been reinforced in this year's Budget.

We have doubled the number of apprenticeships, which provide an important way of improving how we adapt to the new technologies that we must use in our economy. The one-to-one tuition proposal, which is partly financed by the revenues raised in the Finance Bill, is one of the most radical measures taken in education policy—certainly by this Government, and arguably by any Government in my political lifetime. We all know that if a child attending a state school—and sometimes even a child at a private school—is suffering, a parent who has a couple of bob in their pocket can buy extra tuition. Many people have done that, but it has not been possible for those whose finances are tight—and they are tight for far more than 50 per cent. of families. The Government's proposal that anyone can get additional tuition in English and maths is fundamental to improving skills levels, which will help small businesses in five or 10 years' time—or 15 to 20 years' time—to get the skilled labour that they need and that we as a nation need if our economy is to be successful.

I will not trade in education statistics—because, to be frank, I do not know much about that—but the aggregate figures that I have looked at show that we have better results at all levels in education, right through from primary school to university. That is a reflection of a greater commitment to society and of the investment of more resources. However, although there will be many long-term benefits in our economy, there is a problem to do with labour which we must address more effectively than we have thus far been able to address.

In the past few years, the strange situation has occasionally arisen that at the same time as unemployment has increased—which it did in some months last year—so, too, has employment. That has never happened in any period of economic history that I have looked at, and certainly not during my political lifetime. There is a simple explanation for it: where companies have had a demand for labour, they have met that demand by bringing in people from somewhere else—such as Australia or eastern Europe. They have frequently got good skilled labour, but as they have been able to do that, some employers have not worked as hard as they might have done in the past, when it was not possible to do that, to improve the skill levels of our indigenous people—of those who have been in the country a lot longer. There is a certain amount of alienation among some of those people who have not experienced the benefits of increased prosperity and growth in the economy. We must look into that territory more carefully.

I am vehemently in favour of the mobility of labour. I would hate it if a Government somewhere in the world were to tell me that I could not go and sell football programmes in their country—in Milan, or Africa, or wherever. As a human being, I like to live under a regime where people can do that. Therefore, I do not want any restrictions on immigration. There must sometimes be controls on the numbers over certain periods by using different methods—such as visas—but the principle should be that people are able to move around: people should be allowed to move to where there is demand for labour. However, we must also help people in our country—especially in constituencies such as mine—who often do not get any of the benefits that come from that.

The Budget has recognised that issue in a number of ways, and it is therefore covered in our Finance Bill. The extension of the working tax credit threshold will help, as will the extension of the £40 work credit. Increasing the minimum wage, which is financed by the Budget, is another helpful measure, and the partnership for jobs proposal points in the right direction. However, we must address the issue more seriously than we have in the past.

I absolutely accept that the business climate is nowadays merely a factor of production. We must make sure that we get that climate right, if we are to achieve economic prosperity. The corporation tax proposals in clause 2 will overwhelmingly be welcomed by large and small companies alike. They will be welcomed by large companies because their tax burden will be reduced, and by small companies because that

will create more growth in the economy. The provisions in clause 36 for extending capital allowances for small companies are also important. In past Finance Bills we have extended tax relief on research and development. That is done again in this Bill, and it needs to be done on a greater scale. Investment in public science is a crucial factor in improving our productivity in the future.

Mr. Dunne: I do not wish to interrupt the hon. Gentleman's paeon of praise for the various measures in the Budget, but he mentioned the welcome that he anticipates that they will receive from smaller companies. How many smaller company proprietors or managers in his constituency have actively welcomed the measures to increase the rate of corporation tax for smaller companies?

Mr. Henderson: Before the hon. Gentleman intervenes again, he should know that I am not a born sycophant. Although I have a list, it does not include every measure. If one consults the bodies that represent small companies in my constituency, such as the chamber of commerce, one finds that they have all said that education is the priority and that we need to raise the revenues and have the right educational programmes to make us more efficient and productive in the future. They are right about that.

Every small company that I know, and I know quite a few, is most concerned about whether someone wants to buy their product, not the hassle they have with Revenue and Customs. One always has hassle with Revenue and Customs, so that is not the issue. They are concerned whether anyone wants to buy their product or service and whether they can make that product or deliver the service in a way that will make people want to buy it tomorrow. That tends to be determined by attitudinal feelings in the economy and the level of aggregate demand.

Mr. Flello: Does my hon. Friend agree—in relation to his earlier point—that when it comes to selling products around the globe, the need is for the highest levels of skill, ability and knowledge to make a product stand out, which is of crucial importance when wage rates across the globe are so markedly different? For example, tax rates are so low in the far east that companies in this country will never be able to compete on price if they are simply trying to sell the same product.

Mr. Henderson: I agree. When a product has many different inputs, the question is which bit we want to concentrate on, and that is a decision that companies often have to make. The machine tool industry is a classic example. Instead of trying to sell the whole machine—the whole Cincinnati, for example—one can try to sell a specific high-value part of it as a contribution to others' productions systems. Decisions like that have to be made all the time, and my hon. Friend is right about that.

Mr. Binley *rose—*

Mr. Henderson: I am happy to give way to the hon. Gentleman, but I should say that I do not usually go on at such length.

Mr. Binley: The hon. Gentleman is being very generous. I just wondered how many service industry small businesses there are in his constituency, because there would appear to be none. More importantly, the hon. Gentleman seems to discount the impact of regulation, taxation and other problems faced by small businesses. Does he not recognise that in relative terms the impact is up to 30 times greater on small businesses than it is on UK plc companies?

Mr. Henderson: Of course I accept that there is a disproportionate impact on small businesses. That is bound to be the case as it is in the nature of small businesses. But my general point, which I am not moving from, is that that does not generally affect the prosperity of the small business which is, as I have already said two or three times, based on whether people have the money to buy their products—

Mr. Binley: Or services.

Mr. Henderson: Yes. The service sector is crucially important, but we are now seeing changes in definition. When I used to work at Rolls-Royce, we did everything, but it is all subcontracted now. Some of the subcontractors are classified as service industries, such as the catering, management systems and accountancy, but previously they would have been involved in manufacturing. There are slight changes in definition, but I take the general point that services must be a major part of Britain's economy—we have to up the value of service industries if we are to compete in the future.

Julia Goldsworthy *rose—*

Mr. Henderson: The hon. Lady has been so helpful that I must give way to her again.

Julia Goldsworthy: I thank the hon. Gentleman for giving way, because I am keen that he does not underestimate the importance of the contribution that micro-businesses make to the economy. Micro-businesses are the largest employers in the county of Cornwall, which has one of the lowest GDPs in the country, so supporting the smallest enterprises in the small and medium-size range is critical to turning around the county's economy.

Mr. Henderson: I understand the predicament in areas such as the one the hon. Lady represents. Helping small businesses is fine and throwing money at them may keep them going for a little while, but if they do not change and find products that people want to buy or if they do not operate in an economy where people have the money to buy their products or services, that help will not solve their problems. That is why the general state of the economy and our ability to compete on skills in the future is what really matters for small employers in her constituency.

Mrs. Villiers: No one is suggesting that we should throw money at micro-businesses. The point is that we should not penalise them with such an incredibly heavy regulatory burden and that there will be real problems if the tax burden is increased, as it will be by the Bill.

Mr. Henderson: I feel that I should apologise for repeating myself, Mr. Deputy Speaker, although I do not seem to be the only Member in the Chamber who is guilty of doing so. No small business wants regulation. Small businesses just want to get their products or services right, but regulation—whether environmental, labour or tax—is something they just have to put up with. In big companies, experts earning handsome salaries deal with all those things—I have sometimes been a beneficiary of those services in the past. There is a completely different environment for such companies, and that fact will not change. That is not the political argument about whether the Finance Bill is appropriate, because small businesses will always feel the same about regulation. The test is whether the regulations that are being prepared—for example, on freelance workers—are fair. It is legitimate to argue about that, but whether or not such regulations are fair or appropriate will not make much difference to the viability of those workers. A subcontractor in the software industry may have an easy time under a particular regulatory regime, and if it changes they just have to adapt, but keeping their skills up to date will very much determine whether they have a job—self-employed or working for an employer. That is the key issue for freelance workers, just as it is for small businesses.

Before I allow myself the luxury of intervening on other Members, I want to make a point about regional policy. We need to re-think regional policy, to consider what we need to do to bring about greater opportunity for regions, including mine—the north-east of England—which have not been as successful in the past in purely economic terms. That is not to say that the way of life in those regions is not desirable, which is a separate issue—*[Interruption.]* I see that the hon. Member for Dundee, East (Stewart Hosie) is nodding; the situation is the same in parts of Scotland.

Regional policy used to be about persuading people with money to invest to go to Scotland, the north-east or Northern Ireland rather than locating in the over-heated areas of the south of England. Then regional policy was about encouraging external investors to invest in the regions rather than in an overcrowded area. Both those policies were right at the time, but that is not what regional policy is now about.

Regional policy is now about getting small companies—on behalf of their industry, their skills and their regions—to upgrade themselves so that they can compete globally. For example, it is important that the management consultancy companies based in the north-east of England upgrade themselves in a way that allows them to compete internationally. The same is true of the finance industry in Edinburgh. Upgrading design, creative and management sciences and engineering and back-up skills is as crucial in regional policy as all the other things, such as making the right infrastructure available. Such upgrading can generate huge incomes that can lift regional economies.

Mr. Redwood: Over the past 10 years, the London economy has grown twice as quickly as those in Scotland and the north-east despite the fact that huge sums of public money have been poured into Scotland and the north-east. How does the hon. Gentleman account for that? What alterations should be made to Government policy to try to get the north-east and Scotland to grow as fast as London?

Mr. Henderson: If I knew the answer to that, I would have solved an awful lot of problems in my constituency and elsewhere. Part of the answer is cultural.

Rob Marris: And skills.

Mr. Henderson: As my hon. Friend says, part of the answer is skills, but another part is cultural. For example, firms in the software industry locate in the Thames valley because other software firms are there. People in the software industry know each other, they probably play tennis together and their kids go to the same schools. They create a community, so it is difficult for a small business in the software industry to locate anywhere else if it wants to be part of that cluster. That is an important factor.

The key is to create clusters that are competitive in other parts of the country. Edinburgh is pretty competitive in the financial industry and there is a cluster there, although they all play golf and not tennis. There is a community of people who know each other and who can link up to help their firms to grow. In the north-east, there are cultural links between design companies in the engineering and oil industries. Companies that have been located in the area for many generations have upskilled themselves and exported their services around the world, and that is good for the area.

The trick in regional policy is to create more of those clusters. Teesside believes that firms in the pharmaceutical industry could become a cluster that would be of advantage to the area, and each area has to consider how it can build such opportunities. In Newcastle, we have high hopes that, based on biosciences, we can develop a cluster of embryonic industries that can then employ the graduates who go to universities in Newcastle. By the way, we play football in Newcastle, but creating such a cluster would help to address many of our economic problems.

Development agencies in many parts of the country have to rethink how they approach these issues. I know that they have been thinking of how they can help to upgrade the skills that will give the regional economies a stronger base in the future.

Mrs. Villiers: I am very grateful to the hon. Gentleman for being so generous in giving way. As he considers how to improve the effectiveness of regional policy, I would be interested to hear his views on the idea that has been floated by a number of people, including, I believe, the Chancellor. That would involve devolving more of European Union regional policy to a national level. The closer we get the decision to the individual communities concerned, the more likely we are to get it right.

Mr. Henderson: The hon. Lady is right to raise that point, and I have no difficulty with it at all. The closer we can get to the activity, the better. I would support such a general move.

Our educational institutions have a vital role to play in creating regional clusters of skills and industries around the country. We must bring them in more. Some are desperate to get in. Newcastle university, for example, is keen to get some of its wonderful scientific

and technological breakthroughs translated into an applied state so that they can benefit the region. The regional development agencies ought to give universities more assistance in that respect.

Stewart Hosie: I am enjoying the hon. Gentleman's treatise on the commanding heights of the economy from a free market perspective. He mentions IT clusters and life science clusters. Dundee is very strong on both of those, particularly the latter, because of private money from the Wellcome Trust and £50 million from Wyeth. With reference to the Bill, does he agree that small companies in those sectors which are trying to grow will be affected by the new SME rules for research and development tax credits? He mentioned science education. Does he agree that the 0.9 per cent. of GDP which is to be maintained, and only maintained, for the next four or five years, and which is going into science education, is not good enough and that there must be a real-terms increase? In terms of the competitive advantage for the nations of the regions, why does he not consider full fiscal autonomy for Scotland and perhaps for Wales, so that we can lower corporation tax rates and really compete not just in the UK or in Europe, but in the world?

Mr. Henderson: The hon. Gentleman raises an awful lot of issues in that intervention. Scottish small companies are in the same position as small companies in other parts of the country. I come back to my point: if the economy is in a good state, they generally prosper. That is the case in Scotland as well. If, in this election period in Scotland, the hon. Gentleman proposes complete fiscal independence, he must accept the consequences of that for the revenue-raising powers and the revenues that would be available for Scottish public expenditure. If the Scottish people look at the figures, they will not be very keen on that. My constituents in Newcastle are not overwhelmed by the present division of the cake. The Scottish cake would be significantly smaller, were it not part of the United Kingdom.

One thing Governments can do on regional policy is spread public investment. Why, for example, is all the military located in the south-west? Why are all research institutes located in the Oxford-Cambridge area? One could continue with Government offices of all kinds. Government could do a lot in that regard. The present Government have done a great deal, but they need to do more.

I think that I have said enough. I commend the Bill to the House. It tackles the major issues of macro-economic policy and puts us in a position to take on the global challenge. It faces up to some of the major decisions that need to be made on climate change and other issues. All the detail of the arguments about fiscal regimes for freelancers and for small companies can be explored further in Committee. I do not say that every dot and comma of the Bill should remain unchanged after it has completed its parliamentary stages, but I endorse the general thrust. By opposing the Bill, hon. Members would threaten to undermine the success of our economy and the importance of that to the various enterprises, big and small, in their constituencies.

5.8 pm

Julia Goldsworthy (Falmouth and Camborne) (LD): The hon. Member for Newcastle upon Tyne, North (Mr. Henderson) raised some interesting questions about regional policy, which I agree needs to be re-examined. I represent a constituency that belongs to a region extending from the Scilly Isles to Bristol and Swindon. Clearly, we need to re-assess what the regions, as currently defined, have in common. There is a great difference between the local economies of Penzance and of Bristol.

The hon. Gentleman also raised some interesting issues about the purpose of the Finance Bill. He posed the question whether it should focus on macro or micro-economic issues. Perhaps the process that we go through each year in dealing with the Bill should be reviewed to try to encourage it to be more strategic.

The last few sentences of the Chancellor's Budget included some pretty explosive fireworks, so initially I expected some pretty explosive stuff in this year's Finance Bill. However, it turns out that it is a bit more of a damp squib. Much of the Chancellor's wider legacy will be left to his successor to sort out—we have seen increases in unemployment recently, and we have rising interest rates, rising inflation and rising personal debt—and the same is true of the Finance Bill. The most uncomfortable bits for the Chancellor to justify and explain will be left to someone else to deal with next year. I am sure that the Paymaster General hopes that, after 11 Budgets of leading the Committee on the Finance Bill, it is not going to be her.

The clearest example is the changes that were announced to income tax in the Budget. The changes cut the basic rate by 2p and abolish the 10p starting rate, which for 2 million people will in effect mean that the rate of tax that they will pay will increase by 10 per cent. The Chancellor said those last few sentences just before he sat down and in the immediate aftermath the proposals were broadly welcomed, even on the Liberal Democrat Benches. They seemed to mirror proposals made by the Liberal Democrat party to try to make the tax system fairer. As my hon. Friend the Member for Twickenham (Dr. Cable) said, initially it gave him a frisson of flattery, but as ever, the devil is in the detail.

The Chancellor did not make it explicit in his Budget speech that the tax cut that he was trumpeting was going to be funded by raising taxes for those on the lowest incomes—mostly people who are lower paid and childless couples, who will pay more in tax. He is abolishing a rate of tax that he introduced. Perhaps that is why he is keen to leave the detailed debate to his successor. I would like the Minister to confirm that it would have been possible to include the income tax changes for next year in this year's Finance Bill, even though they may not take effect till next year. If it was decided not to do that, on what basis was that decision made? I hope to return to that when the Bill enters a Committee of the whole House.

Other changes to the taxation system that were flagged up in the Budget have made their way into this year's Finance Bill. As we have already heard in some of the lengthy discussions about taxes on business, on the surface the changes look like simplification measures. They look like they should be welcomed, but once one looks in the Red Book and sees the way in which the revenue is changing, it is clear that there are complicating fingerprints from the Chancellor all over them. The changes were intended only to grab the headlines, not to make the system simpler or fairer.

[Julia Goldsworthy]

The headline cut in corporation tax from 30p to 28p in the pound is welcome in itself and follows the lead of many other leading economies, but it is going to be paid for by changes to capital allowances that will disproportionately hit some sectors over others. Small businesses will, in effect, see their corporation tax rate rise and they will still be trying to work out how they qualify under the changes to the other allowances that are proposed in the Finance Bill. As I have mentioned in interventions, micro-businesses will be the least well placed to try to navigate the new geography.

I draw attention to clause 35 on industrial and agricultural buildings allowances. It seems that proper consideration has not been given to the kinds of businesses that will be adversely impacted. Two of the areas that have been highlighted are the hotel industry and poultry farmers. The clause withdraws after March 2007 the final allowance or charge that was previously taxable or tax deductible on disposal of these buildings. When implemented, the clause will change the impact of long-term investment decisions that might have been made many years ago. Hoteliers are concerned that that will increase room rents considerably. Hoteliers that have recently refurbished their hotels may find it difficult to raise room rates enough, compared with market rates.

Turning to the agricultural buildings allowance, I would like to refer briefly to an issue raised by a constituent of my hon. Friend the Member for North Devon (Nick Harvey). The constituent referred to the abolition of the agricultural buildings allowance over four years and cited what he called something of a killer fact. He wrote:

"Mr Brown describes in Budget Note no. 7...the reason for this abolition is that it removes 'outdated and unjustified distortions' implying that the ABA is some sort of tax break to encourage investment in the post war period. This is completely wrong. Poultry buildings"—

this man is a poultry farmer—

"in which I have a particular interest with my brother...will not last much longer than 25 years no matter how much you repair them, and so it would be quite proper to write them off against tax over 25 years at 4 per cent."

The point is that even some sub-sectors of particular sectors will be disproportionately disadvantaged. I am worried that the matter was not properly investigated before the announcement was made, because the measure was proposed to grab headlines. No strategic context undermines the long-term stability of the taxation system more than investor confidence. Was any assessment made of the differential impact of the measure on sub-sectors of the economy, such as the agricultural sector?

Mr. Dunne: The hon. Lady refers to the poultry sector. Her constituency covers a remote agricultural area. Has she heard of similar examples involving other agricultural sectors, such as potato farming—I believe that potatoes are farmed in Cornwall? Other sub-sectors of the meat sector and fruit farmers require substantial capital investment, which involves long-term decision making.

Julia Goldsworthy: The hon. Gentleman is right. The measure will affect many other sectors. The key point is that the buildings involved will have a relatively short life span, yet require long-term investment, which is being undermined by the changes proposed in the Bill.

The Chancellor's pet projects are flagged up even when there is limited evidence of their success. There has been increased investment in research and development tax credits, especially those for larger companies, even though companies often need to make the decision to invest before they examine whether they are eligible for tax credits. The same is true for smaller businesses. Indeed, many very small businesses will not be aware of some of the credits that are available.

A report last year by the Institute of Chartered Accountants in England and Wales made the point that R and D tax credits had not had a clear impact on the decision about whether to invest. It also pointed out that the largest companies benefited from them disproportionately. Recommendation 18 of the Treasury Committee report that has been published today states:

"It is not clear whether measures such as the increase in the R&D tax credit and the introduction of the Annual Investment Allowance will have the desired beneficial impact on investment levels by small companies. We recommend that, prior to the 2009 Budget, the Treasury review the impact of these measures on business investment in order to ensure that the measures are having a positive impact on investment and business growth, including ... small businesses".

Surely there should have been an investigation of the validity and usefulness of the credits before they were extended further. Does the Department intend to undertake a full review of the efficacy of the system, as recommended by the Treasury Committee?

While R and D tax credit is one of the pet projects, or touchstones, that the Chancellor likes to highlight, it is frustrating that we have again seen tokenism on the environment this year. Limited progress has been made, but that seems to have been only in response to a considerable increase in public pressure. Amendments on vehicle excise duty that the Liberal Democrats tabled to last year's Finance Bill look remarkably similar to measures before us today. This year's proposed increases represent a welcome improvement on last year's measures. The increase for some of the most polluting cars in the higher band of VED for new cars that was introduced last year was equivalent to the cost of less than half a tank of petrol. This year, the difference between the bands has increased to about £95. However, last year's Energy Saving Trust report indicated that the price differential required to have an impact on behaviour would need to be nearer £2,000. If the Government are serious about using such measures to bring about real changes in behaviour, there is still a long way to go.

Mr. Redwood: Is the hon. Lady saying that it is Liberal Democrat policy to put £2,000 a year in extra tax on certain types of car? Also, is she saying that because she does not want the 10p band abolished, she would not cut income tax by 2p?

Julia Goldsworthy: I am sure that the right hon. Gentleman will know that it is the recommendation of the all-party group on climate change that we look again at banding issues. On our wider taxation policy, the Liberal Democrat tax commission will report in September—I am sure that he will watch for that with great interest—and we will respond to the changes made in this year's Budget in that report.

The point that I was about to make is that the changes are welcome, but the concern is that the price changes will not have any impact on the behaviour of some people living in rural areas, because there are no public transport alternatives for them. That holds true for the vehicle excise duty rises, as well as for increases in fuel duty. We made proposals last year to try to flag up that issue, and considered a discount for the first vehicle registered by a household in isolated rural areas. I draw the Minister's attention to other options that the Treasury might consider that have been used in other areas where the issue has been recognised, and where people have sought to ameliorate it so that people for whom price will not make a difference do not suffer disproportionately.

There is an EU derogation, which I understand is used in France, that assists isolated rural areas, and I understand that in Australia there are reliefs, as regards rural fuel stations, for drivers who are registered in an isolated rural area. That deals with the issue that my hon. Friend the Member for Inverness, Nairn, Badenoch and Strathspey (Danny Alexander) raised last year; he said that in remote areas such as the highlands, fuel prices are much higher, just because of transport costs. There are alternatives elsewhere in the world that I hope the Minister will consider.

The environmental proposals in the Budget get one cheer, rather than three, not least because, to turn to the issue of stamp duty land tax for zero-carbon homes, which has already been raised, there are many other things that could be done to help to try to improve the efficiency of the many thousands of houses that will be built in forthcoming years. That issue was raised in debate on the Local Planning Authorities (Energy and Energy Efficiency) Bill, a private Member's Bill introduced by a Labour Back Bencher, the hon. Member for Gower (Mr. Caton). The Bill sought to give more flexibility to local authorities to allow them to set higher environmental standards for new properties, but it was talked out by the Government, so there is an issue about the amount of cross-departmental co-operation that takes place to allow improvement to important environmental measures.

Obviously, one of the key environmental measures in this year's Budget and this year's Finance Bill are the changes to air passenger duty. The changes were introduced without the House having the opportunity to debate or vote on them. We should combine that with the fact that many thousands of passengers had bought their tickets before the changes were introduced on 1 February; there are a lot of disgruntled people out there who see that kind of tax change as a means of raising money. It has done nothing but make people more cynical about any other tax proposals that the Government make to reduce emissions.

I note that the Treasury Committee's report on the pre-Budget report, in which the changes were announced, said:

> "As a general rule, we consider that, where increases in rates of duties or taxes are proposed in the Pre-Budget Report, those increases should not come into force until after the House of Commons has had an opportunity to come to a formal decision on the proposed increase following the Budget."

The Treasury Committee went on to say:

> "We draw the attention of the House of Commons to the unusual timing of the implementation of the increases in Air Passenger Duty, for which the Treasury has not cited any relevant precedents."

I invite the Minister to cite any relevant precedents on the Floor of the House today, and to explain why the time scale that was used was adopted. That is important, because we are talking about credibility, public confidence about whether such measures are being taken for the right reasons, and ensuring an opportunity for debate.

One of the other frustrations about the increases in air passenger duty is that they bear no relation to how busy the flight is, to the aeroplane's emissions or to its fuel-efficiency. We must therefore question what impact they can have on changing behaviour.

As an alternative, the Conservatives have suggested giving everybody an allowance for one long-distance flight a year, and possibly a limited number of short-haul flights, but that would create another database of everyone's movements and be impossible to monitor. Nevertheless, there are alternatives that the Government could and should investigate. Although they can be set out in more detail in Committee, it would be interesting to know at this stage whether the Government have considered applying to aviation principles similar to those that apply to vehicle excise duty, taking account of different sizes of planes, their differing emissions and their destinations. Such an approach would be useful in preparing for permit trading for aviation emissions—assuming that the Government are committed to that principle in the long term—because it would have to relate to how full flights are, the efficiency of aeroplanes, and the distances they are travelling.

Rob Marris: The system that the hon. Lady proposes sounds awfully complicated. Referring to her earlier remarks, would she, in true Liberal Democrat style, further complicate it by having a lower aircraft movement excise duty for aeroplanes flying into rural areas such as Truro or the Outer Hebrides?

Julia Goldsworthy: I was not going to raise that, but there is an issue about the accessibility of rural areas. Of course, there has to be that balance. Given that vehicle excise duty takes account of the emissions of different vehicles, why is it more complicated to extend that principle to aviation? That is a common-sense approach. If we are serious about tackling emissions in one of the areas where they are growing fastest, we must think about taking painful decisions.

The general theme of this year's Finance Bill is that there is not much of a strategic approach. The primary motivation for the issues we have discussed so far has been to grab headlines, which leads to unintended consequences. There is more than meets the eye to the so-called simplification measures. Once again, we are seeing an incremental build-up on previous legislation, changing it slightly and then changing it slightly again, often with little consultation with industry—or if there is consultation, actively ignoring the comments that come back from it. The Government can be seen to be building up trouble for themselves on a whole series of issues. Thankfully for my biceps, this year's Finance Bill is considerably shorter than last year's and I have

[Julia Goldsworthy]

fewer volumes to try to carry around with me. Perhaps that is a recognition that last year's Bill went too far. However, there are still plenty of clauses that build on previous legislation—although I accept that that may be necessary in some cases.

To echo the hon. Member for Newcastle upon Tyne, North, what is the Finance Bill actually for? Should it deal with our tax and spending policy in strategically changing the balance of taxation, or is it an annual opportunity to include any tinkering by the Treasury and representations that might have been made to it? Unfortunately, it is sometimes the latter, and provisions are included whereby if the Treasury had taken a step or two back, and a more strategic approach, there would not be these endless changes. A classic example has been that of anti-avoidance legislation, which in this Bill comprises 10 clauses and four schedules.

Rob Marris: The hon. Lady gets my brass neck of the day award. Three minutes ago, she suggested a very complicated vehicle excise duty scheme with exemptions for registered users in rural areas. She moved on, barely pausing for breath, to suggest a very complicated parallel aircraft vehicle excise duty, but possibly with exceptions for rural flights to the Isles of Scilly and so on. Now she has moved on to claim that the Government are responsible for all kinds of complicated tax measures that she decries the complications thereof. I congratulate her.

Julia Goldsworthy: I assume that the hon. Gentleman believes that the current banding of vehicle excise duty is too complicated and that he would like it to be simplified, regardless of its negative environmental impact. If he takes that as understood, I do not understand why it cannot be read across.

Rob Marris: Will the hon. Lady give way?

Julia Goldsworthy: I want to try to make some progress, if the hon. Gentleman does not mind.

The anti-avoidance provisions in last year's and this year's Finance Bill constitute a cat-and-mouse game whereby the Government try to close a loophole and another one opens that requires subsequent revisions in other Finance Bills. No sooner does one loophole close than another opens and the process starts again. It is endless. That adds weight to the argument that we should get rid of swathes of legislation and provide for a general anti-avoidance rule. Such a rule has already been successfully rolled out in Australia.

When I consulted some professional bodies before the Second Reading debate, they said that they opposed a general anti-avoidance rule. I was interested in the reasons for their objection and I asked them to explain why they would be unhappy about such a rule. They said that they had no confidence that a general anti-avoidance rule would not be introduced on top of all the current anti-avoidance legislation. If the Government made a clear commitment to get rid of swathes of legislation and introduce a system that has been effective elsewhere, it would remove a few pages from "Tolley's Tax Guide" and help restore confidence.

Clause 25, which deals with managed service companies, is a case in point. It attempts to deal with a genuine problem. The Government believe that many people avoid paying the right amount of income tax and national insurance by providing their services through a managed service company and being paid through dividends rather than a salary. As a result of the changes for which the Bill provides, managed service companies will, among other things, have to operate PAYE, deducting income tax and national insurance contributions on all payments, regardless of whether the individual receives a salary or dividend.

We accept that abuse is occurring and needs to be tackled, but I should like to flag up some of the implications of clause 25. First, do the changes deal with the underlying problem of why people choose to operate through managed service companies? There is no balance between the taxation systems for the employed and the self-employed. Instead of directly dealing with that, the Government are basically saying that anyone who operates through a managed service company will continue to bear the risk of being self-employed but enjoy none of the benefits. That problem has not been resolved.

The other problem is that even flagging up issues and stating an intention to legislate has again encouraged behavioural changes with which HMRC will struggle. In response to consultation, the Institute of Chartered Accountants said that it had seen correspondence from managed service companies to their customers that already offers an alternative service. It involves setting up each individual in a personal service company, of which the individual is the sole shareholder or director. Customers are then asked to self-certify whether they are within the rules of IR35. Many of those individuals cannot realistically know that.

The Institute of Chartered Accountants continues:

"We have had confirmation from Companies House that there were 56,218 new companies registered in February 2007, while a more usual monthly figure would be approximately 28,000."

The figure has therefore nearly doubled. The institute goes on:

"In one week alone, there were 20,000 new companies registered. Our initial conclusion is that the proposed new rules may not work and may cause more problems than they solve."

That will ultimately cause more problems for HMRC, which is cutting front-line staff at a point when there could be a massive explosion in the number of individuals who register themselves as personal service companies and therefore need closer attention from local HMRC officers. How will HMRC manage the additional burden of ensuring that all the PSCs are compliant? We are seeing more legislation with unintended consequences, which could ultimately occupy all HMRC resources.

Equally frustrating is the way in which the consultation was undertaken. In many cases, as confirmed by my experience of last year's Finance Bill, proposals are rushed through in order to fit in with the annual Finance Bill timetable without due consideration being given to professional opinions and concerns. The classic example last year was the inheritance tax treatment of trusts, which was launched on an unsuspecting industry and public without any consultation and then went through several iterations in Committee with significant changes being made to

both the clauses and the schedules. Although we do not have anything on that scale this year, there are signs of a similar approach.

I have already talked about air passenger duty and how it was introduced. My point also applies to clauses intended to expand the powers of HMRC in clauses 81 to 86. Even though there was a consultation process in January, in which concerns were raised about taking on arrest powers, the Treasury response was to concede that there was a need for guidance, but to state:

"This will be published as soon as possible and before any changes come into force."

My understanding is that the guidance has not yet been published. Will we see it before next week when these issues are debated on the Floor of the House? It would certainly help to inform our debate. If it is not going to be available, I find it very worrying. I hope that the Minister will be able to confirm that the guidance will be available before next week.

Concerns have also been raised about clarity and about how widely drafted the provisions are. Once again, the issue has been dismissed and we are told that the clarification will come through guidance. It is a cavalier approach. Ultimately, any legal action taken in future will be based on the law as it stands, not on the guidance, which can be subject to change without consultation or even without any reference to Parliament. Those concerns are depressingly familiar, as we have seen them in relation to previous Finance Bills. Key questions about process are raised. Surely the position could be improved by better pre-legislative consultation and scrutiny, so that we could have an open and public debate with professional bodies about the strategic approach of our tax system.

It might also help if we had a full Finance Bill only once every two years, perhaps with a beefed-up Budget resolution in between. In that way, we could get back to the strategic perspective of what the tax system is supposed to achieve. It would then no longer be a vehicle just for tinkering on a minute level.

The Paymaster General (Dawn Primarolo): On that point, the idea that there should be a Finance Bill every two years is not a new proposition. Will the hon. Lady explain how she would deal with the catastrophic loss—or potentially catastrophic loss—of revenue on account of avoidance if the House presided over a two-year Budget?

Julia Goldsworthy: Not every single clause in the Bill deals with those issues, which could be dealt with through a beefed-up Budget resolution process—*[Interruption.]*

Dawn Primarolo: The point I was making to the hon. Lady was that there is a difference between policy and technical amendment. She previously complained about anti-avoidance policy being too long, so will she explain how that matter could be dealt with just through Budget resolutions without discussion by the House?

Julia Goldsworthy: Let me offer an alternative that the right hon. Lady might find more palatable. If Treasury Ministers are not prepared to adopt such a radical approach, I suggest that the Finance Bill be included in an approach to legislation for which there is already a precedent. I sat on the Committee considering the Statistics and Registration Service Bill earlier this year. It was one of the first Bills in respect of which we had the option of taking evidence in public before the Committee stage. I understand that the enabling primary legislation specifically excluded the Finance Bill, but in my opinion the Finance Bill would be one of the best possible candidates for inclusion in the process. There are some very technical issues, but the experts dealing with them end up being mediated through hon. Members on both sides of the House. If we had the opportunity for proper pre-legislative scrutiny and for expert bodies to be able to provide evidence on the record, I believe that it would significantly facilitate the process. I hope that the Paymaster General will give serious consideration to that.

Rob Marris: Will the hon. Lady give way?

Julia Goldsworthy: I am just about to conclude my speech, so if the hon. Gentleman does not mind, I will not.

The key test for the Finance Bill is to ask to what extent it makes the tax system simpler, fairer or greener. In none of those areas do we sense an appetite for consistent strategic action through the Bill. On a superficial level, some things are simpler, in that the Bill removes income tax bands, aligns income tax with national insurance and cuts corporation tax, but there is also plenty of complication, despite opportunities for simplification such as those relating to the general anti-avoidance rule. Even when the Bill gains in simplicity, it loses out in fairness. Individuals on low earnings will now be hit with a tax increase, small businesses will feel the impact of some of the proposed changes, and nothing has been done to address the wealth inequalities that have grown under the Labour Government.

In green terms, we have seen welcome but limited changes to vehicle excise duty, and arbitrary and very limited changes to air passenger duty. I suppose that the Bill is slightly green around the edges, but there is no clear indication that it will have a significant impact on behaviour, or that those revenues will be spent on cutting taxes elsewhere to make the system fairer. Again, that leaves the public feeling cynical. It is because the Bill is inadequate in all those important areas, and because of the technical concerns that we have raised earlier, that we are so desperately disappointed with this year's Finance Bill.

5.41 pm

Rob Marris (Wolverhampton, South-West) (Lab): I should like to clarify one or two points raised by the hon. Member for Falmouth and Camborne (Julia Goldsworthy). She asked me earlier about vehicle excise duty, and made a completely unwarranted assumption, which shows how short her memory is. It was I who tabled an amendment to last year's Finance Bill proposing a £2,000 level of vehicle excise duty on the most polluting vehicles, for new vehicles. So why she should assume from my straightforward question in an intervention today that I was against banding is completely beyond me.

Julia Goldsworthy: Will the hon. Gentleman give way?

Rob Marris: I want to make two further points about the hon. Lady's speech, then I will gladly give way to her.

I congratulate the hon. Lady on extending her brass neck further by apparently making Liberal Democrat policy on the hoof, in proposing biennial Finance Bills. I have not heard a whiff of that before. It was clear, following some penetrating questions from my right hon. Friend the Paymaster General, that that policy was being made on the hoof. The hon. Lady did not seem to understand the difference between a Finance Bill and Budget resolutions, and she really floundered when asked what she would do about the haemorrhage that might occur if an avoidance loophole were suddenly discovered.

I have a further reason to question the hon. Lady's memory. I, too, was on the Public Bill Committee considering the Statistics and Registration Service Bill. She referred to pre-legislative scrutiny, but my recollection is that no outside body availed itself of the new opportunities under the procedure of this House to put forward evidence on that Bill. She was suggesting that such evidence might be taken on a Finance Bill. I understand her point of view, although I am not sure that I agree with it, but to pray in aid a Bill on which no outside body put forward evidence seems to provide rather weak support for her case.

Julia Goldsworthy: I would be interested to hear from the Minister why the Finance Bill was specifically excluded from those provisions. The hon. Gentleman will know that the Statistics and Registration Service Bill was the first for which these scrutiny and evidence-taking sessions were available. As he proposed the introduction of a new vehicle excise duty band, I would also be interested to know why he feels that the system is so complicated that there could be no read-across to the aviation industry.

Rob Marris: On the hon. Lady's first point, I cannot answer for the Minister. The Minister is answerable for the policy of the Government. On vehicle excise duty, the hon. Lady was not listening to me, as is sadly all too often the case. Perhaps it is my own fault for not being clear enough. I merely made some points and asked her a question in an intervention. In my opening remarks, I responded to the points that she had raised, as she would not let me intervene further on her. I have not decried complications in the Finance Bill, although she seems to assume that I have, and that there is therefore a contradiction in my position. Such a contradiction exists in her position, however, given that she decries complications and then suggests that we should introduce them. I entirely agree with her that it would involve complication to introduce a band of £2,000 for the most polluting new vehicles—I stress that it would apply only to new vehicles; there would be no retrospection—nine out of 10 of which are not 4x4s, by the way. But, unlike the hon. Lady, I have not, so far as I can recall, stood before the House, before any Finance Bill Committee or before any other body decrying complications in the Finance Bill. So although there is a contradiction in her position, I see no such contradiction in mine.

Andrew Miller (Ellesmere Port and Neston) (Lab): Does my hon. Friend think it a little odd that the Liberal Democrat spokesperson, who represents a constituency in Cornwall, sought to encourage the Minister to increase taxation on aviation, and did not come up with a banding system that would take into account legitimate flights to the Isles of Scilly?

Rob Marris: My hon. Friend is absolutely right. Again, it underlines my point that the hon. Member for Falmouth and Camborne was indeed making Liberal Democrat policy on the hoof.

Mr. Flello: Or on the wing.

Rob Marris: Indeed. As is so often the case, that is not a good idea, but it is something that the hon. Lady alleged—wrongly, I think—that the Government were doing.

Julia Goldsworthy: It is better than nothing at all, which is what we get from the Conservatives.

Rob Marris: Well, that is certainly true with the Liberal Democrats, because we do not really have any Liberal Democrat policy. As the hon. Lady proudly told us, some tax review will report some time later this year—I stand to be corrected, but I cannot recall whether she said July or September. If she is anxious to reinforce that point to the House, no doubt she will do so in an intervention, but some time later this year, we might find out a bit more from the Liberal Democrats.

Mr. Mark Francois (Rayleigh) (Con): I apologise for interrupting the hon. Gentleman's flow, but it is worth noting that not only do we not have any Liberal Democrat policy on something as important as the Finance Bill, but there are no Liberal Democrat Back Benchers here today, either.

Rob Marris: The hon. Gentleman is quite right. That may say something about the quality of the contribution by their Front-Bench spokesperson, or they may all be off somewhere trying to put policy together—I know not which.

I shall move on to the main part of my speech, which refers to the reasoned amendment moved by the hon. Member for Chipping Barnet (Mrs. Villiers) on behalf of her right hon. and hon. Friends. I wish to address two aspects of the amendment; the first relates to the so-called pensions crisis, and the second to tackling climate change. On the first point, we need to put the situation in three contexts: the experience of current pensioners; the experience of prospective pensioners; and, given the recent history of this country, the experience of those two groups combined. That covers, for example, someone who was a prospective pensioner in 1997, has since reached retirement age and is now drawing their pension. It is to those three groups—current, prospective, and current and prospective together looking at the history—to which I now turn.

First, on current pensioners and the so-called pensions crisis, the hon. Member for Chipping Barnet used the hackneyed phrase about our having the weakest pension system in Europe. That shows a certain ignorance about other European countries with

pension schemes. I do not claim to be an expert, but if she genuinely thinks that the pension system in the United Kingdom, both public and private, is, for example, anywhere near the systems in Albania, Bulgaria, Romania or some other European countries, I suspect that she is wrong.

Mrs. Villiers: I did not make that assertion; it was new Labour's first pensions Minister who did. Was he wrong?

Rob Marris: I may have misunderstood the hon. Lady—I apologise if I have—but she was quoting that person approvingly, which suggests that she associated herself with those remarks, with which I disagree.

Mrs. Villiers: I was indeed quoting approvingly, but I was quoting with the authority of new Labour's first pensions Minister, which must give those remarks some strength.

Rob Marris: If someone is quoting people approvingly, it is better to know the substance to which the quote relates, and whether they agree with it or are just mouthing the words, which may make a glib soundbite but which are, I think, inaccurate.

Secondly, on the position of people who are pensioners in the United Kingdom, we need to look at how far we have come in the last 10 years. That is often overlooked by Her Majesty's Opposition, for understandable reasons, because they had a terrible record in that regard. In 1997, when the Government came to office, a single pensioner was expected by the state to live on £69 a week. There has been some inflation in the intervening 10 years, but that figure is now roughly £120 a week. To make the comparison clear to the House, a pensioner then could have received council tax and housing benefit on top of the £69—but that is also true for the sum of about £120 a week.

Julia Goldsworthy *rose—*

Rob Marris: I shall give way to the hon. Lady if she is champing at the bit again.

Julia Goldsworthy: Does that figure include pension credit, which one third of pensioner households do not claim?

Rob Marris: Of course it includes pension credit. The hon. Lady will intervene on me if I have misunderstood her, but I think that she is trying to say that one third of those who would be eligible for pension credit do not claim. Again, she has given a sloppy statistic, because a lot more than one third of pensioners do not claim pension credit—it would be a waste of time for millionaire pensioners to claim pension credit.

To put the current pensions situation in context, we also need to consider the national health service. It is estimated, although such estimates are difficult, that two thirds of spending on the national health service goes—understandably and properly, because it is a great thing—on pensioners. Generally, as people get older, they tend to have poorer health. In the first 11 years of the Labour Government—we know the figures for the coming year—NHS spending has increased from about £30 billion to £90 billion a year. That is a £60 billion increase. Two thirds of that increase would come to £40 billion per year, for about 12 million pensioners. I am not very good at doing mental arithmetic on statistics, but that comes to about £3,500 per pensioner per year. The working generation are putting forward, quite properly, an average of £70 a week—I defend that stoutly—in support of pensioners.

Mr. Redwood: Most pensioners do not think that a load more administrators and a very expensive computerisation programme represents an increase in their welfare. To return to the comparison, the Conservative Government did not expect pensioners to live on the sums to which the hon. Gentleman referred. We assumed that they would either have a good private pension top-up, because we did not tax it and wreck it, or that they would receive means-tested benefits, as is the case under this Government. The big change that we made was to link the standard pension to prices, not earnings, which obviously made an impact. This Government have done exactly the same for the past 10 years, and will continue to do so for the next five years, if they stay in power.

Rob Marris: As ever, I stand to be corrected, but part of that intervention shows the shocking state of the country in 1997, when senior Members such as the right hon. Gentleman were not aware of the nature of the pension system. The means-tested figure was £69 a week.

Mr. Redwood: Housing benefit.

Rob Marris: I note the right hon. Gentleman's sedentary intervention. I made it absolutely clear that the £69—compared with the £120, which includes pension credit—could have housing benefit and council tax benefit on top.

Mr. Flello: I seem to recall members of the then Conservative Government telling pensioners to stay in one room, knit themselves a woolly hat and have a flask at their side to stop themselves expiring over the winter, because of exactly the situation that my hon. Friend describes.

Rob Marris: My hon. Friend is absolutely right. I say rhetorically—I stress the adverb "rhetorically", because I do not want any misunderstanding—that the Conservative Government did not want people going out to the local hospital, because every year there was a winter crisis, such as we have not had for several years, and they did not want them going out and voting Labour, either, so they told them to stay at home.

Andrew Miller: Should not we also remember the previous Administration's imposition of VAT on fuel, which penalised pensioners, and Labour's removal of that and introduction of winter fuel allowances?

Rob Marris: My hon. Friend is absolutely right. Contrary to the perceptions of some individuals, the Government's support for pensioners over the past 10 years has consisted of a mixture of means-tested

[Rob Marris]

benefits such as pension credit, and non-means-tested benefits such as winter fuel allowances and free television licences for the over-75s, which I hope will be provided for the over-65s. We also restored free eye tests—another non-means-tested benefit. To focus help on the poorest pensioners, which the Government have tried to do, we must—surprise, surprise—have some means of determining who the poorest pensioners are.

Stewart Hosie: Before the hon. Gentleman gets too carried away describing this utopia for senior citizens, he will recognise that independent work done in Edinburgh in the past year showed pensioner inflation at 9 per cent., with fuel prices skyrocketing. Although we have winter fuel allowances—which have never been uprated—I hope that he will recognise that many pensioners still had to choose between eating and heating last winter. Work does need to be done on pensions, and especially on the introduction of a properly indexed citizen's pension in the future.

Rob Marris: I would not want the hon. Gentleman, or the House, to think that I am suggesting that everything is rosy for pensioners. I am trying to draw a contrast between the situation for pensioners today and that in 1997. Pensioner inflation has been higher, and one hopes that that will lessen markedly, with gas prices coming down by 16 per cent. Sadly, the energy companies are occasionally a little slow to feed those decreases through to domestic customers. I am not saying that all problems are solved for pensioners, or that pensioners are living in a land of milk and honey. Many pensioners in my constituency, however, have said to me that life now for pensioners is not nearly as bad, bleak and grim as it was when they had to sit at home in one room, in a woolly hat, with a one-bar half-kilowatt electric fire on for half the day. Far too many pensioners found themselves in that situation in 1997. The situation for pensioners has improved. In that context it is not right to talk about a pensions crisis—and it is bit rich coming from the official Opposition.

The situation of the category of pensioner that I delineated—those who were prospective pensioners in 1996, but who are now pensioners—is undoubtedly grim. Pension schemes have gone bust at the British Shoe Corporation, Allied Steel and Wire in south Wales and Chart Heat Exchangers, at which establishment some of my constituents worked, in the constituency of my hon. Friend the Member for Wolverhampton, North-East (Mr. Purchase), who is in his place.

The situation of pension schemes in the private sector today, however, was not simply caused by the Chancellor's tax changes in 1997, as some—but, to their credit, not all—Opposition Members would seek to suggest. I agree that those tax changes, taken by themselves, had an adverse effect on private pension funds—[Hon. Members: "Ah."] I hear "Ahs " from the Conservative Benches, but I do not hear them from the Liberal Benches, because there is only the hon. Member for Falmouth and Camborne sitting there. There was a change to corporation tax at the same time, however, which more than made up for other changes in the tax regime, such as those in advance corporation tax.

Another factor in the difficulties in which private pension funds found themselves from 1997 onwards was the dotcom bubble. Some of them thought that it was like the South Sea bubble, but they did not realise that it was a bubble. Whether one looks at Kondratiev waves or other cycles in the economy, things go up and down, and the stock market vastly overvalued dotcom companies.

Andrew Miller: My hon. Friend might be interested to know that H. H. Robertson was originally the Wolverhampton Iron Works, and people walked from Wolverhampton to Ellesmere Port to get their jobs. Its pension scheme collapsed—prompting the first case of any Member arguing for what became the financial assistance scheme—under the Conservative Administration.

Rob Marris: My hon. Friend is right. There are strong links between his constituency and mine, forged not least by Stan Cullis—I have an office in Stan Cullis House. Pension schemes were getting into difficulty before 1997, most notably in the Maxwell case, when the remedies put forward were not the same.

As for the reasons for pension funds' difficulties, one of the legacies that built up to 1997 and onwards was that of underfunding, and contribution holidays taken by greedy employers. The extent of that underfunding started to emerge only when the Labour Government insisted on FRS 17, to try to get pension funds to indicate whether they were solvent. Some of them had been hiding the situation for years. It was like pyramid sales: they had been taking contribution holidays, building up deficits in the scheme and not telling anyone about them. We often hear about such cases in this place. I understand the ebb and flow of politics. When a Government change a regime so that there is greater transparency, they can catch a political cold for disclosing something that has been building up for years.

Parenthetically, I say that we had the same difficulty with methicillin-resistant Staphylococcus aureus in hospitals, about which the Conservative Government did almost nothing for 18 years. They would not publish the figures, but we did. That transparency meant that our constituents became aware of the widespread difficulty with MRSA in some health institutions. We got clobbered for something that had been allowed to build up, almost totally unaddressed, under the previous Government.

Mr. Dunne: The hon. Gentleman places considerable emphasis on pensions holidays as a contributory factor to the pensions crisis. What relative weight would he place on that, which was estimated in last week's debate to have cost £18 billion, compared with the estimate of between £50 billion and £500 billion for the cost of the Chancellor's decision to scrap dividend tax relief? Which is the greater?

Rob Marris: We debated pensions last Tuesday and Wednesday. I was in the Chamber for part of Tuesday's debate, and I think that the hon. Gentleman was present at the time. He will know my views on some of those figures. He will also know my view that actuaries were a bigger factor than those that I have mentioned. I suspect that if one makes negative comments in this

place about a particular profession, one is often then contacted by representatives of that profession, who take the opportunity to explain their position by saying that one's remarks in the House were either incorrect or demonstrated a misunderstanding of the probity and history of their profession.

Andrew Miller: It does not work with lawyers.

Rob Marris: As a non-practising solicitor, I can tell my hon. Friend that it does work with lawyers, because I get contacted by the Law Society.

Last Tuesday I again made the remarks, which I shall repeat, about my views about the responsibility of the actuarial profession—not every actuary—for the difficulties in which some private sector pension schemes have found themselves. I made those remarks on two occasions many months ago, and I have never been contacted by even one actuary suggesting that I was wrong.

As many right hon. and hon. Members will know, I was on the panel of the Law Society of England and Wales as a personal injury specialist from its inception in, I think, 1991. That is roughly equivalent of being a hospital consultant. It is a recognition of one's professional expertise in a particular area of legal endeavour and practice. As a personal injury lawyer, I would calculate lifetime losses. If someone has a fairly catastrophic injury and suffers a loss that will continue for the rest of their natural life, one cannot calculate in most cases—although sadly, in some cases one can—what their individual life expectancy will be. For the purposes of the calculation, one notes their age and gender and takes it from there.

I used to get new life tables every year or two and would adjust my calculations. Rising life expectancy meant that in calculating a lifetime loss for any client, it would have been negligent of me, as a solicitor, not to take into account the fact that statistically, that individual was now expected to live longer than had been the statistical expectation perhaps two years previously for someone of the same gender and age. I would adjust the calculations that I would otherwise have made under old life tables and make them under the new life tables to reflect the longer life expectancy.

I was not the only solicitor doing that, I hasten to add. It was standard throughout the profession. We were taking into account rising life expectancies in our professional practice. It appears that far too many actuaries were ignoring rising life expectancy when doing their calculations and advising pension schemes on how much funding a scheme should have—for example, how much the employer should contribute or whether that employer should continue their pension contribution holiday. Although that was not the only driver, it was one of the major drivers, and probably the biggest single driver, of the pensions difficulties that have been disclosed in the past few years. They have been disclosed because of FSR 17 and pension organisations having to come clean about how much, or how little, they have in the kitty.

The reasoned amendment refers to a pensions crisis. There is a crisis for many people, and that is appalling, but another driver, which will feed through to those who have not yet started to receive their pension, is the change from final salary schemes to money purchase schemes—from what are sometimes called defined benefit schemes to defined contribution schemes. I am not a defender of final salary schemes in the private sector. They are a historic dead end. They cannot be underwritten by, say, a trading company, because we all know that companies that trade, such as H. H. Robertson or Chart Heat Exchangers, go bust and cannot top up the scheme.

Our constituents are understandably saying, "I'm going to get a worse pension than I thought I would because the company's changed the scheme," and in almost every case of which I am aware—I am aware of quite a lot, because I was on the Select Committee on Work and Pensions throughout the last Parliament—employers who are changing from a final salary scheme to a money purchase scheme are cutting their contributions as a percentage of payroll. It is not simply a technical move, with them deciding to restructure the scheme in a different way to give greater security—although that is how they may try to sell the change to their employees. They are markedly cutting contributions.

Quite a big private sector employer in my constituency commendably puts in to a final salary scheme that is now closed about 26 per cent. of payroll every year—I think my figures are right; I am doing them from memory, but they are something of that order. The employee contributions are 7 or 8 per cent. for those who are in the scheme, which closed to new entrants about five years ago. Under the new scheme, the employer's contributions are markedly lower. I cannot remember them precisely, but I think that they are in the order of 7 or 8 per cent.

I understand why the company has made that change. It is trying to remain competitive with other companies, and some bright spark came up with that idea in some part of the country, and it snowballed from there. However, the demise of final salary schemes, which continue to exist in as much as they are not insolvent, has been driven not by changes made by the Government, but by employers trying to lower the pension contributions that they make on behalf of staff—effectively, to cut their wage bills. There are many things for which one can try to blame a Government, but one cannot blame any Government, of whatever political party, for employers effectively cutting the wages of their employees. I do not think that they should do that, but that is what has been happening.

As for the third category of prospective pensioners—in particular, those who were in a scheme that is now insolvent—the official Opposition appear to think that the Government should be the insurer of last resort for every private pension scheme. I disagree. I have made it clear to the Government many times that they have a responsibility—as did the previous Conservative Government—for allowing misleading leaflets to be put out to prospective members of schemes and members of private company occupational pension schemes on how secure those might be.

Others also bear responsibility in that regard. Those who were advising individuals on pension schemes—independent financial advisers and so on—should have known better, as should, dare I say it, trade unions on some occasions. I say that as a proud member of the Transport and General Workers Union. There was a

[Rob Marris]

somewhat cavalier attitude across the board, with individuals who were involved in giving advice to employees not stopping and thinking enough about how secure—or, as it sadly turns out in all too many cases—insecure private occupational pension schemes were.

The Government, reacting to pressure from Ministers as constituency MPs and Members on both sides of the House, have done a pretty good job with an 80 per cent. guarantee and a commitment last week from the Secretary of State for Work and Pensions to see whether that could be higher, although we do not have the costs of that. Through the budgetary mechanisms of the Treasury, the Government are putting forward £8 billion in future value, not in net current value, for the financial assistance scheme. They are also acting to try to stop the shenanigans of companies playing fast and loose with their pension schemes. We all know that that was going on in the 1990s: we know that the amount of money in a pension scheme fund predicated whether there would be a takeover. The Pension Protection Fund, which I believe came into force in April 2005, was introduced by this Government to prevent a repetition of the scandalous behaviour that had been so devastating for pension scheme members.

Mr. Ken Purchase (Wolverhampton, North-East) (Lab/Co-op): My hon. Friend mentioned Government leaflets and advice. Does he accept that any Government must depend on the honesty and integrity of the managers of pension funds, and that there has been dishonesty in the case of a considerable number of pension failures? My hon. Friend referred to FRS 17, which opened a Pandora's box, but any Government must give advice on the basis that people will be honest and obey the law. Surely the system has collapsed not because of bad advice, but simply because some employers have been blatantly dishonest in the management of pension funds.

Rob Marris: I agree with my hon. Friend and neighbour. To put it succinctly, there were some rip-off merchants around. This Government introduced schemes such as the financial assistance scheme to help those who suffered as a result of past rip-offs, the aim being to clamp down on past rip-offs and any prospective future rip-offs; and if any more rip-offs do occur, the Pension Protection Fund is there to prevent more people from suffering. There were bad people around, and, as my hon. Friend says, there is only so much that a Government can do to deal with that. Sometimes they have to act after the horse as bolted, as with the financial assistance scheme or the Pension Protection Fund.

I am sure that the Paymaster General has the figures at her fingertips and will correct me if I am wrong but, according to my recollection, in recent years, during the so-called pensions crisis referred to in the amendment, the amount in pension funds has more or less doubled. It is up to about £790 billion. The Opposition may speak of a pensions crisis, but although there are problems with pensions and people's lives have been devastated—I do not want my position to be misunderstood in that regard—it does not strike me as very illuminating to use the term "pensions crisis" in a general sense when the amount of money in pension funds has doubled. I repeat that I do not underestimate the devastation of people's lives, but I would not describe it as a general crisis, as the amendment seems to. Of course it is a crisis for some individuals—about 125,000—and it must be absolutely awful for them.

Mr. Flello: My hon. Friend is a very learned Member, if I may use that term in its widest sense. What effect does he think a proceeds of growth rule would have on funds for the financial assistance scheme?

Rob Marris: It could be disastrous. Any subsequent Government might not have enough money to meet the commitment that this Government had made—in so far as any Government can bind their successors—of a considerable amount of taxpayers' money for the future.

As my hon. Friend will know, some Members have suggested what is sometimes described as a lifeboat scheme. Indeed, I hear rumours that there may be an amendment to the Pensions Bill to that effect. Interestingly, the lifeboat scheme has been decried by the Association of British Insurers, which regards it as being akin to ripping off other people's money, so I am not sure that it would be a very good idea.

Stewart Hosie: The hon. Gentleman raised the question of pensions on the basis of the Conservatives' amendment, which refers to a pensions crisis. He mentioned the FAS and the £8 billion, which of course is welcome, but does he understand the frustration felt by people who, although their schemes are eligible, are still not receiving money because the full schemes have not been wound up? That may happen in the case of even a small scheme if a single ex-member cannot be identified. Does he share our frustration? We may welcome the extra money for the FAS, but it is not yet quite delivering for all the people for whom it should be delivering.

Rob Marris: I think that there is frustration throughout the House about the fact that, although the Government have committed a considerable amount to assist the 125,000 pensioners, only about 1,500 have received any money. Surprise, surprise, some accountants who are acting as receivers for insolvent schemes appear not to have been exactly speedy in dealing with the paperwork to enable members of those schemes to obtain money from the FAS. If I am going to slag off professions, I might as well go for bust, although there are exceptions such as my hon. Friend the Member for Stoke-on-Trent, South (Mr. Flello).

Chart Heat Exchangers is a prime example. It is based in the constituency of my hon. Friend the Member for Wolverhampton, North-East, but three of my constituents have notified me of their interest. It is all very sad. From correspondence that I have received, and I suspect from correspondence that he has received, as I understand he has led on the issue in Wolverhampton, it seems that PricewaterhouseCoopers has not been very speedy.

According to my understanding of the way in which these things work—perhaps PricewaterhouseCoopers will write to me tomorrow and tell me that I am wrong—the company is being paid but the pensioners are not being paid, and some are indigent for that reason. One suspects that not many people who work for PricewaterhouseCoopers or similar organisations are exactly indigent, so it appears that the cash is in the wrong place.

The hon. Member for Dundee, East (Stewart Hosie) is right: the slowness of the system has been extremely frustrating. However, I see cogs turning in his brain, for he is a smart man. Could we have made the system work more quickly? I am not sure that we could. As he said, there are technical difficulties with tracing people and getting the trustees to act. If there had been an immediate payout, we would have risked a situation like the one that we have experienced, to a small extent, with tax credits—overpayments, and people having to pay some of the money back. We have carefully avoided that in the case of the disastrous rural payments scheme.

Members will be relieved to learn that that concludes my brief remarks about pensions. I now want to speak about climate change, as I warned the House that I would at the beginning of my speech. Those who know me, and Members who take an interest in Finance Bills and associated matters, will be aware that climate change is a particular concern of mine.

Both the hon. Member for Chipping Barnet and the hon. Member for Falmouth and Camborne properly highlighted green issues such as climate change in their speeches, and the amendment refers to tackling climate change, but yet again we have heard about only one side of the equation. Of course cutting emissions is important, but we do not hear about the other side of the equation—adaptation. The right hon. Member for Wokingham (Mr. Redwood) nods. He and I have had conversations about the issue; I know that he takes an interest in it, and I know that the Government do as well. This is the third or fourth time that I have spoken about this in the last 12 months, and I am about to do so again at some length, and I urge the House once more to start talking about both sides of the equation. We must talk about adaptation to climate change as well as emissions. We must talk about dealing with the effects as well as the causes.

The point that I always make, and will continue to make until Opposition Front Benchers understand it a little better—I believe that my Front Benchers have understood it, and I will explain why in a moment—is that we are dealing with the half of the equation that is broadly beyond our control, because the United Kingdom is responsible for roughly 2 per cent. of world emissions. It is important for us to show global leadership. We emit roughly twice the world average because we are a rich country, and it is important for us to reduce our emissions, but we persist in talking about the half of the equation that is 98 per cent. beyond our control unless we can secure international agreements that can then be enforced—Kyoto, for example, has not been enforced because there is no enforcement mechanism—while not talking about the half that is wholly within our control: effects. We should of course talk about the half that is not within our control, but not at the expense of talking about the half that is.

Julia Goldsworthy: The hon. Gentleman is making an important point. The Bill is concerned with revenue-raising measures, and investment is one of the key ways of mitigating climate change. I note that the Department for Environment, Food and Rural Affairs is cutting the flood defence budget by £200 million. Will he ensure that there is cross-departmental co-operation to ensure that the critical issue he has raised is not ignored or understated?

Rob Marris: I understand the hon. Lady's point and will come on to how what I am talking about intersects with the Budget. I am mentioning it because it is raised in the amendment of the right hon. Member for Witney (Mr. Cameron). On flood defence budgets, the hon. Lady really must do her homework. The Government cut flood defences by about £15 million in the last financial year, but they have increased that budget this year. The cut was not of a sum such as £200 million; the hon. Lady has a rural constituency, so she ought to know that. In my constituency in Wolverhampton, flood defences are not a big issue. They are a big national issue, and I agree that they are important but, as the hon. Member for Northampton, South (Mr. Binley) is aware as he knows the area well, flood defences are not a big issue there. The flooding of Smestow brook in my constituency is not a big deal. The hon. Member for Falmouth and Camborne might know that Wolverhampton does not have any coastline, so there is no coastal defences issue. We are quite high up: about 120 m above sea level. It is said that our arch rivals at football, West Bromwich Albion, have the highest league football ground in England, which is about 135 m above sea level and we are about the same height above sea level. Let me say again that flooding is an important issue, and that the Government have rightly reversed the budget cut mentioned.

Let me now turn to what the Environment Agency says about the difficulties that we face. I will, Mr. Deputy Speaker, link this point not only with the amendment but with the contents of the Finance Bill, and with the measures that I would have preferred to have been included in the Finance Bill. The difficulties that we face—

Mr. Deputy Speaker (Sir Alan Haselhurst): Order. The House will be grateful if the hon. Gentleman's comments on this point are rather short.

Rob Marris: I am grateful to you for that guidance, Mr. Deputy Speaker.

Climate change is already happening in the United Kingdom. The Government are taking steps to adapt, such as by enabling us to build things such as flood defences, but we are not doing enough in that regard, and the Finance Bill represents a missed opportunity. Let me set out the sorts of steps that we should be taking, and for which there should have been tax reliefs in the Budget—to refer to the point of the hon. Member for Falmouth and Camborne as to how the Budget as a revenue-raising measure intersects with this issue. We should have more tax reliefs than those that currently exist in our financial regime, and those that the Finance Bill introduces should be stronger. We should also have had some new tax reliefs.

[Rob Marris]

There should be tax reliefs for adaptation measures. I broadly agree with a point made by the right hon. Member for Wokingham, when he told me to look at what his Conservative Government did when they were faced with a campaign for lead-free air. A tax regime was introduced whereby there was a tax discount—not a tax relief—for unleaded petrol. When it was introduced, some people found that their car needed no adaptation whatsoever. I was putting in unleaded petrol before there was a tax break and, at one point in 1985, there were only two petrol stations in the entire city of Wolverhampton that offered unleaded petrol. I was driving a Volkswagen, which did not need any adaptation at all. However, other cars, on slightly different technology, needed adaptation, which at that time cost about £30, if I remember correctly. A tax differential of lower excise duty for unleaded petrol than for leaded petrol massively boosted what had been a tiny market almost overnight. It happened very quickly—within a year, I estimate. There was at that point no legislation banning leaded petrol; perhaps there should have been, but there was not. The shift was driven by the market, which was driven by fiscal changes. In the Finance Bill, there should have been more such general measures to do with adaptation for dealing with the effects of climate change.

I would like boosted research and development tax credits. They have already been boosted a lot by the Government, and there are also some changes to them in the Finance Bill. I understand that what I say on this is open to a charge of complexity, but we will need boosted R and D for endeavours such as research into the medicines that we will need to deal with the new diseases that we will get in this country, such as malaria. It will not just be cases of malaria in people who have been on holiday; we will also have malaria in southern England because of climate change as rising temperatures mean that malarial mosquitoes will come into our country. Research must be done on that.

We also need research on the kind of crops that we will be able to grow in this country. We will not simply be able to transplant a crop that has grown in a more southerly latitude, because the configuration of daylight hours is different the further north we go. In some places, there are longer summers and shorter winters, so we cannot always simply transplant a crop from Algeria or Malaga, for instance, up to Margate or Manchester to replace those that might no longer be viable because of shortages of water and higher temperatures. There must be a research and development push on that. Steps are being taken, but we need to encourage that further with fiscal measures that I would have liked included in the Finance Bill.

There is a similar point to be made on biodiversity, and The Wildlife Trust is doing a great job in driving that. It produced a document on,

"Adaptation to climate change. Sustainable local economies. Abundant wildlife. Healthy cities and green space for all".

The document was produced last year, and I went to TWT's excellent reception in the Members' Dining Room. Many other groups are also taking such steps, but they need some fiscal encouragement.

The VAT regime has been referred to indirectly, and perhaps ironically, from the other side of the equation by my hon. Friend the Member for Ellesmere Port and Neston (Andrew Miller). There has been some levity on Opposition Benches regarding changes in measures such as stamp duty land tax for low-carbon homes; Opposition Members chuckle to themselves about how many low-carbon homes there might be.

There is a fiscal measure in the Finance Bill to do with tackling climate change, which the reasoned amendment decries the Government for not doing. It is a measure to make a market and drive a market. In and of itself, it will not make or drive a market, and it is not equivalent to the situation with regard to unleaded petrol, but it is similar: it is a fiscal measure to try to kick-start a market.

Mr. Redwood: Under this part of the amendment, does the hon. Gentleman agree that the two most important steps that we must take to adapt—I agree with him that that is what we must do—are to collect more of the water that falls when it rains to use during the dry periods, and to have better coastal defences, especially to protect the 7 million people in the London area, because we are told that the Thames barrier will soon no longer be fit for purpose?

Rob Marris: I entirely agree. The right hon. Gentleman foreshadows remarks that I was about to make on building adapted homes—zero-carbon homes, for which there are fiscal incentives in the Finance Bill. However, I am not aware that there are any fiscal incentives—in this Bill, or previously—to deal with matters such as those that he refers to.

The drainpipes on older homes will need to be changed. In many parts of the country, people will need bigger drainpipes because of the increased incidence of sudden deluges. All Members will remember what happened in Boscastle in 2004, when 8 in of rain fell in a very short period. Lest any Member wishes to treat this matter with levity, let me say that I am not saying that bigger drainpipes would have prevented the disaster in Boscastle, but it is a graphic example of why we need adaptation to deal with heavy torrential downpours the like of which we have not hitherto experienced in the United Kingdom on a frequent basis. On present indications, they will become more frequent in winter. I am not aware of there being any fiscal incentives in this Finance Bill to address that.

I am not aware of any incentives for adapting the heating and ventilation of homes that already exist, in contradistinction to the low-carbon tax break for new homes. That is a health issue as well as a comfort issue, because a lot of people will die. It is estimated that 20,000 older people died across Europe in 2003, including in the United Kingdom but principally in France, as there was very hot weather in July and August. Homes will need to be adapted. There will need to be fiscal incentives, particularly through VAT—by lowering the VAT rate and, perhaps, going to the European Commission and saying, "All 27 countries face this, and we need to have powers to derogate in lowering the VAT rate for building adaptations to existing buildings."

Similar points apply to land drainage and other issues. We need tax breaks with very strict compliance mechanisms for the water companies to get them to

build more reservoirs. We will need more reservoirs. On all current projections, there will be an increase in drought in the UK, particularly in southern England but also in East Anglia, which most of us would not consider part of southern England, and further north—even, on current indications, in parts of lowland Scotland.

Mr. Flello: Does my hon. Friend agree that we need a fundamental review of our infrastructure in many areas? For example, a heavy downpour is lost immediately through the storm drains.

Rob Marris: That is certainly the case. I heard a claim the other day—I do not know whether it is true, but it is the typical sort of figure that one hears in the House—that we have less rain per capita than Sudan. We do not have much rain in this country, especially in England and, in particular, in East Anglia. Geographers count large parts of East Anglia as a desert, in terms of annual rainfall. We have to use that rain carefully.

We already do a good job in recycling water. People were shocked in Australia recently by a proposal to use grey water, but we found it extraordinary that that should be so new to them. To make the best use of such approaches, we need not only the regulatory and planning regimes, but some fiscal incentives. The Government are actively pursuing a policy of adaptation to climate change, but they should do more, including fiscal incentives.

If I may be allowed a personal advertisement, I proposed a private Member's Bill on climate change adaptation, which was the first climate change Bill in this Parliament. It would have required the Government to report annually to Parliament on what had been done to adapt for climate change. I am pleased to say that, broadly, that has been incorporated in clause 37 of the Climate Change (Effects) Bill. However, annual reporting of adaptation is not by itself enough. It is part of greater transparency, but we need to make progress.

Some great work is being done by the Oxford-based UK Climate Impacts Programme, which gets a paltry £800,000 a year from the Government. I have visited the programme, been to its conference and talked to the staff, and it does great work, but we need to produce the big changes in behaviour and adaptation before it is too late. As the right hon. Member for Wokingham said, 7 million people will be at risk of flooding in London, although those who built the Thames barrier were far-sighted and it is being used much more frequently now. As I understand it, a new Thames barrier will be needed, although I am not an expert on London and the south-east, because I am a west midlands MP. I pick up such information because it is the capital of our country and we cannot let it drown, even though—or perhaps because—that would make Birmingham the capital of England. Seriously speaking, we cannot let London drown, so we need to push forward adaptation measures.

As we saw with the change to unleaded petrol, measures in the Finance Bill have a big role to play in change. They could have a big role to play in emissions and their causes, and mention has been made of vehicle excise duty, although the Bill does not go far enough. Such measures as are included are very welcome, but we need more to encourage adaptation to climate change, because that is the one thing that the UK can control, whereas the level of emissions is subject to the winds of change in the world.

6.33 pm

James Brokenshire (Hornchurch) (Con): It is always a pleasure to follow the hon. Member for Wolverhampton, South-West (Rob Marris), who made a wide-ranging contribution. I intend to confine my comments to a narrower issue: the treatment of small businesses and, in particular, the introduction of the provisions to increase the corporation taxation rates for small businesses to 22 per cent. from 19 per cent.

We have heard much debate in the House, today and previously, about the fact that that increase in taxation on small businesses is intended to be neutral. The argument is made that the annual investment allowance of £50,000, intended for businesses to invest to grow, will counteract the increase in the headline rate. That certainly has not been the impression gained by small businesses. The chairman of the Federation of Small Businesses said:

"This is the Chancellor's eleventh Budget and this year's offering is no different to the others—he gives with one hand and takes with the other. However, this year, after some welcome initiatives for our members he throws it all away with a tax hike aimed at small businesses. Corporation tax was cut for large firms but increased for smaller ones. Small businesses employ fifty eight per cent. of the private sector workforce—over twelve million people—and the increase in their tax rate fails to acknowledge their contribution."

That comment reveals the concerns felt by small businesses across the country about what the changes will mean. The British Chambers of Commerce has talked of

"the damaging increase in the Small Companies' Rate".

The head of taxation for the Association of Chartered Certified Accountants said:

"This decision flies in the face of the Chancellor's previous aim to encourage more businesses to incorporate and shows an irrational hostility to micro enterprises."

The CBI, which does not necessarily focus on smaller businesses, has suggested that the changes will lead to "some significant losers".

The changes certainly give the impression that rather than being simplified for smaller businesses, the tax system is being made more complex. It also comes against a background of change in the way in which tax is levied on smaller businesses. In 1997, the Chancellor cut the rate of taxation for smaller businesses from 23 per cent. to 21 per cent. He cut it to 20 per cent. in 1998. In 1999, he introduced the new 10 per cent. rate and in 2002 he cut the 10 per cent. rate to zero and the small companies rate to 19 per cent. In 2004, he reversed the zero percentage rate on distributed profits and in 2005 he abolished the zero rate altogether. In this Bill, the tax rate has gone up again, this time to 22 per cent.

Such fluidity—so much change in a comparatively short period—makes it very difficult for small businesses to plan and work out a strategy. It is therefore interesting to consider the rationale advanced for the changes in the Bill. Paragraph 1.18 of the Red Book says that the change had been introduced

"to tackle individuals incorporating to minimise tax and national insurance liabilities".

[James Brokenshire]

In other words, it is an anti-avoidance measure, although we have not had the precise rationale explained at any point. I hope that when the Minister winds up the debate we will get some clarity about why such a draconian measure was felt necessary to combat that pattern of behaviour.

The issue was recognised and debated when the zero rate band was introduced in the first place. Many businesses were actively encouraged to incorporate as a consequence of the prevailing tax regime. It is interesting to look back at the consideration of the Finance Bill in 2002, when that point was raised. It was argued that the zero rate would force companies into incorporation. The Paymaster General said in response:

"We seek to strike a balance as best we can in not driving businesses into a particular structure. The balance is not perfect. The decisions that businesses take, the access they have to different relief and their structure are very much choices for them."—*[Official Report, Standing Committee F,* 16 May 2002; c. 104.]

That may be true, but the Paymaster General seemed to recognise that the possibility of small businesses taking advantage of the incorporation measures had been actively considered. It was understood that the changes in the tax regime might have that implication. I hope that the Financial Secretary may be able to comment on what went wrong and whether it was contemplated that companies that incorporated as a result of those changes might be in an uncomfortable position if the measure were reversed. Companies incorporate for legitimate reasons. The action is not necessarily driven by taxation reasons, and that factor should be understood in the context of such a big change to tax rates for smaller businesses.

My fear is that some small businesses that incorporated under the earlier regime—in many ways, the Government encouraged them to do so—will be trapped now that the tax regime is changing completely, with the implication that tax rates will be higher. As a former corporate lawyer—no longer practising—I know that changing from incorporated to unincorporated status is not without cost. Lawyers and accountants are required so that the company can break out of the incorporated mechanism. Many small companies that have legitimately incorporated, for whatever reason, will be in the difficult situation of having to decide whether to accept higher taxes or higher professional costs to change from an incorporated to an unincorporated structure—possibly their former status.

Reference has already been made to small service companies. It will obviously be difficult for them to take advantage of the new tax breaks proposed by the Government as an offset mechanism. There is a strange irony in the fact that the Government are saying, "We shall increase your tax but you can take it back from us". The proposals underline the complexity of the Government's mindset.

We need to address the valid concerns about companies that may be in financial difficulty. An increase in the tax rates applied to them might tip them over the edge if they were already in a precarious financial position, because they would certainly not be able to take advantage of the new mechanisms and benefits for companies that can invest. Evidently, they cannot invest because they are already in a difficult financial position. Given the problems that may arise, the neutrality of the measure is not as straightforward as has been suggested.

The provisions on corporate taxation are complex—like the Budget itself. I was struck by a comment made by Andrew Tenon, a tax director at Tenon advisers, in an edition of *Taxation*. He said:

"We spent several hours on Budget day running numbers through spreadsheets trying to make sense of the various hints that we could pick up in the small print about what precisely the figures would be. It is a sign of just how complex this all is that, between us, with at least 100 years of combined tax experience, we could not agree on what the impact of the changes will actually be."

If even learned tax advisers find it difficult to assess the effect on smaller companies of the changes in the Bill, it will be tricky, to say the least, for the companies themselves to work out what the impact will be and how to take advantage of the investment regime to ensure that the benefits are effectively applied. That comment and others clearly show the problems that arise from the complexity of the provisions and their application to small businesses.

There seems to have been a complete reversal of the Government's approach to the treatment of small businesses over the 10-year period. We have almost come full circle in the latest Finance Bill. There is real concern that the Government are turning their face against small businesses, notwithstanding the fact that 99 per cent. of all enterprises are small. A huge number of small companies contribute a large amount to our economy, ensuring that it is vibrant and strong and continues to employ people and generate wealth in this country.

Andrew Miller: The hon. Gentleman is making an interesting point, but what does he think is in the best interests of small businesses? Is it the environment now or the environment when we had two major recessions, interest rates at 15 per cent., inflation in double figures and unemployment at 3 million? Perhaps he thinks that unemployment at 3 million will be beneficial to small businesses. Was the environment better when his Administration were in control or is it better now?

James Brokenshire: The hon. Gentleman is drawing false parallels—perhaps understandably, to assert his case—but I certainly do not understand his comment that I support high unemployment. Obviously we want to generate employment and get people into work. One of the problems at present is the structure of the system, which means that labour is immobile. Too many people are trapped by social immobility, without the skills or opportunity to realise their potential to change their lives and make the most of their assets. I am passionately against that and it is highly unfortunate in many ways that growth in our economy has had to be driven by the importation of labour and that people do not have the opportunity to obtain skills, as Lord Leitch found in his report. There is a structural problem in our economy and it is not in the hon. Gentleman's interest to suggest otherwise. We need urgently to deal with those skills issues to ensure that people can realise their potential and get into the employment that is denied them at present.

Rob Marris: Will the hon. Gentleman give way?

James Brokenshire: Not on this occasion—I am just about to finish.

Small companies face huge uncertainty: rising inflation, rising interest rates and, in the Bill, rising taxation. My fear is that the Budget will make things worse and that companies already in a precarious situation will be tipped over the edge. I hope my assessment is wrong, but I have real concerns about the consequences of those taxation measures for small companies.

6.48 pm

Mr. Robert Flello (Stoke-on-Trent, South) (Lab): I want to take a few moments of the House's time to go through a few points in the Bill that relate to my constituents. My hon. Friend the Member for Newcastle upon Tyne, North (Mr. Henderson) made some good points on the wider general implications of the Bill, but I want to look at its impact on my constituents and others in Staffordshire and to focus the debate more locally.

The reasoned amendment refers to increasing competition from countries such as China and India and suggests that the Bill will cause difficulties and problems. Perhaps it is because I am a fairly straightforward and humble chap, but that argument confuses me somewhat. China, India and the far east have had an impact on the work that was done for many years in the mines in my constituency before they were closed—

Rob Marris: By the Tories.

Mr. Flello: Indeed, closed by the Tories. Those countries also had an impact on the Shelton Bar steelworks, which were just outside my constituency before they were closed under the previous Administration, and on the Michelin factory, which employs many thousands fewer workers than it did 20 or so years ago and has changed the emphasis of its work. However, it is still a very valued employer in the constituency. Furthermore, the pottery industry employs a fraction of the people it once did. None of those job changes was the result of the Finance Bill.

Let us consider specifically the situation at Trentham Lakes, the site of what was the Hem Heath colliery. More people are now employed on the site, albeit in completely different jobs, than when it was a colliery. Many people who work in the distribution centres used to be employed in the pottery industry and have acquired different skills.

The reasoned amendment asserts that the Bill's complexity will somehow kill off or stifle the opportunity for businesses to grow. A few years ago, I did some work with the United States tax code and advised and assisted employees from the US working in the UK and employees from the UK going to work in the US. The US tax code is horrendously complicated. Indeed, one could almost say that ours is an open, brief and simple tax code by comparison. However, has the US suffered for years from a crippled economy that is unable to compete on a global stage? Are its businesses unable to do well? The facts on that speak for themselves.

Rob Marris: Is my hon. Friend aware that a table is produced by, I think, the Organisation for Economic Co-operation and Development setting out the number of person hours or even days that an average business needs to expend to deal with the tax regime in a given set of countries? Some 190 countries are listed and the United Kingdom is very near the top of the list, the top being countries where people spend the least time dealing with such matters. The issue is not just to do with the number of pages in Tolley's or whatever, but with how much businesses can use the legislation.

Mr. Flello: I am grateful to my hon. Friend for making that point. The code and the tax legislation are there for a purpose. As many Members have said in what has been an interesting debate, provisions are in the legislation for specific purposes. The hon. Member for Falmouth and Camborne (Julia Goldsworthy) is, sadly, no longer in her place; two is the maximum number of Liberal Democrats whom we have seen in the debate. At one point, I wondered whether they rotated to ensure that just one was here.

None the less, the point was made that we cannot have it both ways. We cannot aim to address a specific point through tax legislation without having the necessary clauses in the Bill. One has to make sure that the Bill does what it is required to do.

Mr. Redwood: Does the hon. Gentleman agree that if we had the same income and company tax rates as those in the best states in America, we might share their rather faster growth rates?

Mr. Flello: Our employment levels speak for themselves. When we take into account federal tax, state tax and county tax, we almost move into the realms of the Liberal Democrats' proposal for a local income tax.

The point that has been made about skills and research and development shows the contradiction between what appears in the Bill and in the reasoned amendment. We need to ensure that my constituents and those in the wider UK have the skills needed to ensure that a manufactured product or service can compete in the global market. Given our labour costs, it is impossible to compete on price with some of the growing economies and, indeed, some of the extremely well developed economies around the world. We need to compete on skills.

For example, firms in India are doing tax return work extremely well. Information is sent to the firms, it is processed in India and completed tax returns are brought back to the UK ready to be signed off by clients. If a country is able to do such work at a cheaper rate, the only way we can compete is to ensure that the level of knowledge in the UK is much greater. We need to make sure—the Bill and previous Finance Acts have endeavoured to do this—that young people and all workers across the UK are able to acquire the skills they need.

Rob Marris: Did my hon. Friend spot an apparent—and I think a real—paradox in the position expressed by the hon. Member for Hornchurch (James Brokenshire)? He said that the tax changes in the Bill might have an adverse impact on small businesses, but then went on to

[Rob Marris]

talk about skills. As a generalisation, small businesses in the UK are not very good at training people or spending money on skills training. Therefore, that has to be done by the state, and the state needs tax revenue to pay for it. That tax revenue has to come from somewhere, and one place from which it will come will be small businesses.

Mr. Flello: My hon. Friend makes an extremely good point. If an organisation is not willing to undertake the training that the nation needs, we have to find alternative ways of funding the training through the tax system.

My right hon. and good Friend the Chancellor the Exchequer made an announcement about raising education spending to £90 billion over the next couple of years. Those improvements and changes are what Finance Bills and Finance Acts bring about and they are the backbone of British innovation. The proposed increase in the number of apprenticeships is fundamental to this country being able to take itself forward.

I chair a Staffordshire taskforce that works with people who have been made redundant in some of the traditional industries and, indeed, some more modern industries. I am a member of Unity, Amicus and the Transport and General Workers Union, and Unity acts as the umbrella on the taskforce for a number of other trade unions and organisations. Through its excellent work, the work force are given the opportunity to gain the skills that they require and the modern market needs. We must make sure that the competitiveness of the UK economy supported, and legislation such as the Finance Bill, can aim to push through provisions for that.

Those on the Opposition Front Benches said that the Bill could upset the economy. However, as other hon. Members have argued, we have an extremely stable economy. We have low and stable inflation. Yes, there are peaks and troughs within that, but overall the situation is extremely stable compared with—*[Interruption.]* I hear derisory comments from the Opposition Benches. During the 18 years before the Government took office in 1997, the situation could in no way be described as stable or level. There was no considered growth during that period, with two deep and damaging recessions, as has been mentioned, and with inflation and interest rates out of control and at times changing almost daily.

I recollect the tables produced by the Inland Revenue when I had the great good fortune of working for that organisation in the early part of my career. Tables produced for calculating the interest on the late payment of tax would be amended with frightening regularity because of the fluctuations in interest rates. The derision from the Opposition Benches seems to have stopped.

Rob Marris: My hon. Friend may be aware that when arguing for lower corporation taxes—and the Budget does cut corporation tax somewhat—the Conservatives often pray in aid the economy of Ireland, yet it has recently emerged that the economy of Ireland is not exactly stable, with personal debt at 190 per cent. of GDP, and with Ireland being locked into the euro. Does my hon. Friend agree that it was a very wise decision, which I supported at the time and continue to support, that the United Kingdom should not enter the euro?

Mr. Flello: I am grateful once more for the wise words from my hon. Friend. In the extremely inspired piece of insightful thinking that produced the five tests, the Chancellor was absolutely right to make sure that we would consider such a move only if it were right and in the interests of Britain. Clearly, it has not been. I am sure that after their experiences, other countries wish that they had had our Chancellor and the skills that he would have brought to bear for them.

Stewart Hosie: What are the five tests that the Government set? What is the difference between those and the original five tests for EMU entry? With reference to the intervention from the hon. Member for Wolverhampton, South-West (Rob Marris) about debt in Ireland, will the hon. Gentleman comment on the £1.3 trillion worth of personal debt in this country?

Mr. Flello: I am grateful for the hon. Gentleman's intervention. In answer to his first question, I recommend to him the Library services across the corridor. On personal debt, the level is high in most of the advanced economies, like our own. However, I agree that there is cause for concern where people are taking on debt that they are unable to sustain. My views on that are on record.

We can reject the first part of the reasoned amendment tabled by the Opposition, because it does not stack up. It does not make sense. As soon as one starts reality checking, the wording falls away. I looked at the employment figures provided by the Library, which I again recommend to the hon. Member for Dundee, East (Stewart Hosie). The reduction in the number of people unemployed in my constituency, Stoke-on-Trent, South, is approaching 20 per cent. There is a huge amount of work still to do because I do not want any of my constituents to be without work, but the improvement has been incredible. That was made possible by provisions such as those in the Bill.

My hon. Friend the Member for Wolverhampton, South-West made some valid points about the real reasons why 125,000 people are in the financial assistance scheme. It is right and proper that Back Benchers of the governing party put pressure on Ministers whenever possible, and I take the opportunity to do so now. We need to ensure that every single one of the pensioners who were adversely affected gets whatever help we can give them. I shall not adopt the Opposition attitude and suggest that we can wave a magic wand and put everybody in the position that they wish they were in and that they were promised by the trustees of their schemes, but equally we are not seeking a proceeds of growth rule that would mean that the money was not available to back up the promises being made.

I hope that the review that is under way will ensure that the good provisions in the Bill, which I welcome, are built upon. Although the increase from £2 billion to £8 billion projected costs, the 80 per cent. payout and the increase in the cap are all good moves, we should do what is morally right and push for as much help as possible to be given to those 125,000 people.

Finally, I shall canter through the provisions of the Bill and how they will impact on my constituents. On the main rates of tax for financial year 2008 and the changes to the small companies rate, on which several hon. Members have commented, yes, there are concerns. There are small businesses in my constituency that will understandably be worried about the impact of future changes to those rates. However, the fall in the basic rate of tax to 20 per cent. must be welcomed. A large number of my constituents who receive tax credits will welcome both the drop in the basic rate and the increase in tax credits.

Every Member of Parliament regularly sees people in their surgeries who have problems with the tax credit system, just as we see constituents who have problems with speeding tickets or with housing. We only ever see the downside. We rarely have anyone coming to us and saying, "This works for me", but when we are out on the doorsteps talking to people, we find time after time people who are being helped by tax credits. I welcome the proposals in that regard.

As a non-smoker I welcome anything that persuades smokers to relinquish the habit, but I note that the increases in tobacco product duty are broadly in line with inflationary measures. The work that has gone on, separate from the Finance Bill, to help people kick the habit of smoking is the right approach. It is time for much more carrot and less stick in future years to move people away from an addiction to tobacco.

On vehicle excise duty, I shall not detain the House by rehashing the enlightening discussion that took place between the hon. Member for Falmouth and Camborne and my hon. Friend the Member for Wolverhampton, South-West. I would not want to revisit an exchange that was at times, I think, painful for the hon. Lady.

Rob Marris: Nor would she.

Mr. Flello: Indeed.

On energy-saving houses, it is a little rich—to quote the phrase again—of Her Majesty's loyal Opposition to be critical of the provision relating to zero-carbon homes simply on the grounds that there are not any, or that there are very few. The point was made earlier that when there was a reduction in the rates of duty on unleaded petrol to persuade people to go down that route, we heard comments that only a handful of garages in particular areas sold unleaded petrol. But as a result of measures in the then Finance Bill, people were persuaded to change their habits. They moved to driving vehicles with unleaded fuel. I hope that the relief for new zero-carbon homes will persuade people that it is right to move towards having zero-carbon homes. Any assistance in that regard has to be positive.

Criticism was made about domestic microgeneration. Given that the Leader of the Opposition has or had a wind turbine—*[Interruption.]* I understand that it has been removed. That is a great pity. That would otherwise have been a good example.

I do not want to detain the House by rehashing the arguments and discussions about managed service companies. We need to make sure—the Finance Bill moves in the right direction—that there is fairness and that we do not have a situation in which somebody decides to adopt a particular corporate or non-corporate structure purely for a tax advantage rather than because it suits their business. I am sure that most businesses in that situation would not dream of using the tax system for pecuniary advantage, but the provisions make sure that that is so. I hope and expect that in Committee some of the corners will get knocked off and things will move forward.

I do not want to detain the House by exploring what has already been debated in a good and positive fashion this afternoon. I hope that a lot of the points that have been made by me and other right hon. and hon. Members will be taken on board by the Minister when looking at the issues.

I want to close with a plea about the regional impact—something that was mentioned by my hon. Friend the Member for Newcastle upon Tyne, North (Mr. Henderson). With my wider Staffordshire hat on as chair of the taskforce, as well as my constituency hat on as the Member of Parliament for Stoke-on-Trent, South, I think that we need to make sure that when the Finance Bill and wider provisions—designed to help, guide and promote different industries—are brought in, stronger direction is given to regional development agencies to make sure that there is a much greater focus on the types of business that they are promoting in different areas.

A number of potential large employers wished to come to Stoke-on-Trent, but unfortunately, the office space in the city was not sufficiently large to accommodate them. So a large number of extremely well-paid, high-skilled jobs were not able to come into the city. That was a terrible loss for an area such as Stoke-on-Trent, which has fantastic people who are able to learn specialist, complicated and creative skills. The lack of office space meant that we did not get those jobs. However, the regional development agency had been in place for some time and did not hesitate to ensure that distribution sheds were built. It pushed that aspect. It is just a pity that the opportunity was not taken some years back to make sure that some large office space was built quickly. I make a plea to the Minister to turn his eye in that direction.

All in all, it is a good Bill. As has been mentioned, it could perhaps go a little further in some areas. I do not take the point that the Liberal Democrats made about its being an over-burdensome, over-complicated Bill—particularly given that they then contradicted that point by saying that the Bill could do with more clauses relating to aircraft flying over rural areas of their constituencies. I certainly commend the Bill and I hope that it will receive support from both sides of the House.

7.14 pm

Mr. John Redwood (Wokingham) (Con): I am a non-executive director of companies and I am also a trustee of a pension fund, as declared in the Register. I would like to begin by speaking to the amendment in the name of my right hon. and hon. Friends, beginning with the most important case set out in that amendment: that the Finance Bill fails to equip the UK to compete in the globalised world economy in the face of ever-increasing competition from India and China.

[Mr. John Redwood]

Whenever Opposition Members venture criticisms of the current state of economic policy and tax policy with respect to competitiveness, we hear from the Labour party—as we did again this afternoon—that things were worse during the worst period of the exchange rate mechanism. That is not only ancient history, it is agreed ground across the Floor of the House. It ill behoves those on the Liberal Democrat Benches to join in. They should understand that they strongly recommended that this country join the exchange rate mechanism and link its currency to the Deutschmark. It is even worse for those on the Government Benches constantly to throw this back at us, when the Chancellor of the Exchequer was a keen advocate of linking our currency to the Deutschmark and has never yet apologised for the mistake that he made.

Of course, it was the Conservatives who made the mistake in office. The Conservatives have long apologised for it, moved on and learned from the mistake. I hope that the Government have learned from the mistake as well. There are some indications that they may have learned from it, because at the moment they do not wish to take us into the euro currency. The ERM was a stepping stone towards the euro, and had we gone the full way we might have had boom and bust—high interest rates and then low interest rates or inappropriate interest rates—because we would have been committed to the euro.

I just wish that the Government would learn the full lesson of those bad periods in the early '90s. Surely the full lesson is learned only when a party comes out and says that it must be no to the euro—just as it must always be no to the exchange rate mechanism. We tried it. All three parties wanted it. Some of us disagreed. It failed. Now it must be no to the euro, as the hon. Member for Wolverhampton, South-West (Rob Marris) quite rightly said. I would feel happier if the Chancellor of the Exchequer ruled it out in principle for all time, instead of constantly going through this nonsense that there have to be five tests and that there might be circumstances in which the euro would be a good idea.

If we wish to compete successfully in the world economy, we need to understand the weaknesses of our current position, as well as its strengths. My party and I have been the first to admit that it is not bad news that we had growth continuously during the last years of the Conservative Government and that we have had growth continuously during the Labour period. My party is delighted that we have had, on average, worldwide, low interest rates over the last decade. That climate has been extremely helpful. My party is glad that China and India have emerged as economic titans. They are so competitive that they are now helping growth in the world, because as well as producing good-quality cheap exports, they need imports, and their cheap exports enable us to keep inflation down at a less penal cost in terms of interest rates and money control than we would need to incur were it not for that Indian and Chinese competitiveness.

However, the Government must understand that it is now 2007 not 1992, that an awful lot has changed since 1992, and that although some things are better—many of them because of the world background although some of them because of decisions made by Governments since 1992 and the exit from the ERM—there are still many things that are not ideal, and are limiting our ability to compete with the extremely competitive world economies emerging in Asia.

I asked a Labour Member if he was happy debating the Finance Bill and the tax incentives and changes for business against the background of the recent news that a large British shipyard is going to be literally unbolted and transported to Asia so that advantage can be taken of the better organisation and lower labour rates, and use can be made of the capital equipment that once fuelled a mighty British industry. I am sure that Labour Members are not happy about that. I am sure that they are not happy that Rover went bust on their watch, and that some of the equipment from the Longbridge plant was taken to pieces and exported to China so that Nanjing Auto can now make cars in China instead of in the United Kingdom.

We in this debating Chamber should ask ourselves collectively whether such accidents can be avoided in the future. Are there things that we could do through the Finance Bill that would create a more favourable climate for business here in the United Kingdom? The answer is yes. Things could be done to make it easier for manufacturing businesses to survive and flourish in the United Kingdom and to make it less likely that those businesses would go bankrupt, have to sell up, or have to sell some of their prime assets or capital equipment to companies in China and Asia that would use that plant and equipment to compete against us and undermine other countries in the United Kingdom.

The Government understand part of the argument. I am delighted that the Bill and the Budget show that the Government see the need to lower the corporation tax rate in the United Kingdom. There is abundant evidence from throughout the world that countries that set a tax on profits markedly lower than the world average do a great deal better than the rest of the world at attracting new investment, encouraging new company formation and attracting large enterprises to choose that country to establish new plants to undertake their activity.

The single most important reason why Ireland has grown rapidly over the past decade or so has been its attractive corporation tax framework. The United States is far richer per head than we are, and despite starting off as a richer country, has grown faster than us for nine out of the 10 years for which the Chancellor has had responsibility. Again, lower tax rates on personal incomes and company profits—if one is established in the right state of the Union—have been an important influence on the United States of America's better competitiveness. The countries in Asia that are doing best usually have a tax regime that attracts investment in the sectors and industries that they are keenest to attract.

The second thing that an economy needs to be attractive and competitive, and to take on the emerging might of China and India, is regulations that are not too complicated. This country is in danger, through regulations made by the House and by accepting a great deal of the regulation designed in Brussels, of over-regulating companies that are already here and

creating a framework of over-regulation that will deter companies from coming here.

Hon. Members have drawn our attention to the growing complexity of tax legislation on this Government's watch. The great increase of the number of pages in Tolley's tax manual is one indication of how the complications have increased. However, while the clauses before us make up a Finance Bill that is relatively slender by the Government's standards, that is because in most areas the Bill just says that something will be done to a tax measure, and more of the detail is in the many pages of schedules. In due course, the Treasury will probably produce lots of secondary regulations that will have a direct bearing on business and lots of interpretative documents that tax lawyers, company directors and others will have to master to determine their legal due to the Government, and so that they can find out whether the regime is still sufficiently attractive to allow them to carry on their business here.

The Government should take on board the warning about the complexity of tax legislation—and I am delighted that the Economic Secretary to the Treasury is in the Chamber, because he has been carrying out interesting work with those in the City who are worried about how competitive our tax system is.

The third important issue is whether we still have a fair system that is properly and consistently enforced by a Revenue that does not regard everyone and every business as someone who is trying to break the law or get away without paying a reasonable amount of tax. Many businesses have become concerned in recent months because they feel that the reasonably fair-minded Revenue now goes on fishing expeditions and tries to reopen old years that the businesses thought had been honestly and honourably settled. There is a worry that too many people who have been successful and made money individually or through their companies are being challenged unreasonably.

Kelvin Hopkins (Luton, North) (Lab): Is not the right hon. Gentleman in effect condoning VAT fraud? There is a vast amount of such fraud in this country, which costs the Exchequer billions each year. Surely we want more tax inspectors so that we can get more of that VAT in.

Mr. Redwood: I was careful not to condone any kind of fraud. If someone is guilty of deliberately misleading Her Majesty's Revenue and Customs by not giving the correct information, or any information at all, enforcement measures must be taken. My party has always said that and the Government always rightly do that—that seems to be a perfectly fair system. I am getting reports from people who are nervous about being named because they do not think that the system is entirely fair any more. They say that there is a feeling that matters that were thought to have been honestly and honourably settled can be reopened because the Revenue takes a different view of a measure in tax legislation than that which it accepted, and which the company's tax lawyers and advisers put to it, when the figures were settled in the first place.

The Government need to be careful. Of course they wish to raise as much revenue as possible without apparently upping the rates, but if too much of the philosophy and mentality of Customs and Excise is inserted in the Inland Revenue and operated against law-abiding businesses and people who just happen to be successful, the impact will be the opposite of that which the Government want. The country will merely be given a reputation as the kind of place in which people will not want to base their businesses or tax affairs because they fear that they will not be treated fairly, or where they will never know where they are, because something that was thought to have been settled with the Revenue will turn out not to be have been settled at all.

If the hon. Member for Luton, North (Kelvin Hopkins) does not believe me, he should talk to the people to whom the Government have been talking. They will confirm that the business side is worried. If that worry becomes more general, it will put big companies off coming to this country and encourage more big companies to do what Shell and some of the banks are doing: think of taking their headquarters offshore and going to a different tax jurisdiction that might not only have lower tax rates, but give a fairer response to their honestly filed tax returns, and a clearer answer.

Mark Tami (Alyn and Deeside) (Lab): Is it not right that people should pay the tax that they are due to pay? If they argue that they are paying too much, they can take that matter up. The right hon. Gentleman seems to be saying that people should be let off what they are due to pay to the Exchequer.

Mr. Redwood: On the contrary. Of course people have to pay the taxes that are due. However, we now have the combination of thousands of pages of extremely complicated tax law and a fear that those who interpret the law—the tax inspectors—can change their minds. For example, a company could have honestly settled its tax affairs for a particular year with a tax interpretation that has been signed off by not only their tax advisers and accountants but by the Revenue—and then the Revenue can come along and say, "Actually, we've changed our mind. We don't think that that clause meant this; it meant something else." I am not talking about companies that are trying to get away with something.

Companies want certainty about how much tax they should pay in a given year. They take advice from tax lawyers and accountants and put a proposition to the Revenue. If the Revenue accepts the proposition, that should be the end of the matter. It should not be possible for the Revenue to reopen the case later and say that it has changed its mind. If the Revenue were to think that a company's original filing misunderstood the tax law, it would be its duty to say, "We think you've misunderstood this point. This is how we interpret it; will you ensure that your filing is in line with that?" The process is iterative and requires discussion, because these matters are not as pure and simple as the hon. Member for Alyn and Deeside (Mark Tami) implies. Incredibly difficult judgments must be made, because of the thousands of pages of opaque material that the House passes as successive Finance Acts; we are discussing several hundred rather difficult pages today. It is not easy for law-abiding,

[Mr. Redwood]

decent citizens to know exactly what the legislation means, so they expect a bit of understanding from the Revenue.

Mr. Dan Rogerson (North Cornwall) (LD): Does the right hon. Gentleman agree that smaller enterprises are fearful of experiencing problems because of the changes in HMRC that are moving it towards more of a call-centre approach? The closure of more local offices is threatened, which will make it more difficult for people to access someone to address their concerns.

Mr. Redwood: Yes. I was going to come on to smaller enterprises, but so far I have been discussing very big companies of the sort that go to the Chancellor's City forum, and large industrial companies. They are professional and want to pay their dues, but no more than their dues. They want to know where they stand, but there is a growing fear that that they do not.

The hon. Gentleman is right to say that for smaller businesses the problem becomes overwhelming. They cannot afford to pay for really good accountants and tax lawyers who understand all the complicated detail. They will probably have a general accountant to help them, to whom they can afford to pay a modest fee. They, too, need help from the Revenue. It would be better if they could have a face-to-face meeting, if they really needed one. There needs to be understanding on both sides. If a person is normally co-operative, and is clearly trying to make an honest account of their business activities, the Revenue should help them to get everything straight from the Revenue's point of view. That is what it used to do, but our worry is that it is wobbling in that respect.

Ed Balls: I am sure that the right hon. Gentleman is sincere in his statements to the House that he is in no way attempting to condone tax avoidance. In fact, his position has tended to be more open and public than that: he has been an advocate of substantial cuts in business tax, and of the abolition of stamp duty and capital gains tax. Are those proposals likely to make it to the final version of his competitiveness report?

Mr. Redwood: The Economic Secretary will have to contain his excitement. My personal position is well known and was put into print some time ago. I can tell him that not all the things that I would like to do will be part of my economic policy review, because I do not think that it will be possible to do them all in the very early stages of a Conservative Government. However, I can assure him that I fully support my right hon. Friend the Leader of the Conservative party and my hon. Friend the shadow Chancellor when they say that a lower-tax economy is a more successful economy—a line that I could have written myself—and when they say that they wish to share the proceeds of growth between tax reductions and better public services. That is eminently achievable, because there is a lot of waste and unnecessary expenditure in public services.

If we root out some of that waste, as I know the Government are trying to do— although they are not yet very successful at it—and if there is a reasonable growth rate in the economy, the economy can be reinforced, because if some of the proceeds of growth are given back to taxpayers, that will raise the growth rate. After five years, if all went well, we could be spending more on public services than if we had not cut tax rates, because we would be generating more through the economy as a whole; that is the wonder of tax reduction.

Ed Balls: And the right hon. Gentleman would expect the public spending share of national income to fall over that period, would he?

Mr. Redwood: If we had a faster growth rate, I would expect the amount spent on public services to go up faster than if we had a lower growth rate and operated under the Economic Secretary's kind of model, so public services would not be short-changed. But yes, of course the proportion spent on public services would fall; his arithmetic is clearly as good—or as bad—as mine. The proportion would fall, but that would be in the context of a rising total of public spending. Ironically, the faster the economy grows, the more quickly the proportion spent on the public sector falls, but the better the increases in public spending. That, to me, is success.

There was a period when the current Chancellor of the Exchequer followed exactly that kind of model; he kept public spending under some kind of control, and public spending fell as a percentage of national income because there was some growth in the economy. If he had reinforced that with more competitive tax rates, we would now face a very different position. We would be able to afford the public spending level to which the Chancellor has moved, but it would be lower as a proportion, because the economy would be bigger. It is a great pity that we missed that opportunity.

The Chancellor's work has fallen into three parts. The first part was perhaps a bit tight on public spending, but it was very good in getting borrowing down, and in getting the public finances into good order. We could have used that as a launch pad for faster growth. The second phase was a pity; he overdid public spending and did not get value for a lot of the extra money that he injected into public services. The third phase will be the least pleasant, because all sorts of clamps will have to be placed on public spending, including the control on nurses' pay. Obviously, that is not popular with nurses, and it will cause tensions within the labour movement.

Ed Balls: To summarise, the right hon. Gentleman is saying that the proceeds of growth rule will mean an acceleration in the fall in spending as a share of gross domestic product, and that will pay for the medium-term business tax cuts that he has talked about. Will he expect a fall in the share of spending in GDP over the medium term to pay for the tax cuts that he is proposing?

Mr. Redwood: The Economic Secretary is moving from being sensible to playing silly crude politics of the kind that he and his boss always play, and it does not do him justice. I was very clear; I said that the proportion would fall faster only if the amount spent on public services was rising faster because the overall growth rate had accelerated—and that is the statement

with which I will leave him. I can tell him that I do not envisage a Conservative Government cutting the share of public spending in national income as quickly as the Chancellor did at the beginning of his period in office—but who knows? If growth were really fast, it would be possible to do that safely, and to give people back some of the proceeds of that faster growth; that would reinforce the growth rate. However, as the Economic Secretary well knows, one can play all sorts of tricks with compound arithmetic and percentages. If he now rushes out a press release saying that I have signed up to massive cuts, it will be another typical piece of misinformation, and will bear no relation to what I have just said to the House.

I am strongly of the view that we will need to increase spending on nurses, teachers and doctors, as the current Government did, and as the Conservative Government before them did. We will argue about the percentages and proportions nearer the time when we come into office, when we can see how big the need is, and how much resource there might be. There are lots of other areas in which we will not need to spend so much. When we come into office, we will be able to cancel the identity card scheme and the wasteful centralised computer schemes, if they are still running. We will be able to get rid of a lot of regional government; I recommend that to the Economic Secretary as a good cut to make.

Ed Balls: I assure the right hon. Gentleman that I have no intention of rushing out a press release. I was just interested in his views; as he will know, I have been a close follower of them for many years, and we have always enjoyed our debates. I am just worried that his position may be shifting. He previously supported a steady fall in spending to 35 per cent. of GDP. Is that no longer his medium-term objective? He has not been persuaded to back off from his previous positions, has he?

Mr. Redwood: I do not remember ever being so incautious as to name a figure as a proportion of GDP. The amount of spending depends entirely on the state of the cycle, the growth rates, the public spending needs and so forth, and those judgments have to be made from year to year, much as the Government are trying to make them this year, for the economy in its current state of play. I have no idea what judgment it would be appropriate to make for 2011, which may be the first Budget year for an incoming Conservative Government. It would be wise for my right hon. and hon. Friends on the Front Bench to continue to be a little cautious about making pledges on such matters until we are nearer that point, when we will have more information, as the Government do.

Ed Balls: I am slightly worried that the right hon. Gentleman is backing off from his previous positions. His principled approach has always been to advocate cuts in business taxation. For example, he has advocated the abolition of capital gains tax and stamp duty. I am worried that his radicalism is being blunted by external pressures. I hope that he can reassure us that he will continue to hold his previous principled positions.

Mr. Redwood: I have been crystal clear with the House: my personal position is that I would like to get rid of all those taxes that I have often argued we should abolish. I am asked to listen to all the different strands of opinion within and outside the party, and all the people who are giving evidence, and then to produce a policy report making recommendations to an incoming Conservative Government. In due course, I will publish that report. I assure the Economic Secretary that the report will be true to my principles, which are that lower taxes generate a more successful economy and that we need to move to lower taxes. He will have to wait for the final detail, as will I, because it is not only I who am involved in the production of the report. It has to be well judged and it has to speak to the wider nation. It will not recommend doing, in the short term, everything that I have personally pledged myself to do, but it will not rule out doing those things if the world turns out to be a really exciting and good place.

The Financial Secretary to the Treasury (John Healey): The right hon. Gentleman is whetting our appetite. Will he tell us when his report will be published?

Mr. Redwood: No, that is one thing that I cannot tell the impatient Minister, because the publication of the report is not in my control. The timing of the publication will be decided by my right hon. and hon. Friends in the shadow Cabinet, who will publish it when they see fit. They may, by then, already have considered it and thought about their response, or they may wish to publish some of it in advance; clearly, there is a good audience out there, and I am happy, in the remainder of my speech, to give the Government some advice on the Finance Bill.

John Healey: The right hon. Gentleman has been very kind in giving way, and I thank him for that. May we assume that it is not a question of when, but if, the report is published?

Mr. Redwood: No. I am sure that the report will be published; the issue is whether it will be published as a serial or in one glorious complete whole. Who knows? There may be so much demand that we need to publish it chapter by chapter, which might delight the audience and allow Ministers more time to read each piece and deal with it as they see fit. They could go through it and decide, "Those two ideas we will adopt; those three are rubbish." I might recommend to my right hon. Friends that to make the Government's life a bit easier we should give them more time by publishing it in bits and pieces. We have already published one or two things, which I am sure Ministers have already read and are deciding what to do about.

Having dealt with global competition, the Opposition's reasoned amendment goes on to talk about our dislike for penalising small companies with higher tax rates and a more complicated tax system—an issue that Liberal Democrat Members tried to draw me into a little prematurely. My hon. Friend the Member for Chipping Barnet (Mrs. Villiers) has already made a powerful speech about how unfortunate it is for small businesses that under this

[Mr. Redwood]

Chancellor there have been so many changes in rates and so many different signals over whether small businesses are welcome.

In the middle phase of the Chancellor's period in office we felt that he was keen to raise the rate of small business formation, which is a very good thing to do. He sent strong signals by offering the zero rate—one cannot send a clearer fiscal signal than that—and it clearly started to work. It was miserable of him then to start saying, "Gosh, we didn't expect that people would actually incorporate," or, "Look at this—so many people are incorporating that here's a wonderful source of revenue." Step by step, including in this Bill, he has gradually upped the rate until it is no longer attractive as an incentive, as was originally intended.

That is a great pity. It is incumbent on us, as tax legislators, to send strong and consistent signals, and if the Chancellor wishes them to work and get companies and individuals to respond as he chooses, they must be applied over a period of years. It is no good putting in an incentive in one year and then ditching it in the following year—*[Interruption.]* Do Ministers wish to intervene again, or are they just having a private conversation?

Ed Balls: I am happy to take the opportunity to continue this most enjoyable debate. The right hon. Gentleman says that we are raising the small companies rate to a level that is no longer attractive, but it is still one percentage point lower than what we inherited in 1997. Did we inherit an unattractive tax regime for small businesses?

Mr. Redwood: The world was very different in 1997. Taxes around the world were a lot higher in our competitor nations then than they are today. The Government have got to live in the modern world. That is why I said that we are in 2007, not 1992 or 1997. The world has much lower interest rates and, in the better countries, much lower tax rates. Our leading competitor nations are cutting tax rates to send exactly that kind of signal on incentives to enterprising companies and individuals. The Government should understand how quickly the situation is moving. The threat of India and China—although in some ways their success helps us—is very real. The Government must understand that if we wish to compete successfully we must move with the times.

We bequeathed to the Government an economy that was performing very well and was well down the table of high-tax regimes. We had one of the lowest-tax regimes among the serious countries. Under this Government, we have crept right up the table of high-tax regimes. That is not because the Government have increased business tax rates—on the contrary, in some cases they have cut them—but because other countries have cut theirs far more, so we are not nearly as tax-competitive as we were in 1997.

David Taylor (North-West Leicestershire) (Lab/Co-op): While the right hon. Gentleman is in reminiscent mode, could he remind the House—perhaps this is part of the leaden legacy—of what proportion of gross domestic product was public debt when this Government came to power in 1997?

Mr. Redwood: That has nothing to do with this argument. The economy was growing strongly and the Conservative Government would have started to repay public debt over the cycle, just as the Labour Government did. I seem to remember that the Labour Government inherited Conservative spending plans and stuck to them. While they did so, the fiscal position improved greatly and we started to repay debt, so in a way it was a Conservative success that so much debt was repaid.

John Healey: Perhaps I could help the right hon. Gentleman. In response to my hon. Friend the Member for North-West Leicestershire (David Taylor), the level of net debt when this Government came into office was 43.6 per cent. of GDP; last year, it was a little over 37 per cent.

Mr. Redwood: The Minister is wrong to provoke me on this issue, because, in citing those figures, he does not tell the House that this Government have been masters of off-balance-sheet financing. They have allowed the most colossal pension fund liabilities to build up and have not put them on to the Government balance sheet. The Government and their friends around the world have legislated to make every company put its pension deficit on to its balance sheet, on the ground that in due course that deficit will have to be paid for—partly out of company contributions and partly, we hope, out of asset gains—so it is necessary in order to understand the trading position of every company in the country. However, the Government do not do that for their own balance sheet. They produce a balance sheet with just the Government debt on it, very narrowly defined, and do what the Minister just did by saying, "Aren't we wonderful? The debt burden seems to be quite low by international standards." However, the debt burden would be a minor part of the problem if they had to account in the same way as plcs. The Government would have to put £700 billion on to the balance sheet for the accumulated pension deficit in the public sector.

Ed Balls: The right hon. Gentleman would agree that the way in which we treat public sector pensions in the national accounts is exactly the same as the position that the previous Government took in 1997 and fully in line with the European accounts standards of 1995. Does he think that the proportion of private finance initiative liabilities that are recorded on the Government balance sheet is higher or lower than the proportion of PFI liabilities recorded in 1997?

Mr. Redwood: Again, the world has moved on. In 1997, companies did not have to put pension deficits on to their balance sheets, and neither did the Government, so there was symmetry. Now, companies have to put pension deficits on their balance sheets, whereas the Government do not. The other big difference is that, in 1997, most pension funds were in surplus, as there were not these huge liability problems; now, they are in massive deficit. I have been persuaded that it is right to recognise those deficits and to require that they are properly reported. The Government should have to produce an accurate and honest figure with their actuaries for the pension liability deficit in the public sector. Any sensible analyst would then add that to the borrowings through the gilt market that the Minister reported to the House.

PFI liabilities are being understated. It is a question of the quality of the schemes and the likelihood of their going wrong, and the Government needing to spend a lot of money to reinstate the public services that were covered by them. There has been a massive build-up in PFI activity—the Minister will be proud of that—and it is now so important to the public accounts that it is misleading not to put on a much bigger figure for PFI liabilities on a contingent basis.

Ed Balls: The right hon. Gentleman knows that nowadays the majority of PFI liabilities are being recorded on the public balance sheet—indeed, over time, they all will be—whereas in 1997, a minority were recorded. His charge that it is this Government who have been concealing these things is not true. In the same way, if, in retrospect, public sector pensions should have been recorded on the public balance sheet in 1997, the position as regards national debt that we inherited in 1997 should have been much higher as a percentage of GDP than the 43.6 per cent. that my hon. Friend the Financial Secretary quoted.

Mr. Redwood: Of course, if one changes the accounting rules and puts on extra deficits, the deficit will be bigger. In 1997, the Conservative deficit would have been a bit bigger than the one that the Minister quoted, but this Government's deficit would be massively bigger because, over the following 10 years, there has been a huge surge in pension and PFI liabilities. One reason why it now matters much more that PFI liabilities are not properly accounted for is that their quality has deteriorated. Under the Conservative Administration, when there were not many PFIs, there was a much greater attempt to ensure that there was a genuine transfer of risk to the private sector so that, if the scheme went wrong, the private sector, not the public sector, had to pick up the bill. I do not believe that that is true of the London underground public-private partnership, which constitutes a massively expensive and risky set of arrangements stretching over 30 years. I am not sure that the Government accounts reflect the full consequences of the cost of that scheme.

Paul Farrelly (Newcastle-under-Lyme) (Lab): The right hon. Gentleman says that risk was more properly transferred to the private sector. Will he comment on the massive profits that were made through refinancing the rolling stock leasing companies after the privatisation of British Rail?

Mr. Redwood: The fact that people make a profit out of something does not mean that they are not absorbing risk. It means that they have successfully managed it and moved it on. The point is whether, if something goes wrong, the risk resides with the public sector. In many PFIs in the health service and in education, the risk clearly rests with the public sector because it cannot turn around if the PFI goes wrong and say, "That's all right, we'll just close the hospital" or, "We'll close the school." Those public facilities are important and would have to be kept going. The private sector knows that when it enters into negotiations with the Government.

When I was in the Cabinet, I remember vetoing PFI schemes for hospitals in Wales because I believed that it was cheaper to pay for them out of the long bond market or through taxation. That is what we mainly did on my watch.

Mark Tami: Can the right hon. Gentleman send the money back?

Mr. Redwood: The hon. Gentleman makes a crass point from a sedentary position. *[Interruption.]*

Mr. Deputy Speaker: Order. I am sorry to interrupt the right hon. Gentleman, but there has been far too much noise from the hon. Member for Alyn and Deeside (Mark Tami). He should not intervene from a sedentary position—it interferes with the debate.

Mr. Redwood: If the hon. Gentleman examines the record, he will realise that I made health the No. 1 priority in the Welsh Office budget. I made considerable increases and backed several schemes to improve Welsh hospitals. I also kept smaller hospitals open—I understand that that is now more trendy with the Government after a time when they subscribed to the "big is best" idea that closing them made sense. I shall not therefore take any lessons from the hon. Gentleman about being nice to smaller hospitals that need investment.

The amendment goes on to discuss the "U-turns on pensions policy" and the failure

"to tackle the UK's worsening pensions crisis".

We have heard a lot already about the subject, especially from the hon. Member for Wolverhampton, South-West (Rob Marris). It would be wrong to re-enact our debate last week on that important subject.

I agree with much of what the hon. Gentleman said about climate change but, in the least convincing part of his speech, he said that there were bad people around and that they had damaged pensions. However, the one "bad person" whom he did not mention was the Chancellor of the Exchequer. I am delighted that he admitted that, if one removes £5 billion a year of tax credit from the pension funds, they are worse off. It was extraordinary last week to hear the Chancellor answering my intervention by saying that they would not be worse off and that it was fine to take £5 billion from the pension funds. I believe that he also said from a sedentary position that, if I took away 20 per cent. of his income, he would not be worse off, either. My response is, may we please take away 20 per cent. of his income and give it to the pensioners who are suffering, because they would find that valuable, even if he does not think that a fifth matters much?

We cannot get away from the fact that the tax raid on pension funds did much of the damage. Actuaries and some of my hon. Friends have referred to the figure of £100 billion. That is a little more than the current accumulated deficit of the main funds, as recently stated. That symmetry is interesting.

The hon. Member for Wolverhampton, South-West is right that there is good news, in that people are living longer and that that has a cost for pension funds. If one takes a piggy-bank approach, the cost is taken care of by the increased contributions that companies are now making, recognising the extra longevity to which the actuaries have woken up in the case of the pension funds. One is left with the rather neat symmetry that the combined pension deficits equal the amount of money that the cumulative effect of the removal of tax credit had taken out of funds, and that the deficits are

[Mr. Redwood]

now fortunately reducing because much extra money has been put into the funds—contributions are increasing because they are, at last, being a bit better managed.

Funds are now benefiting from the small increase in or stabilisation of the yield on long gilts in the past few months. When the long gilt yield was falling, the deficits continued to rise because that was the way in which the sums were calculated. It did not necessarily mean that the pension funds could not pay the pensions. The Chancellor's success at selling billions and billions worth of Government debt on ever lower interest rates was one reason why the pension funds were so badly exposed because of the way in which the figures were calculated.

Paul Farrelly: Does the right hon. Gentleman agree that one of the problems with British business has been a lower propensity to invest than some of our counterparts in the rest of the world and that that is partly due to the immense pressure on publicly quoted businesses to pay out larger dividends than in other countries? Does he also agree that any measures to level the playing field and encourage investment benefit our prosperity and pensioners over a longer period?

Mr. Redwood: That is not a difficult question. Of course successful investment is welcome in an economy. Any measures that we can include in the Bill to raise the rate of successful investment are welcome. I am not sure that cutting the corporation tax rate and taking away many of the allowances is the way in which to achieve the goal, but I would rather do that than nothing because the headline rate has a psychological effect. It is the first thing that any company considers when deciding where to locate its investment. However, we need genuine tax cuts—the Exchequer taking less money so that more money is left in company coffers to spend on investment.

The hon. Gentleman says that the problem for British business is that it distributes too much in dividends. I do not believe that that is the case from examining current world markets. A typical yield on a quoted British equity is 2.5 or 3 per cent. That is not a high rate of running return on a share and it does not represent a high proportion of free cash flow.

If the hon. Gentleman wants to know where much of the free cash flow is going, two things make big inroads into it. The first is the tax system, which we are discussing, and reducing the rate from 30 to 28 per cent. is only a small help when allowances are also being removed. The second is the need to invest far bigger contributions in pension funds because of the disastrous tumble into deficit, which we have examined at some length today and previously. If the Government could find a way to solve the pension problem and if they could get their corporation tax rate down a little more, there would be more free cash flow for British businesses to invest.

It is a good time for several sectors and businesses to invest. The rates of return on capital are not bad and there is a satisfactory gap between the borrowing rate—even at the new higher rates of interest—and the rate that one could expect to earn on one's capital. Reluctance to do more relates to pressures on companies' cash flow from the Government and the pension fund element.

The relatively rosy picture is based on averages. Ministers will tell me—as I have just told them—that the rate of return on capital is not bad and that there is a worthwhile margin on average. However, people trying to run process industry in this country would say that it was not true for them and that the Budget does nothing to sort out their problems. A glass maker, a brick maker, a cement maker or a paper manufacturer has considerable problems, mainly from the gas price and energy prices but also from the regulatory backdrop. There is a dreadful exodus from this country of much process industry. The most visible example was the decision of British Steel—then Corus, now Tata Steel—to go to the Netherlands rather than Britain for its new big investment. It did not go to the Netherlands because labour is cheaper there—it is not—but because the Netherlands combines a better tax regime and a lower gas price. The Budget does not tackle that to try to claw back some territory so that we can reinforce those businesses that remain in Britain in process industries with big energy bills and encourage new investment and new companies to come here.

Perhaps the Government's wish is to hit their climate change targets by de-industrialising Britain. One way we could hit the Kyoto-plus targets for climate change is to export all the heavy energy using industries. However, that would not help the world problem because we would simply export our heavy energy users to overseas territories that probably use even more energy less efficiently. I recommended that the Government see whether anything can be done to ease those pressures on British process industry, which is suffering particular problems.

Paul Farrelly: I was discussing the issue of gas prices with the pottery industry and the British Ceramics Confederation on Friday. I would like to correct the right hon. Gentleman on a point of fact, as the price of gas in Europe is lower now. The real issue is ensuring that structural impediments are removed in order to end the volatility in the UK. Although it may be against his better judgment, I urge him to support the EU in its efforts to do that.

Mr. Redwood: It is certainly true that the spot price is now lower than when we had a crisis, but people are still deterred from increasing their investment here or coming here to invest because of that volatility and because the spot price might move up again. Worse still, it could be possible to run out of gas completely. We reached that very difficult position the winter before last, when a shortage was a consequence of the fact that the right decisions had not been taken to put the necessary measures in place.

Do I support any EU attempts to solve this problem? Of course I do. What is the EU meant to do? It is meant to apply competition law to the gas industry in Europe so that when there is a shortage in Britain in future and we are sending strong price signals that we would like to buy more gas, more gas is actually forthcoming. It was a disgrace that the EU was unable to get the gas market to clear properly when Britain was bidding much more than the continent for gas, but

the gas was not made available. I hope that the EU will solve that problem, but I fear that it is not about to, so the solution must lie here in Britain with a combination of financial measures and giving the right encouragement to the industry to put in the facilities that are needed to get available energy supplies competitively. New businesses here would then meet higher standards of energy conservation and fuel efficiency.

Our amendment says that we do not believe that the Government are getting very far in tackling climate change in the Finance Bill—and I agree with my right hon. Friends about that. I noticed that, under the section headed "Environment", the Government put through a number of increases in fuel duty rates. I am sure that the Government would say that it is good to make petrol and diesel dearer, as it may deter people from using as much at the margin.

It is curious to note that in clause 10, there is a 2p increase in biodiesel and bioethanol on a price base of 28p and only a 2p increase in standard petrol and standard diesel on a price base of 48p. The Government are sending out a signal that they want people to stick with the more polluting methods and not switch to biodiesel and bioethanol at the margin, because there is twice the rate of increase on the fuels that are apparently more friendly than there is on the less friendly fuels. If we look at road fuel gas, which I thought should have a lower rate of duty because it is thought to be more environmentally acceptable, we see an increase of almost 3p on a 10.8p base, compared with 2p on a 48p base for standard petrol and diesel. That takes a bit of explaining.

Other Members referred to air passenger duty as being a clumsy mechanism for getting to grips with inefficient aircraft—older aircraft in the main—and air services that do not have many people on them. I agree with those who say that if we are to use tax as a means of trying to reduce air passenger journeys at the margin—it will reduce the growth rate rather than cut it—we need to look into ways of trying to capture what is meant to be the mischief here, which is people travelling on planes with not many people on them or travelling on old or dirty planes or a combination of the two. Clearly, there is a green case to be made there.

Any Government keen to do something about carbon output should do more audit work than the present Government have so far done on the ways in which carbon dioxide is emitted into the atmosphere. There are some glib assumptions in the present debate that are not always true. It is assumed that trains create no carbon dioxide emissions and are always a good thing because some of the sums are computed on the basis that trains run on nuclear power-generated electricity. However, even electric trains use a mix of electricity, including some electricity produced from fairly old and dirty coal power stations.

It is also assumed that buses are always better than cars, but it depends on how many people are travelling on the bus and how old it is. On average, buses are very old and have very few people on them, so the bus is not always the immediate green answer. If we are to take the issue seriously, we need tax incentives to promote new buses and we need a transport Minister who can design bus services that people, along with industry, want to use in order to make it a green option, which it is very often not at the moment. I believe that we will solve most of those difficulties through technology, which is making far bigger strides in greening private motorised transport than in greening either the train or the bus.

Similarly, we need to do a proper analysis on the home of those measures that can make a really favourable impact. I understand the Government's argument that they wish to reward zero-carbon homes. I am not one of those to make cheap jibes about the matter tonight, because I am happy for the Government to reward something, and if it is possible to have a zero-carbon home and people are clever enough to implement it, I am happy for them to get off paying a bit of tax for the privilege. However, it is fair to note that that will not be a great world-beating policy. At the moment, it is difficult to secure a zero-carbon home and there are not many people immediately volunteering to get that particular tax relief.

Mark Tami: The right hon. Gentleman mentions a raft of measures that he believes could be taken. I believe that what we really need to do is invest in the next generation of nuclear power stations, but it is something that his leader seems very coy about. Does the right hon. Gentleman agree with me on that? *[Interruption.]*

Mr. Redwood: I am wisely warned that that question invites me to stray rather far from the Finance Bill. If I can ask the hon. Gentleman to conceal his excitement, that is one of the issues that will be covered in the forthcoming economic assessment report. I warn him that it is not an easy question to answer, as an awful lot of complicated arithmetic will have to be done by all sorts of people to come up with a sensible answer to that problem. What I can tell him is that if we were in government, we would have decided it by now, because the matter is urgent. We need to know what the Government are going to do, because we are very close to the point where the nuclear stations have to be retired or closed. If we do not replace nuclear with nuclear, another fifth of our generating capacity is going to be generating carbon dioxide—unless there is a magic formula on renewables.

Paul Farrelly: The right hon. Gentleman is making a thoughtful contribution. I would like to turn not to nuclear, but to bioethanol, which he mentioned earlier. Crucial issues need to be addressed about the replacement of rain forests with sugar cane, just as they do about the total carbon impact of using palm oil from south-east Asia. What serious consideration is being given to those policy issues—apart from his own thoughtful remarks—by his Front Benchers?

Mr. Redwood: I am sure that that particular debate will be covered by my right hon. Friend the Member for Suffolk, Coastal (Mr. Gummer) in his forthcoming report. Our Front Benchers will then consider his remarks. I defer to my right hon. Friend, who knows rather more about that particular set of issues than I do. Once again, I think that we may be straying a little far from this year's Finance Bill.

Rob Marris: The right hon. Gentleman mentioned earlier his personal views on certain taxation measures such as capital gains tax. He openly and commendably said that he thought that the policy review paper for which he was responsible may not embrace that in the short term. In respect of the Finance Bill, does he personally agree with fiscal incentives for the building of new nuclear power stations in the UK?

Mr. Redwood: No, I do not think that it could be done in this Bill because the homework on whether it would be wise and how much it would cost has not been done. The Government may need to organise a competition to find out what the effective subsidy is going to be. I am not persuaded that nuclear power can be done on an unsubsidised basis. The industry may tell me that it can be, but then state that the price of carbon needs to be reflected. I tend to look on that as a way of developing a so-called market-oriented subsidy. We need to tease out from the industry very quickly exactly how much it is talking about to establish whether it would be a good thing to spend that amount of money on this particular means of carbon saving or whether it is too expensive, so that the money could be better spent in other ways.

For the purposes of this debate, I am still an agnostic because I do not have all the information that I need. The Government have much better access to that kind of information, and they could trigger that information quickly if they were to license certain technologies as being acceptable from a safety and technical point of view, and if they would say that, in principle, they were prepared to give planning permission for the nuclear power stations. They could then ask the industry what it would need, and we could find out whether this was a wonderful deal that we should all accept or a lousy deal for the taxpayer that we would not want to accept. We could also tease out more information about the other risks that some of our constituents are worried about, such as how safe the technology is and how good the waste treatment systems now are. One cost that has to be wrapped up in the whole envelope is the long-term cost of closure and of handling the necessary waste. That could best be teased out by market competition, and I recommend that course of action to the Government to provide a basis of fact for determining these issues.

The Finance Bill invites us to legislate for three different years. This is a strange novelty. I presume that it is being done because this is the Chancellor of the Exchequer's testimonial Finance Bill, and because he wishes to tie the hands of his successor in a number of ways and not expose himself to flak in others. For example, we are invited to settle income tax rates only for 2007-08. We know that the Chancellor is a very fair-minded man who likes to work closely with his colleagues, and we have been told what he would like the rates to be in 2008-09. Should the new Chancellor decide that he did not like the rates recommended by the outgoing Chancellor, he would presumably be free to change them. I would be happy to give way to the Economic Secretary to the Treasury if he knows something different, but I assume that that is why we are not legislating for those further rates. There is a degree of doubt; the new Chancellor might take a different view and decide that such rates were inappropriate.

We are being invited to legislate on corporation tax for the financial year 2008. We may legislate on small companies' rates and fractions for 2007, but when it comes to inheritance tax, we can apparently legislate for the new Conservative Government, because we are invited to legislate for rates and rate bands for 2010-11. I do not know whether Ministers negotiated these proposals with my hon. Friend the shadow Chancellor, but perhaps they should have done so as a matter of courtesy, as it is quite a novelty to legislate so far ahead, long beyond the time when this Government could avoid a general election. While I am happy that we are being asked to legislate with a view to raising the threshold for inheritance tax, it would be more sensible to leave open until 2009-10 how high we should go. Perhaps £350,000 will not be enough by then. Perhaps we shall be able to afford a little more. That amount would not buy a one-bedroom flat in the centre of London today.

Paul Farrelly: Is the right hon. Gentleman implying that he foresees the economic boom and growth in the country continuing until 2010-11, and house prices continuing to rise?

Mr. Redwood: It is quite possible that house prices will be higher in 2010 than they are today, but I would not call the present economic conditions a boom. That illustrates the fantasy world in which some Labour Members live. They really must accept that an inflation rate of 4.8 per cent. is a disgrace. It is far higher than that of all our leading competitor nations. We must compare ourselves with the world as it is, not with the world as it was 15 years ago when everyone was performing rather less well than they are today. That inflation rate is too high. Our interest rates have been consistently higher than those of Japan, the United States of America and euroland throughout this Chancellor's watch, and they are still at the high end world wide. When companies think about where to borrow, Britain is not the best place to go, by quite a long way.

David Taylor: The right hon. Gentleman mentioned Japan. Will he remind the House of Japan's growth rate at the time when its interest rates were effectively zero?

Mr. Redwood: It is true that, at the beginning of the period when Japanese rates were zero, Japan had no growth and that, once or twice, it was even going backwards, but that is not true today. Japanese interest rates are still only a fraction above zero, yet Japan is growing quite quickly by the standards of the advanced countries. The hon. Gentleman should not be so complacent. We have heard much complacency from Labour Members in this debate. They have consistently made two claims. The first is that everything is now wonderful, thanks to this Government, yet they have refused to look at how we are doing against the international background. The second is that the Conservatives are not allowed to say anything, because things went wrong in 1992. I have gone over that subject endlessly: yes, we know that, we have said sorry, and Labour Members should learn from those mistakes as well. They shared those mistakes, yet they have never had the courage to admit in this House that they got it wrong in exactly the same way. It did not

happen on their watch, so of course they have not paid the price that we paid, but we have paid that price. Would they really like us to spend all our debating time going on about the winter of discontent, which happened on the watch of a previous Labour Government? I do not do that, because there is no point. It was a long time ago.

Paul Farrelly: I might have missed it—it might not have been reported—but will the right hon. Gentleman remind us of when the right hon. Member for Witney (Mr. Cameron) said sorry? As I recall, he was a special adviser to the Chancellor of the Exchequer in 1992.

Mr. Deputy Speaker (Sir Michael Lord): Order. Historical background to a debate is always interesting, but I think that we ought to come back to the Bill before the House.

Mr. Redwood: I agree, Mr. Deputy Speaker. Of course, a previous Leader of the Opposition made such an apology, but it is no longer relevant because the world has moved on.

The Finance Bill is a mess.

John Bercow: In suggesting that some tax rates might be particularly short-lived, my right hon. Friend raises the enticing possibility that the decision to scrap the 10p rate might be reconsidered. Can he readily envisage a time when people existing—I use the word advisedly—on the minimum wage and perhaps earning less than £10,000 a year might pay no tax at all?

Mr. Redwood: That would be a very enticing prospect, but I do not think that it is about to happen any time soon under this Government. There is a serious problem for the incoming Chancellor of the Exchequer. If he or she meekly accepts everything that has been laid out for next year's Budget in this year's Budget, people will say that this man or woman is not a serious Chancellor of the Exchequer, that they have no independent judgment and that they are just a lackey of the Prime Minister. If, however, the new Chancellor were to go next door and say, "I've been thinking hard about this. Too many Labour Members don't want the 10p band abolished. We're going to have to keep it", they might get a very frosty answer from the person who has just given them the job.

The present Chancellor has unwittingly made life difficult not only for his successor but for himself, because it will become a test of whether the new Chancellor has any bottle, substance or depth: whether they meekly accept all the measures that we have been told about—some of which will not have been legislated for—or whether they will see the need, in the probably different circumstances of next year's Budget, to make changes.

I put that forward as an analyst; I am not making a party political point. It is not my problem but one created entirely by the Chancellor. What he thought was a clever move—doing two Budgets in the same year—will turn out to be one of his mistakes. It will place his successor in an impossible position and the journalists will soon start to say, "Surely this is a test of whether the new finance team at the Treasury have any independence of judgment and can adjust these things." It is unusual in a system based on annual judgments about the state of the economy and taxation, to make judgments a year ahead—or several years ahead, in the case of the judgment on inheritance tax.

I have been clear in saying that we need to set a course and stick to it without chopping and changing. We should not offer a tax incentive one year and withdraw it the next, because that is difficult for people to follow. But I have also said that I do not want our Front Bench to set out detailed tax proposals for three or four years hence. That would be too difficult to gauge because the world is too uncertain. It is surprising that, in the case of at least one tax in this Budget, we are being asked to legislate for the next decade. That seems premature, even though the movement is in the right direction and very welcome.

I shall conclude my brief remarks—*[Laughter.]* My brief remarks have been slowed down by many interventions. I conclude with this summary. Labour Members are far too complacent. It no longer serves proper debate to go back over things that happened 20 years ago—Attlee was not very good either, but we are too polite to mention it—and we now need to discuss the current state of the British economy. Interest rates are too high, inflation is too high and taxes are still too high. We are not competitive when compared with the best countries around the world, and some patient work now needs to be done, in the way that I have suggested, to put those things right.

8.19 pm

Mr. David Gauke (South-West Hertfordshire) (Con): It is a great pleasure to follow my right hon. Friend the Member for Wokingham (Mr. Redwood), who gave a splendid speech. He tried valiantly to remain in order and discuss the subject matter of the Finance Bill, despite frequent interventions tempting him in other directions. Indeed, it was a pity that his speech came to an end just when he was getting into his stride.

This has been a curious debate because, in my limited experience in the House, debates on Finance Bills are often closely related to the Budget debate. Finance Bills usually implement the key measures in the Budget but, on this occasion, that is not quite how it has worked, because many of the controversial headline measures in the Budget will be implemented not in this Finance Bill but in future ones. Although the Chancellor joked in his Budget statement that he did not have any intention of performing the roles of Chancellor and Prime Minister simultaneously, as Mr. Gladstone did, it appears that to some extent he has done his successor's job in advance, as he has already written large chunks of the next two Finance Bills. It is clear—and my right hon. Friend the Member for Wokingham alluded to this point—that he will take the role of First Lord of the Treasury extremely seriously. Indeed, I wonder whether the term, "Chancellor of the Exchequer", will fall into disuse and, for the next two or three years, the occupant of No. 11 Downing street will be known as the "Second Lord of the Treasury".

It is customary for the Select Committee on Treasury to produce its report on the Budget on the day on which the Finance Bill receives its Second Reading. As

[Mr. David Gauke]

the only member of the Treasury Committee to attend today's debate, I believe that it is worth drawing the attention of the House to that report, as the hon. Member for Falmouth and Camborne (Julia Goldsworthy) did. There is one part of the report to which I should like to refer—the Chief Secretary referred to it, as did the right hon. Member for Birkenhead (Mr. Field)—as it deals with the evidence that the changes announced in the Budget will result in 5.3 million households being worse off, principally because of what is often referred to as the abolition of the 10 per cent. band but which, perhaps, we should refer to as the doubling of that band to 20 per cent.

In evidence to the Committee on the Wednesday, the figure of 5.3 million was more or less confirmed by a Treasury official, who said that it was in the right region. I suspect that the Chancellor did not appreciate that answer a great deal, because the next day that official, Mr. Mark Neale, was due to join him in giving evidence to the Committee but, at very late notice, he was withdrawn. It would appear that that answer, along with one or two others which, at the time, the Committee thought were helpful, were rather too open and transparent. I hope that Mr. Neale is well and has not damaged his career prospects in any way.

The Chancellor made two arguments against the 5.3 million figure used by the Institute for Fiscal Studies, the first of which concerned the impact of increases in the minimum wage. Having looked at the figures, I understand that the number of people earning the minimum wage who are likely to be losers under the Budget is, on the basis of a parliamentary answer that I received earlier this week, 171,000 at the absolute maximum. Clearly, that is not a substantial number, given that 5.3 million households will be worse off. The Chancellor's second argument was that there would be an increase in the take-up of working tax credit. No particular evidence was provided as to why that should be the case, and we will obviously watch that figure very closely to see whether there is evidence of increased take-up.

I want to concentrate on the issue at the heart of the Finance Bill: corporate taxation, which has been touched on by right hon. and hon. Members. Government policy in that area is, to some degree, inconsistent and incoherent. First, there is inconsistency in the Government's approach between mainstream corporation tax and small business corporation tax. There will be a cut in the rate of mainstream corporation tax not this year, but next year, as well as the abolition of certain allowances. It would be churlish to be entirely critical of that, as there are arguments for doing so. Greater simplification is an important objective in our tax system, and I think that I have heard Government spokesmen say that they were doing so partly for simplification reasons. I do not know whether the Government consider that simplification is an important matter in taxation policy. If they do, they have not been successful in achieving it in the past 10 years. None the less, I welcome that change.

While the Government have moved in one direction on mainstream companies, they have moved in the other direction with small companies, as the rate has been increased and allowances have been reduced. Before turning to that in greater detail, and although, as I said, I welcome the proposal on mainstream companies in principle, I should like to ask the Financial Secretary a couple of probing questions. Some of the evidence that the Treasury Committee received suggested that some companies will clearly benefit—services will generally benefit—whereas other companies that rely on capital allowances will not be favoured and will in fact suffer, including manufacturers, farmers to some extent and, as was particularly highlighted, property infrastructure providers, who will lose out. It is worth asking one or two questions in that context.

First, if we are looking at major infrastructure projects, the Olympics immediately spring to mind. Will companies that have been contracted to develop infrastructure projects in the next few years for the 2012 Olympics lose out as a consequence of the changes to capital allowances? If so, is that something that they must bear or is it possible that contracts will be renegotiated? Indeed, could the financial stability of those companies be put at risk? Certainly, part of the evidence that the Select Committee received suggested that there was a potential problem.

Secondly, there are concerns about private finance initiative projects. Lawyers have put it to me that some of the contracts—by no means all of them—entered into for PFI projects contain terms whereby, if capital allowances are changed, the consequence would be borne not by the contractors but by the Government, which may have an impact on the public finances.

Adam Afriyie (Windsor) (Con): Decisions to invest in capital equipment are made over a fairly long time scale, whereas the allowances are introduced from 1 April for the following year, and some are extended. Does my hon. Friend share my concern that it will therefore be fairly difficult for many small businesses to take advantage of those allowances?

Mr. Gauke: I shall turn to the position of small businesses in a moment, but my hon. Friend raises a legitimate concern: where allowances exist for 25 years or so, long-term decisions are made; any change causes a certain amount of disruption and uncertainty, and there will be losers who may not have anticipated such change. I was raising the issue of changes in allowances that may have been anticipated, which may impose an additional contractual obligation on the Government. I would be grateful to know from the Financial Secretary whether that is a matter of concern.

John Mann (Bassetlaw) (Lab): The value of the hon. Gentleman's contribution would be increased were he to give specific examples of the companies to which he refers, both in relation to the Olympics build and PFI contracts.

Mr. Gauke: I suspect that such contractual matters are, to a large extent, confidential. I have been told by lawyers who specialise in such matters that the concern exists. I am not making these remarks in a hostile or aggressive way, but further inquiry by the House about such costs would be worth while. At this point, one cannot realistically say that a particular contract will incur a liability, but I would be grateful if the Government were to shed light on that.

John Mann: Many of the documents, especially PFI documents, are in the public domain, and I have studied large numbers of them, as they happen to be more concentrated on my constituency than any other in Britain at the moment. Is not there a danger that the hon. Gentleman is putting up an argument that he cannot substantiate with precise examples? Is not he putting up an Aunt Sally and knocking it down with vague generalisations rather than specifics? As this is a Finance Bill, would not it be better to give specific examples on both the Olympics build and PFI contracts?

Mr. Gauke: The hon. Gentleman is missing my point. I am making inquiries of the Government about concerns, which have been raised, first, with the Treasury Committee, and secondly, in private, that certain aspects of the policy need to be examined. As I said, I am not being particularly critical of the Government on that point, but merely inquiring whether the policy has any downsides that have not previously been revealed.

Stewart Hosie: The problem with PFI is not simply the £169 billion-worth of payment liabilities, up from £142 billion 12 months ago, but that the PFIs themselves are not clear. The Red Book says:

"These contracts contain periodic reviews every 7.5 years and therefore the service payments are not fixed after 2009-10".

Is not the problem that those are dreadfully expensive, and in some cases extraordinarily so, and yet there is no clarity whatever about the outstanding total liability or the capital cost that leads to that liability?

Mr. Gauke: The hon. Gentleman is leading me in the direction of a wider discussion of PFI, and he makes his point well. My intention, however, was to raise a specific point in the context of the changes to corporation tax allowances announced in the Budget.

The issue of small businesses is more controversial, and there is an incoherence in the Government's approach to distinguishing between incorporated and unincorporated businesses. Admittedly, the Government face a difficult problem: incorporated businesses can distribute profits either through dividends or salaries. If they do so through dividends, the taxation system for companies will apply; if they do so through salaries, income tax will apply. That issue has become more substantial and difficult for the Government in recent years, as corporate taxes have fallen relative to personal taxes. That is partly because of cuts in rates. My right hon. Friend the Member for Wokingham said how the international climate has changed substantially for corporation tax rates. We have also seen increases in national insurance contributions. However, the differential between the two systems has increased substantially in recent years.

As my hon. Friend the Member for Hornchurch (James Brokenshire) said, Government policy has driven that. There are various rates. The history of the zero percentage rate, an issue arising from last year's Finance Bill, is instructive. The 10 per cent. band was introduced in 1999. By 2002, it had become a zero per cent. band, introduced for the purpose of encouraging growth and entrepreneurial spirit. Inevitably, as predicted by the Institute for Fiscal Studies and accepted by the Government, sole traders incorporated. It was an entirely rational thing for them to do. The consequence was that the Government perceived that they were losing too much revenue—hence the introduction in 2004 of complex anti-avoidance measures and the abolition in 2006 of the zero per cent. band.

During the entire period, enormous time, effort and cost were incurred by various individuals incorporating. Indeed, the Government appeared to be encouraging them to do that and benefit from a lower tax regime. The consequence was that they were castigated and treated as tax avoiders. They were practically treated as cheats. That did nothing for the relationship between small businesses and the Government, and it increased the difficulties of the two systems running in parallel.

Even following the abolition of the zero per cent. band, it is still advantageous to be incorporated in most cases. In that context, the Government have changed the system once again by raising rates, as announced in the Budget, beginning with the increase from 19 to 20 per cent. in the Bill. I do not know whether the Government's intention ultimately is for the two systems to be tax neutral. We are some way from that. In most cases, it is still better to be incorporated because there is just corporation tax, whereas with employment there are income tax and national insurance contributions. However, if the intention is to be tax neutral, will the Government do anything to encourage those companies that have moved into the incorporated sector to move out again? If so, many small businesses will be concerned that a decision to disincorporate will be treated as a deemed transfer of goodwill, and they will want disincorporation relief to secure their financial position. Again, it is not entirely clear what the Government want to do.

I said that the approach is incoherent. In an attempt to solve the perceived problem with incorporation, the Government have increased the rate of corporation tax, but they have also raised the application of national insurance contributions, as announced in the Budget, while also increasing the threshold for higher rate income tax, which means that it would be possible to receive a higher amount of dividends without paying any tax. The two approaches do not entirely fit together. Again, it demonstrates an incoherence. On the one hand, one part of the Treasury is attempting to address the difference between the two structures, while on the other it is raising the higher rate threshold, which I support, and encouraging more sole traders to incorporate. The problem remains much the same.

I am also unclear on the Government's defence of the changes when they state that they are tax neutral. They say that the increase in rates will always be put into increased allowances for small businesses. Of course it will apply only to small businesses that invest, but that does not mean that it will target entrepreneurial companies with the potential for growth. A consultancy may well not be the type of business that can invest heavily, yet may be exactly the sort of potentially high-growth entrepreneurial business that the Government should try to encourage, and profess to want to encourage.

[Mr. Gauke]

During our debates on the Budget, Conservative Front Benchers made it clear that we would oppose those changes, and I have a distinct recollection of Ministers' saying, "Well, that is a £1 billion hole in the public finances." Unless I am missing something, I cannot quite see how opposing a tax-neutral proposal will create a £1 billion hole in the public finances, unless there is an additional argument about tackling avoidance. If that is the case, I can see where Ministers are coming from, but it still means £1 billion of extra taxes that would not otherwise have been imposed on small businesses.

Small businesses are vital to our economy. They are a potential source of larger businesses, and they nurture an entrepreneurial spirit. However, they also suffer disproportionately from high compliance costs. One of the reasons why they have suffered in recent years is ever-increasing tax complexity. If we are to have a Budget and a Finance Bill for small businesses, we must tackle that complexity and reduce the compliance burden, whether in tax or elsewhere. That is how we can best preserve and nurture our small businesses.

If the Government are not prepared to reduce the tax burden on small businesses as a whole, which is what will happen if they do not address the issue of incorporation, a more fundamental and careful review of our taxation system will be necessary. In a piecemeal manner, by adjusting rates here or there, the Government are trying to address the conundrum of corporation tax. However, there may come a time when we shall need to examine the issue more fundamentally, and perhaps consider altering the schedular way in which tax is calculated so that distinctions between taxation of companies and taxation of individuals diminish. A competitive and friendly tax environment is vital for small businesses. The Budget and the Finance Bill have failed to provide that environment.

8.43 pm

Mr. Philip Dunne (Ludlow) (Con): It is a pleasure to follow my hon. Friend the Member for South-West Hertfordshire (Mr. Gauke), who, in his forensic manner, managed to explain some of the inconsistencies in the Government's approach to incorporated businesses, unincorporated businesses and sole traders. I intend to say a little about that as well.

Members will be pleased to learn that in the time available to me—which I regret to say is rather less than the amount in which others have been able to indulge—I shall not undertake a tour d'horizon of the Bill and the Government's economic record. I want to focus on specific measures that stem from a belief expressed earlier today in the Chief Secretary's remarkable claim that the Bill "strengthens investment incentives for small companies". I think that that is what he said, but, as I shall explain, it is fundamentally not what the Bill achieves. It may be the intent, and the intent is very noble, but it will not be the outcome.

I remind the House of my interest declared in the Register of Members' Interests.

Commenting specifically on these aspects of the Bill, the Institute of Chartered Accountants has said:

"We are particularly concerned that measures announced in the Budget will impact on the ability of SMEs to raise finance for investment and will also increase the after tax cost of that investment in cash flow terms."

That is the fundamental problem. Three measures lie at the heart of the problem, and I shall focus on two. The first is the abolition of industrial buildings allowances and agricultural buildings allowances as the quid pro quo for the changes to the smaller companies' corporation tax rate. What will be the consequence of that? Those allowances respond to investment decisions for substantial capital spend that are not made overnight. It can take several years in some cases, and certainly many months, for a business to commit to a substantial investment of that kind, and to remove the allowances overnight without any interim arrangements is misguided and will introduce uncertainty into investment decision making. Business investment in this country will suffer, particularly in respect of small businesses.

The Government claim to support innovation and entrepreneurship, and I support that, too; it is a laudable objective. They have made a reasonable stab at supporting it, but judging by the number of VAT registrations they are not doing as well as they did when they inherited the economy that we left them in 1997. I will not make any further historical references—other Members have done that—but let me point out that there were some 15,000 fewer new VAT registrations in 2005, the most recent year for which figures are available, than there were in 1997, and that there are some 7,000 more deregistrations per year than there were in 1997. That suggests that entrepreneurial activity is in decline, rather than growing. However, I accept that not all VAT registrations are for business; they are for charities and other non-business purposes as well.

The Government have got themselves into a muddle over the form of business activity that they are seeking to encourage. According to Department of Trade and Industry statistics, some 12 per cent. of businesses are in the form of partnerships. Unincorporated businesses comprising more than one principal are partnerships, of which there are more than 500,000, and there were 515,000-plus in 2005, out of 4.3 million businesses in total. Therefore, there is a significant amount of such businesses, and they range in size.

The hon. Member for Dundee, East (Stewart Hosie) referred to small-scale business activity in Scotland, and the same pattern exists across England, although the proportion of larger businesses in the rest of the United Kingdom is higher than it is in Scotland. However, there are 13 per cent. fewer partnerships than there were in 1997. I suspect that, in part, that reflects the point of my hon. Friend the Member for South-West Hertfordshire about the drive for sole traders and small businesses to incorporate to take advantage of previous Government tax incentives.

The proposals contained in what are called the "sideways loss" measures in the Budget could have a significant impact. They could have ramifications that go far beyond the Government's acknowledged intent, which is to prevent avoidance—they fall within the anti-avoidance section. All Members are in favour of clamping down on avoidance, but why are the Government singling out the partnership structure for

special penalties, and where is the logic in their position that they should treat unincorporated partners so harshly compared with incorporated businesses or sole traders? There is no logic in that; it appears to be a jumble.

The Government have perceived that there is an avoidance problem and, as usual, have adopted an all-embracing measure to try to clamp down on it, ignoring the impact that it will have on bona fide business. It is curious that they are seeking to introduce rules that will drive legitimate business offshore. I am aware of examples of substantial investments by individuals that will now be taken offshore because they do not trust the tax regime enough to make the investments onshore, as they have done previously—or these measures might stop them getting off the drawing board in the first place. My hon. Friend the shadow Chief Secretary cited one or two examples in her remarks, which illustrated that point. I fear—it gives me no pleasure to say this—that these Treasury Ministers have such little experience of the real world of business that they cannot rein back the zealots in HMRC from whom, I assume, these anti-avoidance measures originate. I do not imagine that Ministers think them all up themselves. The Revenue identifies an abuse and comes up with a solution, but there is a lack of practical business experience among the Front-Bench team, who are not prepared to stand up to the Revenue and say that it is overstepping the mark and that its proposals will have unintended consequences. I do not believe that such thought processes go on, although I would be delighted to be corrected by the Paymaster General when she winds up.

John Mann: From my own practical business experience, I know that the one thing that infuriates honest business people, such as me and—I am sure—other hon. Members present is when people bend the rules to such an extent that they give themselves a competitive advantage. Is not that what business really thinks?

Mr. Dunne: The hon. Gentleman is right that it is appropriate to clamp down on specific schemes that are set up to avoid the rules. I have no argument with that, but it is not the point that I am trying to make. The point that I am seeking to demonstrate—I shall give one or two examples—is that many bona fide commercial activities between partners will be constrained and, frankly speaking, stopped by these measures. Those activities should not be stopped and the solution should be to introduce alternative measures, such as perhaps a clearance or other mechanism, which may already exist in other areas of the tax code, to allow them to take place.

Hon. Members have mentioned the farming industry. Many farms are run as partnerships between members of the same family and the partnership structure is used to allow interests to change over time as the younger generations come in and the older generations retire. The interests of the partnership can be altered through the life of the partnership, and that is an attractive way of managing affairs. New partnerships are often set up when a new member of the family begins to participate. Unfortunately, farming follows the biblical pattern—I know that, as a farmer myself—and some years one makes a loss. One can often have losses in the early years of a new partnership. It would be wrong for such activity to be made non-deductible when one would have to pay tax if one were lucky enough to be making profits in the early years of a new farming partnership.

Another example is the biotech industry, a high risk industry in which some individuals may be prepared to take significant risks with large amounts of money. That risk should be reflected and, if it goes wrong, individuals should have the chance to offset the losses on those substantial risks against their other income. Another example would be the hotel industry. When one sets up a new hotel, one generates losses in the early years while one builds up the room rate. I am aware of examples in which individuals have decided to go into business together as one of them alone cannot raise sufficient money to launch a hotel. People therefore group together in partnerships because it is a good structure.

Dawn Primarolo: Perhaps the hon. Gentleman could explain whether he agrees with the proposition that people who make losses but have nothing to offset them against should be able to sell those losses to others who have no losses but wish to buy them to offset against the tax that they should legitimately pay.

Mr. Dunne: It is possible to have a test of why an individual is making an investment. If they are making the investment only because they have a loss they wish to offset, they would fail the test. That is what the legislation should be designed to correct, not to attack legitimate and genuine investment for bona fide commercial purposes. I very much hope that in Committee we shall be able to propose amendments that allow the Paymaster General to recognise that fact, as the Bill's existing measures will lead to the end of many bona fide commercial transactions.

Dawn Primarolo *indicated dissent.*

Mr. Dunne: The right hon. Lady shakes her head, but that is the case. Mike Warburton of Grant Thornton has indicated that about £300 million of investment in carbon trading schemes and wind farms will be put at risk by the Chancellor's decision. I do not imagine that either the right hon. Lady or the Chancellor want that to happen.

Several aspects of the relief seem completely arbitrary and bizarre. The first is the 10-hour limit for an active partner in an investment scheme—10 hours' work per week is required to demonstrate that a person is a bona fide investor. That limit will exclude inactive partners from investing in a business. Many entrepreneurial individuals, such as those featured in the television programme, "Dragons' Den", might invest in the form of a partnership structure and provide entrepreneurial flair and drive, as well as access to their time, but not 10 hours a week to oversee the business. I use that example because it will resonate around the House. A large number of business angels, operating in large and small groups, provide money and specialist advice to small businesses setting up on their own. Those individuals are increasingly tending to use the partnership structure, but they will be unable to do so in future because they will not be able to provide the 10 hours required to qualify.

[Mr. Dunne]

The second arbitrary aspect is the limit of £25,000 for eligibility for relief, even though many projects involve individual investments of substantially more than £25,000. I cannot imagine where that sum came from—it seems to have been magicked from thin air—but it will mean that such investments will be made only in tiny projects. The amount is unrealistic in terms of help for small businesses getting off the ground, and if the Government insist on retaining the regime the limit should be raised to a much more meaningful amount. I propose £1 million.

Another aspect of the relief that will have a substantial impact on reducing business investment relates to the proposals for the venture capital trust industry. I understand from the Red Book that the provisions were imposed on the Government by the EU, but that it was done in a mealy-mouthed way. The Government have not stood up to the EU and have chosen to define the state aid rules inappropriately. There are 110 venture capital trusts in Britain. In 2005-06, they raised £750 million; in 2006-07, the tax year that has just ended, they raised only £110 million. The reason is that the measure was introduced in the last few weeks before the end of the tax year when most of the money comes in, so we can already see the impact of the proposal. Raising funds in that industry has ended because the amounts that can be invested in an individual company are too low. A substantial equity gap will be created between those who can invest £25,000 under the sideways loss relief limit and up to £2 million through a venture capital trust and the commercial, private equity development capital finance provided at the higher end.

In conclusion, it is particularly damaging for venture capital trusts that the Government chose to interpret the EU state aid rules with a limit of 50 employees to define a small company, even though it was open to them to have chosen a limit of 250 employees as the medium company size. Why on earth did not they choose the larger number? It would have allowed far more companies to participate in venture capital trust investment in future and allowed the prospect of continuing a viable industry, which I fear the Government will shut down.

8.59 pm

Stewart Hosie (Dundee, East) (SNP): The Chief Secretary, in his introductory remarks, said that the Treasury team was managing the economy based on an immovable constraint. He was then interrupted by an intervention, but I suspect that he meant that borrowing had to be kept at 40 per cent. of GDP, and the Government claim to have done that. I mentioned the £169 billion of private finance initiative liabilities up to 2030-31, and I would be fascinated to find out what the capital borrowings are that lead to that amount of repayment liability. How much of that is off balance sheet? How much of it should actually be on balance sheet? What is the real level of indebtedness?

Clause 1 sets out the income tax rates for the forthcoming year, which are unchanged on last year, although one would have been hard pressed to identify that fact from the comments of the Chief Secretary or the Budget speech itself, in which the Chancellor laid out his personal tax-raising agenda, which will take £16 billion from 2008-09 and 2009-10 from the removal of the 10 per cent. rate and a further £2.5 billion from changes to national insurance contributions. It has been calculated that those changes will cost 52 per cent. of the employed in Kirkcaldy and Cowdenbeath, the Chancellor's own constituency, an increasing tax bill every month.

These damaging personal tax-raising changes do not come into being until next year and thereafter, but the reduction in the main rate of corporation tax, from 30 to 28 per cent., does and that is welcome. Unfortunately, the following years will also see rather brutal changes to the general plant and machinery capital allowances, and those allowances must be taken alongside the welcome reduction of the 30 per cent. rate. Between 2008-09 and 2009-10, at £3.76 billion, the changes to plant and machinery allowances alone will bring in more revenue than the £3.6 billion in corporation tax reductions. Furthermore, the increase in clause 3 in the small companies rate to 22 per cent. will generate £1.2 billion over the next three years. Therefore, this Bill, which paves the way for the entire Budget, will see a massive hike in business taxes.

Those business tax rises will do nothing to enhance competitiveness, an issue that has been touched on by many Members in the debate, and that matters particularly in Scotland. We have had a 25-year growth gap. Since 1980, growth in Scotland has been 1.8 per cent. on average as against 2.3 per cent. in the UK. Since Labour came to power, the situation has got worse with 2 per cent. average growth in Scotland compared with 2.8 per cent. for the UK as a whole. That means a 30 per cent. growth gap over time. The additional business tax burdens in the Budget and paved for by this Bill will simply make matters worse. Tellingly, the new annual investment allowance, the research and development tax credit increase and the small and medium-sized enterprise tax credit increase will not kick in until the following year. As ever, with this Government, it is jam tomorrow.

Clause 49, on the definition of a small and medium-sized enterprise, will allow only a few hundred companies in Scotland with between 250 and 500 employees to benefit. There are 265,000 businesses in Scotland, and the vast majority of them are very small, but they create 51 per cent. of all of the jobs and they generate 41 per cent. of all revenue in the country. However, 98 per cent. of those businesses have up to 49 employees; 1.3 per cent. have between 50 and 249 employees; and 0.85 per cent., which comes to about 2,000 businesses, have more than 250 employees. We know that 1,500-odd companies have more than 500 employers, so barely a few hundred of the 265,000 companies will benefit from the allowances announced with such a flourish in the Budget speech.

Clause 12 deals with the air passenger duty. It is expected to raise an extraordinary £3.3 billion over the next three years yet it is likely to deliver little of the stated benefit of a significant reduction in airborne carbon emissions, not least because it applies only to flights originating and ending in the UK. Of course something must be done, but I am not sure that it is this. Moreover, the measure takes no account of the lifeline services to remote rural and in particular island communities, whose businesses are almost wholly dependent on vital lifeline air services.

Clause 25 and schedule 3 on managed service companies were mentioned by many speakers today and rather dismissed by several Labour Members. I am deeply worried that people who are effectively self-employed but who work through a managed service company to facilitate their contracts, tax returns and tax payments will be deemed to be employees and will be taxed accordingly. Included in this is an additional tax yield of £350 million this year and almost £1 billion over the next three years, and there is a very real suspicion that this is simply a tax raising measure, rather than an anti-avoidance measure.

I understand that a large number of the people who may be affected by the provision work in IT as independent freelance IT contractors and consultants. I also understand that one in four of those work for Government Departments or local government departments. If they are expected to bear an additional cost burden, it is almost certain that that additional cost will be passed on to the employer—a Government Department or local authority department—and there will be a corresponding requirement for more spending by Government in order to pay for the consequences of the change to managed service companies.

The Conservative amendment states that the Bill

"fails to equip the UK to compete"

with the ever-increasing competition from abroad. I agree. The business tax rises in particular are a disincentive for competition. The amendment goes on to say that the Bill

"penalises small companies with higher tax rates"—

that is self-evident, and it offers

"a more complicated tax system, hits freelance workers with more tax bureaucracy",

as I have just described. I agree entirely with that.

When the amendment states that the Bill

"does nothing to tackle the UK's worsening pensions crisis",

it perhaps overstates the case, but I have set out our suggestions and what the Government failed to do in the Budget speech in respect of pensions.

The amendment argues that the Bill

"misses the opportunity to provide effective mechanisms for tackling climate change".

That is worth repetition. There are measures in clauses 10 to 24 on fuel duty, vehicle excise duty, air passenger duty, energy saving for houses, microgeneration and so on, but the big questions and the big decisions that the Government could have taken, which have been flagged up any number of times to Ministers from the Opposition Benches, and which have been repeated from the Front Bench in two subsequent Budgets and two subsequent pre-Budget reports—about finding the funding mechanism to support the carbon capture and storage project at Peterhead—were missed.

The two issues that the Government could have addressed, the inequity in connection charges to the grid to harness the massive power of offshore wind generation and at last finding a funding mechanism to support the Peterhead CCS project rather than re-announcement after re-announcement, year after year, in Budgets and in pre-Budget reports, have been wholly missed.

The Bill and the Budget from which it was derived were rather well summed up on Budget day by Carol Undy, the Federation of Small Businesses national chairman. She said:

"This is the Chancellor's eleventh Budget and this year's offering is no different to the others—he gives with one hand and takes with the other. However, this year, after some welcome initiatives for our members he throws it all away with a tax hike aimed at small businesses."

The problem is competitiveness. The problem in Scotland is a growth gap. We have seen modest changes in terms of a reduction of 2p in the top rate of corporation tax. We have seen the small company rate increased and personal tax increased.

Carol Undy of the FSB got it right, which is why the Bill and the Budget from which it flows are so dreadfully disappointing. It is smoke and mirrors, a tax raising Budget and a tax raising Finance Bill. They will do nothing to help competitiveness and nothing to help hard-pressed families, who will pay more tax, not least the 52 per cent. of low and modest earners in the Chancellor's own constituency. That is why, if it is pressed to a vote tonight, we will oppose the Bill.

9.10 pm

Mrs. Siân C. James (Swansea, East) (Lab): I would like to take this opportunity to talk about how the Finance Bill will help to tackle child poverty and help working families in my constituency and many others like it. I have been proud of my Government's efforts in this area, and of the Chancellor's role in supporting and sharing the prosperity of this nation with those who too often have been left behind. When I meet people in my constituency—a typical Welsh working-class community—I often hear about how well they are doing. They know that a strong Labour Government helped to deliver the services that they need and the opportunities for them to prosper and grow.

The right hon. Member for Wokingham (Mr. Redwood) urged us to look forward, not back. But what I hear when I am out and about in my constituency is, "We can't go back. Look at all the things that have improved for us. Look at all the ways in which our lives are getting better. We're afraid that if we go back to what was there before, we'll suffer." I have often heard the simile that life is like trying to drive a car without a rear-view mirror—one does not need a rear-view mirror, but it is very useful. We need to look forward, but every so often we need to have that reassuring glance towards the past.

People understand full well that only a Labour Government can deliver on their behalf and ensure that their future prosperity is taken care of. I am thinking of the difference between now and the time when I worked with families who needed the support of a charity such as Save the Children. I had to go out into communities across Wales. I worked in fundraising and supported hard-pressed families who had lost hope. They had lost the chances that life had given them. Perhaps they had not had the opportunities that others had had. I know that I do not want to go back to that.

The security of good employment, low mortgage rates and sustained economic growth is allowing people to prosper and to plan for the future. They tell me what a difference child tax credit, working tax credit and pension credit are making to their lives and how

[Mrs. Siân C. James]

confident they are for the future. Yes, we have had teething problems and complaints, but every time people think about being without those tax credits, they are afraid. In the past there were fears, doubts and worries about jobs, mortgages and savings. I do not see that any longer. I see confidence, hope and proposals for the future.

In the wake of the Budget, a number of constituents have taken the time to thank me not only for what the Government are doing, but for what the Chancellor has done. They recognise that the Chancellor has invested in families and communities. Under the stewardship of the most successful Chancellor of the Exchequer this country has ever seen, they have seen those differences. The Finance Bill will play a key role in ensuring the continued prosperity of this country and will help even more working families and children to achieve the best standards of living possible.

In Swansea, East, the figures speak for themselves. It was an area of high unemployment and it suffered huge changes after the loss of the heavy industries. We now have 2.9 per cent. unemployment. If somebody had told us 10 or 15 years ago that we would achieve those low levels, we would all have said, "You're dreaming." But we are there, and we have achieved that dream. The employers in my community and my constituency are different employers. The workplaces are different. I visited Admiral insurance, which is a major employer in my constituency. It operates four of its services—its various companies—out of the SA1 development in my constituency. That is a prestigious development that has happened under this Government and with the foresight of the last Labour administration in Swansea. When I visited, I saw hope. The people there were not talking about how things were not getting better. They were telling me about how their families were prospering.

Young people have been helped by the new deal, which was opposed by the Opposition. Nearly 3,000 young men and women have joined the new deal and benefited from the guidance and advice on offer. The Bill will provide further support to families. Such investment is crucial. The child element of the tax credit, which will be increased by £150, will help even more children. Already that has made a difference to more than 10,000 children in my constituency. There are challenges, but the benefits are visible to everyone.

Julia Goldsworthy: Will the hon. Lady concede that the take-up of tax credits remains a key problem, as is identified by the Treasury Committee report published today? Until that is addressed, the changes in taxation will be a problem for low-income families who are either not entitled to tax credits or are not claiming those to which they are entitled.

Mrs. James: I thank the hon. Lady for that intervention, but we must encourage people to take up any opportunities that exist. People are not taking up various tax benefits and opportunities. The rate of take-up of the child bounty is not good in my constituency. We must use publicity to encourage people to take up everything to which they are entitled. The people of my constituency look to the Labour Government to do that.

Mrs. Madeleine Moon (Bridgend) (Lab): Has my hon. Friend found that the child trust fund has led to a change among families? Young families in my constituency not only use the trust fund, but add their savings to it. They are investing in their children's future in a way that they would not have done if the fund had not been set up. The fund has made a tremendous difference to their attitude towards saving for their children and their future.

Mrs. James: I agree with my hon. Friend about that saving attitude. We must encourage people to take the available opportunities and nurture their ability to think about how they can save and use money positively in the future. We want their children to benefit and to get the saving ethic as soon as possible. However, we need even more people to take up child tax credit and the child trust fund.

It is not only families and children who have benefited and will benefit further. The increase in pension tax allowances will take 600,000 pensioners out of paying income tax. Again, the message from pensioners whom I meet in my constituency is that there have been significant changes and improvements in their lives. They realise that a Labour Government have taken care of them and helped them to achieve a better quality of life.

Nearly 5,000 pensioners in Swansea, East are in receipt of pension credit, which gives them an extra £49 a week. More than 11,000 households receive winter fuel payments. What matters to people is the help in their pockets, and how they can improve their lives. Of course I welcome all the improvements. I would have liked the Chancellor to be even more generous to families and children, but I realise that he has done everything that he can to help as many people as possible.

We as a Government have made a difference to some of the poorest people in our communities. I am confident that we will continue to deliver good job opportunities and financial support for working families, children and pensioners, and will ensure that everyone benefits from the success that we enjoy in Britain. I commend the Bill to the House and hope that it has a speedy passage.

9.18 pm

Mr. Mark Francois (Rayleigh) (Con): It is a pleasure to sum up for Her Majesty's Opposition following an interesting and at times lively debate. It is also a pleasure to speak from the Dispatch Box on St. George's day. As it appears that I have some time available, I will do my best to refer in turn to each of the dozen contributions that we have heard.

The Chief Secretary to the Treasury began his speech in his usual genial manner, which the House appreciates, although he took some friendly fire from the right hon. Member for Birkenhead (Mr. Field). He did his best to justify the Government's tax breaks for zero-carbon homes. Although he got into a bit of trouble over that on "Newsnight" last year, he told the House today that some zero-carbon homes are being built in his constituency at a place called Gallions Park. Unfortunately, he was not able to tell us exactly how many homes were being built, so, if the House will

forgive me, I shall say that under this Chancellor we still do not know how many zero-carbon homes we get to the Gallion. I hope that the Financial Secretary will be able to give us the precise figure in his winding-up speech.

We then heard the feisty speech of my hon. Friend the Member for Chipping Barnet (Mrs. Villiers), the shadow Chief Secretary to the Treasury. She firmly championed the role of small businesses in the economy. In particular, she stressed our reservations about the serious extension to the powers of Her Majesty's Revenue and Customs set out in part 6 of the Bill, and I will return to that subject in greater detail later. We next heard from the hon. Member for Newcastle upon Tyne, North (Mr. Henderson). He lists economic policy among his interests in "Dod's Parliamentary Companion", and that was borne out by his speech, which lasted 46 minutes. He took interventions from a number of my hon. Friends about levels of inflation throughout history, but I remind him that today inflation in the United Kingdom is above that in France, Germany and Italy, above the EU average and the Organisation for Economic Co-operation and Development average, and above that in Japan, Canada and the United States. That should be a matter of serious concern to Members of all parties, irrespective of what colour rosette they wear on election day.

We heard next from the hon. Member for Falmouth and Camborne (Julia Goldsworthy), who spoke for the Liberal Democrats. In fact, she was the only Liberal Democrat to make a speech in this important debate. She was given an award for brass-necked cheek by the hon. Member for Wolverhampton, South-West (Rob Marris), and he does not give those out lightly. I will not pursue that further; I will leave him to discuss that with her outside the Chamber—but she did appear to make up Liberal Democrat policy on the hoof when she said that the Liberal Democrats did not want a Finance Bill each year. I did not know that that was their policy, but we are now informed of it. She also described this year's Finance Bill as a bit of a damp squib. I have to disagree with her, because there are some worrying aspects of the Bill, as I hope to go on to explain.

We then heard from the hon. Member for Wolverhampton, South-West. Last year he spoke for almost an hour in the Finance Bill Second Reading debate, and he repeated that feat today. I owe him a personal apology, as I popped out of the Chamber briefly for a bowl of soup in the middle of his speech. I am sorry about that, but I did so secure in the knowledge that he would still be on his feet when I came back, and as it turned out, I was right. He has become a stalwart of the Finance Bill process, so we look forward to seeing him upstairs in Committee with his well-thumbed copy of the explanatory notes, and we look forward to him joining in our debates as we go through the Bill clause by clause.

We then heard from my hon. Friend the Member for Hornchurch (James Brokenshire), who I notice is the star of this week's edition of *The House Magazine*. He, too, stressed the potential impact of the Bill on small businesses and on the difficult decision of whether to incorporate. In that context, it should be remembered that the Chancellor, by introducing the zero rate, actively encouraged individuals to incorporate, but when many businesses followed his advice and rushed to incorporate, he effectively decreed that that represented tax abuse, so he abolished the zero rate last year in order to combat that abuse. That seems a curious way to behave if he wants to encourage stability in the tax system.

We then heard from the hon. Member for Stoke-on-Trent, South (Mr. Flello), who I am sure is on his way back to the Chamber. He spoke principally about his constituency, but he mentioned some aspects of local taxation, including that in the United States. I should like to remind him when he returns that, in terms of national or federal taxes, the United Kingdom has a much longer tax code than the United States. However, I agree with him on one point: the United Kingdom is undoubtedly better off outside the euro than in it.

My right hon. Friend the Member for Wokingham (Mr. Redwood) spoke briefly—as he put it—for an hour and five minutes, and he spoke, as ever, with considerable experience. He, too, praised the fact that the United Kingdom has remained outside the euro, but the real reason for that is what is sometimes called the sixth economic test: it is about whether the Government believe that they could ever win a referendum on the euro. In poll after poll, the British people have proved determined to retain their currency, the pound sterling. The principal credit for keeping it goes to them, and not at all to the Chancellor of the Exchequer, who continues to spend money on euro preparations within the Treasury.

My hon. Friend the Member for South-West Hertfordshire (Mr. Gauke) was the only member of the Treasury Committee to make a speech. I find that a little surprising; nevertheless, I commend him for his contribution. He, too, focused on the effect of the Budget and the Finance Bill on small businesses—a theme that received recurrent attention.

My hon. Friend the Member for Ludlow (Mr. Dunne) also stressed the likely effect of the Bill on small businesses, including business partnerships. He talked about the need for Ministers to exercise close control—what my old sergeant major would have called "grip"—over the activities of Her Majesty's Revenue and Customs. He specifically called for a motive test relating to sideways loss relief—a positive suggestion that we may want actively to pursue.

The hon. Member for Dundee, East (Stewart Hosie), who speaks on these matters for the Scottish nationalists, supported several of the points in our reasoned amendment. I therefore hope that he and his hon. Friends will support us in the Lobby against the Government.

Finally, the hon. Member for Swansea, East (Mrs. James) talked about so-called teething problems with tax credits. With respect, if half the payments in the system being wrong is a teething problem, I hate to think what would happen if it went seriously awry.

As with most Finance Bills, particularly from this Chancellor, there is a great deal of detail to consider, and we look forward to investigating that in Committee. Last year we spent a considerable amount of time debating the introduction of the new real estate investment trusts, or REITs, regime. That has now gone live, and I look forward to debating the Treasury's

[Mr. Mark Francois]

proposed tweaks to the regime in clause 51 and schedule 17 with the Economic Secretary, whom I welcome back to his place.

We have several more general concerns about what is in the Bill and about the important economic issues that it has plainly failed to address, and I should like to turn to some of those specifically. To start with, the Bill does comparatively little to assist small businesses. Although the Chancellor has followed our suggestion of reducing the headline rate of corporation tax to try to maintain our international competitiveness, in contrast he has begun progressively to increase the small companies rate from 19 per cent. to 22 per cent., forcing entrepreneurs to pay more tax, not less, as they attempt to grow their businesses for the future. Small businesses, which the Department of Trade and Industry defines as enterprises employing 50 people or fewer, are very much the motor of growth in our economy. According to the Federation of Small Businesses, they now employ more than 50 per cent. of the entire private sector work force, and it is apparent that these changes will hit them hard. In fact, as the Federation of Small Businesses said of the Budget in a press release entitled, "Budget speech dismays small business", this is a

"tax hike aimed at small business".

As it puts it, what the Chancellor

"gives with one hand he takes with the other."

Similarly, Nick Goulding, the chairman of the Forum of Private Business, said of the increase in the small companies rate:

"The increase in corporation tax is a kick in the teeth for Britain's small businesses".

My hon. Friend the shadow Chief Secretary spent some time on this subject, so suffice it to say that we shall return to it in the Committee of the whole House and upstairs in Committee thereafter.

Part 6 contains potentially significant extensions to the powers of Her Majesty's Revenue and Customs, including extending powers of arrest and surveillance across the combined HMRC organisation—even including an ability, as outlined in clause 96, for HMRC to penalise taxpayers when it "thinks" that they have done something wrong. As Anne Redston of the Chartered Institute of Taxation pointed out in *Accountancy Age* on 5 April,

"You can't levy a penalty on something HMRC thinks happens".

She goes on to say:

"If you've done something, or failed to do something then you have a fact, but if they think something has happened how can you appeal?"

The powers of arrest partly result from the merger of Customs and Excise with the Inland Revenue. Although the Treasury has apparently told the professional bodies that it intends the powers to be limited in scope and used sparingly, few such safeguards are included in the Bill. It is therefore unsurprising that we have strong reservations about the operation of the proposals in practice, not least given HMRC's increasingly heavy-handed method of dealing with taxpayers in relation to tax credit appeals. We will press the Government for safeguards on the way in which the powers, if the House grants them, operate in the real world, including their effect on the relationship between HMRC and the Serious Organised Crime Agency in combating organised fraud. We will shortly table amendments on the subject for consideration by the Committee of the whole House next week.

Like most of the Chancellor's finance measures, the Bill contains considerable anti-avoidance provisions, which are included in parts 3 and 5. It is part of a trend under the Chancellor to see a tax avoider around every corner and to devise an increasingly complex tax code to try to prevent that. "Tolley's Tax Guide", which is often called the accountant's Bible, has expanded correspondingly to try to keep up with the raft of additional tax legislation. The Chancellor's inherent love of complexity means that it has doubled in length since 1997 and now stretches to four rather than two volumes.

I can confirm to the House that, under the present Chancellor, we have finally become a world beater: thanks to his love of complexity, we have the longest national tax code in the world. In 1996, PricewaterhouseCoopers, in conjunction with the World Bank, published an analysis of national tax codes around the world. It showed that the UK's code stretched to 8,300 pages, surpassed only by India, with a notoriously complex tax code, at 9,000 pages. Japan was third with 7,200 pages, while Switzerland barely got on to the pitch with a mere 300 pages of code. *The Economist* highlighted all that when its 11 November 2006 edition pointed out:

"Of the world's 20 biggest economies, Britain is second only to India in the number of pages taken up by its primary legislation".

Since then, the Indian Finance Act 2006 and the 2007 Finance Bill have added a little under 300 pages to the Indian national tax code. However, back in good old Blighty, the Chancellor's Finance Act 2006 contained 180 clauses and 26 schedules, which stretched to 517 pages. The tax law rewrite project prepared the Income Tax Act 2007, which helped to clarify some of the Chancellor's complex tax law in simple English and even repealed some 250 pages of it. However, to do that it added a further 1,100 pages of clauses, schedules and tables to the tax code.

The Bill piles on another 113 clauses and 27 schedules, which represent another 305 pages. In comparison with India's nearly 9,300 pages of national tax code, the United Kingdom's stands just short of 10,000 pages. The Chancellor, who always says that he wants to reduce red tape, has burdened the British people with the longest national tax code in the world. When the Financial Secretary responds to the debate, perhaps he will confirm that under his boss we have become a world leader—but as champions of complexity rather than clarity.

The abolition of the 10p starting rate tells a similar story. The Chancellor rushed it through on Budget day in the hope that no one could follow him while he did it. How many of those Labour Members who cheered so loudly on Budget day and waved their Order Papers so enthusiastically realised that they were supporting a tax increase for those on low incomes? How many had worked out what the Institute for Fiscal Studies subsequently told us: that more than 5 million households—predominantly those on lower incomes—

would be worse off as a result of the Chancellor's Budget and the Bill? How many are happy to go back to their constituency Labour party executives and champion that?

The net effect of those measures is actually to increase taxation on lower-paid families and that must drive ever more of them into the Chancellor's highly complicated tax credit system, in which we now know that more than half of all the payments are wrong. More than 333,000 people appealed last year against the attempted recovery of an over-payment and fewer than one in 20 are likely, on the latest figures, to succeed. The tax credit system devised by the Chancellor is crying out for reform—*[Interruption.]* The Economic Secretary shouts out "abolition" from a sedentary position. No, it needs to be reformed, and 90 Labour Back Benchers signed early-day motion 545, calling for reform of the tax credit system, particularly for the reform of the handling of overpayments.

One of the signatories of that early-day motion is the right hon. Member for Birkenhead. In an article entitled, "I won't make life easy for Gordon by defecting", in *The Spectator* of 24 February, he said:

"Gordon has been wrong on Pensions, we've run our course on Tax Credits, there's no more money and we've enveloped huge sections of the population in means tested benefits; there ain't any future in this. There is a need for a mega rethink, and there is a need for a leadership contest."

Indeed. In the same article, when the right hon. Gentleman was asked whether he had considered defecting, he replied:

"I am not moving. That is not to say that I am happy in the Labour Party. Who is?"

In fairness, he then flatly rejected the idea of leaving Labour entirely, but mainly on the ground that he did not want to give the Chancellor the pleasure.

We then come to the vexed topic of pensions. The Finance Bill contains some measures that relate to pensions—for instance, three clauses in part 4, including those relating to changes in alternatively secured pensions or ASPs, as they are generally known. However, the Bill does little or nothing to address the massive damage done to the UK's pension system by the Chancellor's £5 billion a year smash and grab raid on our country's pensions.

When we debated the topic last week, the extraordinary thing about the Chancellor's performance was his absolute and total refusal to say sorry. Despite the misery that he has caused pensioners up and down this country, there was not a hint of contrition or regret. If he is confident about what he has done on pensions, why has he had to spend two years and a considerable amount of taxpayers' money fighting the release of papers under freedom of information legislation? When challenged and put on the spot, all the Chancellor could manage was to blurt out that Labour had introduced the Freedom of Information Act in the first place.

When the Chancellor's own Treasury civil servants warned him prior to going ahead with the change that the

"actuarial valuation of the pension scheme assets would fall by up to 20 per cent.; this would cause a shortfall of up to £75 billion",

what part of that statement did the Chancellor—and the Economic Secretary, who was advising him at the time—not understand? The Economic Secretary's hurried defence of the decision was that it had actually been done at the behest of the CBI. Subsequently, that was flatly denied by the CBI's then director general, Adair Turner, who, on "The World at One" on 2 April said:

"Let's be absolutely clear, the CBI never lobbied for an end to tax relief at any time whatsoever in 1996 or 1997".

I remind the House that, whenever we debate pension changes in the Finance Bill or elsewhere, we have to be conscious that the general public are well aware that, as Members of Parliament, we have relatively generous pension arrangements of our own. For instance, as the Economic Secretary will know well, the hon. Member for Morley and Rothwell (Colin Challen)—or the future Lord Challen of Normanton, as we must probably learn to call him—can now look forward to a comfortable retirement, but what about the millions of pensioners who cannot? It is no wonder that the Prime Minister's previous pensions adviser, Ros Altmann, said tellingly:

"The Chancellor will go down in history as the one who destroyed our pensions system. He just ignores what he doesn't want to hear, then tries to cover up the consequences."

This Finance Bill is brought to us by a Chancellor who is in denial about the misery that some of his measures have caused to ordinary, hard-working families up and down this country. It comes from a man who flatly refuses to apologise for any of this, because he seems to think that humility is a human weakness and not actually a strength. That kind of thinking has led to a poor Finance Bill that does little for pensioners against a background of rising inflation, which has helped to give us the longest tax code in the world but done little for small businesses, and which gives HMRC powers that need to be reined in. In short, it is a Finance Bill from a tired Chancellor, not a future Prime Minister. In view of the Bill's inherent weaknesses, I urge the House to vote for our reasoned amendment tonight.

9.40 pm

The Financial Secretary to the Treasury (John Healey): This has largely been a good debate, until the huff and puff from hon. Member for Rayleigh (Mr. Francois) at the end. We have heard nine Back-Bench speeches, including substantial contributions from my hon. Friends the Members for Newcastle upon Tyne, North (Mr. Henderson) and for Wolverhampton, South-West (Rob Marris) and from the right hon. Member for Wokingham (Mr. Redwood). My colleagues and I will relish the detailed debates to come in Committee, in which we will show the strength of our case for the reforms set out in the Budget and the Finance Bill, and the weakness of the Opposition's alternatives—when, indeed, any alternatives are offered.

This is the Second Reading of a Finance Bill designed to build on and reinforce the foundation of economic success and stability in the British economy under this Chancellor. His record has been described by the International Monetary Fund as

"a decade-long record of strong and steady macroeconomic performance",

in which

"growth of real GDP per capita was higher and less volatile than in any other G7 country".

[John Healey]

The Bill takes further steps to raise levels of investment and innovation, and reinforces efforts to tackle climate change through incentives to greater fuel and energy efficiency and the use of renewable technologies. It supports hard-working families and helps more people into work with personal tax reforms amounting in total to a reduction in personal taxation of £2.5 billion. It also simplifies business taxation and clamps down harder on schemes or arrangements that lead to unfair tax competition or avoidance.

The Opposition's amendment to the motion leads with assertions that the Bill brings in a more complicated tax system, that it somehow penalises small firms and that it

"fails to equip the UK to compete in the globalised world economy".

I shall deal in some detail with the business tax reforms in a moment and show that the amendment is wrong on each and every point.

Let me first deal with the contributions of the many hon. Members who have spoken in the debate. The hon. Member for Chipping Barnet (Mrs. Villiers) professed to be concerned about what she described as the erosion of competitiveness in the UK over the past 10 years. We are unique in all the major economies in avoiding a downturn in the past 10 years. We grew faster last year than all the other major economies. We have taken the national income per head up from seventh to second place in the G7 economies over the past 10 years, and the World Bank now rates our economy sixth in the world for ease of doing business. Those factors are hardly a basis for the concern that she professes to have about a loss of competitiveness over the past 10 years.

The hon. Lady went on to make three points. The first was on zero-carbon homes and was echoed by the hon. Member for Rayleigh, as was her second point, on the increased powers for Her Majesty's Revenue and Customs. Her third point related to concerns about the provisions on managed service companies and it was echoed by the hon. Member for Falmouth and Camborne (Julia Goldsworthy). I shall try to deal with each of those points in turn.

On incentives for zero-carbon homes, the hon. Lady's criticism that the provision is flawed because there is not a large number of such homes is evidently a flawed argument. We would not want to use public taxpayers' money to incentivise things that are already being done. The new provision is designed precisely to change behaviour and to encourage the widespread building of zero-carbon homes, which is not happening at the moment.

Mr. Francois: Perhaps the Financial Secretary can solve a mystery. As it appears that the only one of those developments that the Government can cite is in the Chief Secretary's constituency, presumably they know how many there are. How many are there?

John Healey: The hon. Gentleman misses the point again.

Mr. Francois: Answer.

John Healey: The specific answer is that there are plans in Gallion Park in the constituency of my right hon. Friend the Chief Secretary for precisely the sort of development that we want to see. *[Interruption.]* The point about the policy is precisely that it aims to encourage behaviour to achieve what we do not already have.

Turning to the changes to powers for HMRC, in essence, the legislation provides that HMRC should have access to appropriate powers in the provisions of the Police and Criminal Evidence Act 1984, adapted to meet the particular concerns and circumstances of tax investigations. In many areas, the police have powers that will not be available to HMRC, such as the power to stop and search. The hon. Members for Chipping Barnet and for Rayleigh promised detailed scrutiny of the proposals in the Committee of the whole House and in the Public Bill Committee, and we look forward to that, as it is important that we get those provisions right. It is important that proper safeguards are in place alongside the consolidation of those powers.

The hon. Members for Falmouth and Camborne and for Chipping Barnet accused us of rushing in the provisions on managed service companies. Given the scale of the MSC problem, it was necessary to act promptly, as it was estimated that there were almost 250,000 workers in MSC companies in 2005-06, and that number is rapidly growing. MSC providers, their advisers, employment agencies and accountancy bodies have all discussed the plans with us in detail as part of the consultation that ran from the pre-Budget report in December to March this year. May I tell the hon. Member for Chipping Barnet that we will, of course, look—

Mrs. Villiers: Will the hon. Gentleman give way?

John Healey: May I respond to the hon. Lady's principal point? If I do not answer it, of course I will give way.

The hon. Lady was particularly concerned about freelancers. It is only freelancers operating through MSCs who are affected by the changes. Freelancers who are engaged directly by an agency, who are in business on their own account and run their own personal service company, or who are in other business structures such as umbrella companies, are not affected. That is because, in the vast majority of cases, MSCs are used to disguise employment, and the existing rules that ensure employed levels of tax and national insurance contributions are not applied. The measure in the Bill therefore ensures that workers in MSCs pay the same tax and national insurance as other employees, thus providing a more level playing field for businesses and workers who comply with the rules. Freelance workers can still work flexibly. In fact, many employment agencies and their representative body—the Recruitment and Employment Confederation—support the measures in the Bill.

Mrs. Villiers: Does the Financial Secretary believe that any contractor who outsources administrative and management matters relating to their personal service company is a tax dodger?

John Healey: We have made it clear that we do not intend that the provisions—indeed, we have deliberately drawn them up to this end—should affect those who operate through personal service companies.

My hon. Friend the Member for Newcastle upon Tyne, North treated the House to an insight into his experiences as a trade union negotiator and cited some of the deals that he used to negotiate, including 27 per cent. wage increases. All I can say is that I am glad that he is a Member of Parliament, rather than operating in the workplace; otherwise I suspect that he would come to the attention of the Governor of the Bank of England. The conclusion that he drew from his experience, both before and since coming to the House was very important: overriding everything else, there is significant value in stability, which the monetary and fiscal framework introduced since 1997 has helped to bring to the UK, which the Organisation for Economic Co-operation and Development described as "a paragon of stability". He was right that the major result that matters to most people and certainly to Government Members is jobs, and there are 2.6 million more jobs in the British economy than there were 10 years ago. He is right that the challenge for the next decade lies in increasing skills and learning throughout the system to allow those in work to continue in work and those not yet in work and seeking work to gain opportunities for the future.

On air passenger duty, the hon. Member for Falmouth and Camborne urged me to cite precedents for changes in taxation being introduced before Budget resolutions are debated. I have cited previously in the House the example of the increase in the supplementary charge on North sea oil and gas. I have also written to the Chairman of the Procedure Committee to underline the point and to explain that, in law, a resolution made under the Provisional Collection of Taxes Act 1968 has the effect

"as if contained in an Act of Parliament".

That provision has been regularly used by Governments of different persuasions. I will discuss with the Chairman of the Procedure Committee whether he is content for me to place a copy of my letter citing such precedents and examples in the Library.

My hon. Friend the Member for Wolverhampton, South-West delivered a clinical and comprehensive demolition of the Opposition's amendment and arguments. I hope that I can persuade him to serve on the Bill Committee, although Opposition Members—and perhaps the hon. Member for Falmouth and Camborne in particular—may not be too pleased if he does. On climate change, he made a persuasive and coherent argument. He was an early advocate of the importance of taking into account adaptation to the impact of climate change, and I am glad that, as he said, his private Member's Bill has largely been incorporated into our draft climate change Bill.

The hon. Member for Hornchurch (James Brokenshire), who, I am disappointed to see, is not in his place, is a former tax lawyer, and I hope that we will see him on the Bill Committee, although I do not wish to do the Opposition Whips' job for them. He maintained that small companies would have difficulty taking advantage of the tax reliefs because of their complexity. However, the Institute for Fiscal Studies, in its reaction to the Budget, said:

"This is a genuinely simplifying Budget...a cause for congratulation rather than criticism."

It is true that the annual investment allowance makes tax simpler for small businesses. Clearly, it is a simplification, effectively giving small businesses, incorporated and unincorporated, a cash flow tax, which has been welcomed by many, including the Federation of Small Businesses, the chairman of whose tax committee said:

"The Annual Investment Allowance will be significant for small businesses, both incorporated and unincorporated, when it comes in from April 2008. It should allow what is in effect free depreciation for small businesses on plant and machinery, and has the added benefit of being a simplification."

Small firms often say that volatility in cash flow is one of their major headaches and risks. The AIA will offer significant help to make purchasing new assets more affordable.

My hon. Friend the Member for Stoke-on-Trent, South (Mr. Flello) chairs the Staffordshire taskforce and talked with some expertise about the importance of skills and jobs in his local economy. I will make sure that the chairman of Advantage West Midlands is aware of his points about investment, particularly in office accommodation in his area.

The right hon. Member for Wokingham treated us to a tantalising taste of the report that he is preparing for his leader. We look forward to the Redwood report on economic reform. I encourage him and those on his Front Bench to take up the idea of publishing it chapter by chapter, and to make sure that it is a question of when and not if.

I was glad to see the hon. Member for South-West Hertfordshire (Mr. Gauke) make a contribution and keep the Treasury Committee's end up in the debate. He was particularly concerned about the Olympics and the impact of capital allowances. We do not expect the reforms to business tax to have the negative impact that he and some other members of the Committee might fear. As he will be aware, the changes to capital allowances have a largely temporary timing effect. Those will be more than outweighed by the dominant effect of the cut in the main rate that the Bill and Budget introduce. Overall, we expect the Budget changes to have a positive impact on investment levels, including in relation to the Olympics.

The hon. Member for Ludlow (Mr. Dunne), who sadly and surprisingly is not in the Chamber, wanted to discuss in detail aspects of sideways loss relief. The Committee is probably the place to do that, not a Second Reading debate at this hour.

The hon. Member for Dundee, East (Stewart Hosie) quoted the Federation of Small Businesses. I shall come on to the business tax reforms and explain why they are likely principally to assist small businesses rather than to hinder them as he fears. He made the argument—although that perhaps flatters him slightly—that the announcements in the Budget would mean R and D tax credit benefits to very few. That is not true at all. The measure in the Bill extends the small and medium-sized enterprises R and D tax credit to companies with up to 500 employees, but the Chancellor's announcement in the Budget, for which we will legislate next year, means that all companies

[John Healey]

will benefit from an increase in the value of the SME and the large company R and D tax rate from 2008. To date, there have been more than 23,000 claims under the R and D tax credit from between 6,000 and 8,000 companies. That is scale of those who stand to benefit.

My hon. Friend the Member for Swansea, East (Mrs. James) brought some of the contributions back to reality. She was so clear and so right when she argued that tax credits are an important part of many families' monthly income. Take-up is now 90 per cent. for those on incomes lower than £10,000. More than 6 million families and 10 million children are benefiting. She said that they are afraid of having to do without their tax credits. Those fears would certainly be realised if the Opposition ever got their way.

On the business tax reform, the Leader of the Opposition said:

"Somebody needs to tell the Prime Minister that there are two rates of corporation tax, and the one for small businesses is going up. It will be paid by every firm in the country."—[*Official Report*, 28 March 2007; Vol. 458, c. 1492.]

Somebody needs to tell the Leader of the Opposition that the UK has 4.3 million small businesses. Of those, more than three quarters are self-employed. They do not pay corporation tax and are not affected by the changes in the Budget. Of those that remain, around a quarter do not pay any corporation tax because they do not declare profits. Of those that remain, we estimate that the majority have incorporated with the purpose of reducing their tax and national insurance liabilities.

In all the changes that we have made to small business tax rates and policy, we have done so with a view to having a tax system that ensures that we get greater levels of investment and innovation and a fairness in the system. That was the purpose also of our consultation in 2004. However, the lower rates of tax have resulted in a significant number of people incorporating to take advantage of them, not to invest in business, but simply to extract the company profits in a way that reduces their personal tax and national insurance liabilities. They are doing that while still carrying out the same economic activity that they carried out before they incorporated. The tax break is clearly being subsidised by those companies that are following the rules and by ordinary taxpayers.

We are therefore refocusing the provision of investment incentives on small businesses. The increase in the small companies rate will reduce the differential in tax paid between the incorporated and the self-employed. The annual investment allowance will target assistance directly on those firms, incorporated and unincorporated, that invested their profits. The Budget is good for business, with the lowest corporation tax rate in the major economies, a small companies rate that will still be lower than the rate when we came to office in 1997, tax incentives focused on businesses that invest and innovate, and a fair deal for the self-employed.

Over the past decade, Britain's economy has been at the forefront of jobs, stability and growth, and the Bill will help to maintain our competitive economy for the future. Since 1997, Labour has introduced the new deal and tax credits for working families, and has seen more than 2.5 million more jobs in the British economy. The Bill increases the rewards for work and support for families. In the last 10 years, we have seen the United Kingdom lead on international arguments and action to tackle climate change. Now the United Kingdom, almost alone, is set not just to meet our Kyoto targets but to double them. The Bill introduces further measures to protect the environment and to reduce climate change emissions.

A strong economy, a just society, a duty to future generations in protecting the environment—this is a Labour Finance Bill, and I commend it to the House.

Question put, That the amendment be made:—

The House divided: Ayes 168, Noes 283.

Division No. 096] **[10.01 pm**

AYES

Afriyie, Adam
Ainsworth, Mr. Peter
Amess, Mr. David
Ancram, rh Mr. Michael
Arbuthnot, rh Mr. James
Atkinson, Mr. Peter
Barker, Gregory
Barrett, John
Baith, rh Mr. Alan
Bellingham, Mr. Henry
Bercow, John
Beresford, Sir Paul
Binley, Mr. Brian
Bone, Mr. Peter
Bottomley, Peter
Brady, Mr. Graham
Brazier, Mr. Julian
Brokenshire, James
Browne, Mr. Jeremy
Browning, Angela
Burt, Alistair
Cable, Dr. Vincent
Carmichael, Mr. Alistair
Carswell, Mr. Douglas
Cash, Mr. William
Chope, Mr. Christopher
Clappison, Mr. James
Clarke, rh Mr. Kenneth
Clifton-Brown, Mr. Geoffrey
Cox, Mr. Geoffrey
Curry, rh Mr. David
Davies, David T.C. *(Monmouth)*
Davies, Philip
Davis, rh David *(Haltemprice and Howden)*
Djanogly, Mr. Jonathan
Duddridge, James
Duncan, Alan
Dunne, Mr. Philip
Evans, Mr. Nigel
Evennett, Mr. David
Fallon, Mr. Michael
Featherstone, Lynne
Field, Mr. Mark
Francois, Mr. Mark
Fraser, Mr. Christopher
Garnier, Mr. Edward
Gauke, Mr. David
Gibb, Mr. Nick
Goldsworthy, Julie
Goodman, Mr. Paul
Gove, Michael
Gray, Mr. James
Grayling, Chris
Green, Damian
Greening, Justine
Greenway, Mr. John
Grieve, Mr. Dominic
Hammond, Mr. Philip
Hancock, Mr. Mike
Hands, Mr. Greg
Harper, Mr. Mark
Harvey, Nick
Hayes, Mr. John
Heath, Mr. David
Heathcoat-Amory, rh Mr. David
Hemming, John
Hendry, Charles
Herbert, Nick
Hoban, Mr. Mark
Hogg, rh Mr. Douglas
Hollobone, Mr. Philip
Holloway, Mr. Adam
Horam, Mr. John
Hosie, Stewart
Howarth, Mr. Gerald
Hughes, Simon
Hulme, Chris
Hurd, Mr. Nick
Jack, rh Mr. Michael
Jenkin, Mr. Bernard
Johnson, Mr. Boris
Jones, Mr. David
Kawczynski, Daniel
Key, Robert
Kirkbride, Miss Julie
Lait, Mrs. Jacqui
Lamb, Norman
Lancaster, Mr. Mark
Lansley, Mr. Andrew
Leigh, Mr. Edward
Letwin, rh Mr. Oliver
Lewis, Dr. Julian
Liddell-Grainger, Mr. Ian
Lidington, Mr. David
Lilley, rh Mr. Peter
Llwyd, Mr. Elfyn
Loughton, Tim
Lull, Peter
Mackay, rh Mr. Andrew
Maclean, rh David
Main, Anne

Malins, Mr. Humfrey
Maples, Mr. John
Mates, rh Mr. Michael
Maude, rh Mr. Francis
May, rh Mrs. Theresa
McIntosh, Miss Anne
McLoughlin, rh Mr. Patrick
Mercer, Patrick
Miller, Mrs. Maria
Milton, Anne
Mitchell, Mr. Andrew
Moss, Mr. Malcolm
Murrison, Dr. Andrew
Neill, Robert
O'Brien, Mr. Stephen
Osborne, Mr. George
Ottaway, Richard
Paice, Mr. James
Paterson, Mr. Owen
Pelling, Mr. Andrew
Penning, Mike
Prisk, Mr. Mark
Pritchard, Mark
Pugh, Dr. John
Randall, Mr. John
Redwood, rh Mr. John
Rifkind, rh Sir Malcolm
Robathan, Mr. Andrew
Robertson, Hugh
Rogerson, Mr. Dan
Rosindell, Andrew
Ruffley, Mr. David
Russell, Bob
Sanders, Mr. Adrian
Shepherd, Mr. Richard
Smith, Sir Robert
Soames, Mr. Nicholas
Spicer, Sir Michael
Spink, Bob
Spring, Mr. Richard
Steen, Mr. Anthony
Stuart, Mr. Graham
Stunell, Andrew
Swayne, Mr. Desmond
Swire, Mr. Hugo
Syms, Mr. Robert
Taylor, Mr. Ian
Tyrie, Mr. Andrew
Vaizey, Mr. Edward
Vara, Mr. Shailesh
Viggers, Peter
Villiers, Mrs. Theresa
Walker, Mr. Charles
Wallace, Mr. Ben
Waterson, Mr. Nigel
Weir, Mr. Mike
Whittingdale, Mr. John
Wiggin, Bill
Willetts, Mr. David
Williams, Stephen
Willott, Jenny
Winterton, Ann
Winterton, Sir Nicholas
Wright, Jeremy
Yeo, Mr. Tim
Young, rh Sir George
Younger-Ross, Richard

Tellers for the Ayes:
Michael Fabricant and Mr. Robert Goodwill

NOES

Abbott, Ms Diane
Ainger, Nick
Ainsworth, rh Mr. Bob
Allen, Mr. Graham
Armstrong, rh Hilary
Atkins, Charlotte
Austin, Mr. Ian
Austin, John
Bailey, Mr. Adrian
Baird, Vera
Balls, Ed
Barlow, Ms Celia
Barron, rh Mr. Kevin
Bayley, Hugh
Beckett, rh Margaret
Begg, Miss Anne
Berry, Roger
Betts, Mr. Clive
Blackman, Liz
Blears, rh Hazel
Blizzard, Mr. Bob
Blunkett, rh Mr. David
Borrow, Mr. David S.
Bradshaw, Mr. Ben
Brennan, Kevin
Brown, Lyn
Brown, rh Mr. Nicholas
Brown, Mr. Russell
Browne, rh Des
Bryant, Chris
Buck, Ms Karen
Burden, Richard
Burgon, Colin
Burnham, Andy
Butler, Ms Dawn
Byers, rh Mr. Stephen
Byrne, Mr. Liam
Campbell, Mr. Alan
Campbell, Mr. Ronnie
Caton, Mr. Martin
Cawsey, Mr. Ian
Challen, Colin
Chapman, Ben
Chaytor, Mr. David
Clark, Ms Katy
Clark, Paul
Clarke, rh Mr. Charles
Clarke, rh Mr. Tom
Clelland, Mr. David
Coaker, Mr. Vernon
Coffey, Ann
Cohen, Harry
Connarty, Michael
Cook, Frank
Cooper, Yvette
Corbyn, Jeremy
Crausby, Mr. David
Creagh, Mary
Cruddas, Jon
Cryer, Mrs. Ann
Cummings, John
Cunningham, Mr. Jim
Cunningham, Tony
Darling, rh Mr. Alistair
Davidson, Mr. Ian
Davies, Mr. Dai
Dean, Mrs. Janet
Denham, rh Mr. John
Devine, Mr. Jim
Dhanda, Mr. Parmjit
Diamond, Mr. Andrew
Dobbin, Jim
Dobson, rh Frank
Donohoe, Mr. Brian H.
Doran, Mr. Frank
Dowd, Jim
Drew, Mr. David
Dunwoody, Mrs. Gwyneth
Eagle, Angela
Efford, Clive
Ellman, Mrs. Louise
Ennis, Jeff
Farrelly, Paul
Fisher, Mark
Fitzpatrick, Jim
Flello, Mr. Robert
Flint, Caroline
Follett, Barbara
Foster, Michael Jabez *(Hastings and Rye)*
Francis, Dr. Hywel
Gapes, Mike
Gardiner, Barry
George, rh Mr. Bruce
Gerrard, Mr. Neil
Gibson, Dr. Ian
Gilroy, Linda
Godsiff, Mr. Roger
Goodman, Helen
Griffiths, Nigel
Grogan, Mr. John
Gwynne, Andrew
Hall, Mr. Mike
Hall, Patrick
Hamilton, Mr. David
Hamilton, Mr. Fabian
Harris, Mr. Tom
Havard, Mr. Dai
Healey, John
Henderson, Mr. Doug
Hendrick, Mr. Mark
Heppell, Mr. John
Hesford, Stephen
Hewitt, rh Ms Patricia
Hill, rh Keith
Hodge, rh Margaret
Hodgson, Mrs. Sharon
Hoey, Kate
Hood, Mr. Jimmy
Hoon, rh Mr. Geoffrey
Hopkins, Kelvin
Howarth, rh Mr. George
Hoyle, Mr. Lindsay
Hughes, rh Beverley
Humble, Mrs. Joan
Iddon, Dr. Brian
Ingram, rh Mr. Adam
Irranca-Davies, Huw
Jackson, Glenda
James, Mrs. Siân C.
Jenkins, Mr. Brian
Johnson, rh Alan
Johnson, Ms Diana R.
Jones, Helen
Jones, Mr. Kevan
Jones, Lynne
Jones, Mr. Martyn
Jowell, rh Tessa
Joyce, Mr. Eric
Kaufman, rh Sir Gerald
Keeble, Ms Sally
Keeley, Barbara
Keen, Alan
Keen, Ann
Kemp, Mr. Fraser
Khan, Mr. Sadiq
Kidney, Mr. David
Kilfoyle, Mr. Peter
Knight, Jim
Kumar, Dr. Ashok
Ladyman, Dr. Stephen
Lammy, Mr. David
Laxton, Mr. Bob
Lazarowicz, Mark
Lepper, David
Levitt, Tom
Lewis, Mr. Ivan
Linton, Martin
Lloyd, Tony
Love, Mr. Andrew
Mackinlay, Andrew
MacShane, rh Mr. Denis
Mactaggart, Fiona
Malik, Mr. Shahid
Mallaber, Judy
Mann, John
Marris, Rob
Marsden, Mr. Gordon
Marshall, Mr. David
Marshall-Andrews, Mr. Robert
McAvoy, rh Mr. Thomas
McCabe, Steve
McCafferty, Chris
McCarthy, Kerry
McCarthy-Fry, Sarah
McCartney, rh Mr. Ian
McDonagh, Siobhain
McDonnell, John
McFadden, Mr. Pat
McFall, rh John
McGovern, Mr. Jim
McGuire, Mrs. Anne
McIsaac, Shona
McKechin, Ann
McKenna, Rosemary
McNulty, Mr. Tony
Meacher, rh Mr. Michael
Meale, Mr. Alan
Merron, Gillian
Michael, rh Alun
Milburn, rh Mr. Alan
Miliband, rh David
Miliband, Edward
Miller, Andrew
Mitchell, Mr. Austin
Moffatt, Laura
Mole, Chris
Moon, Mrs. Madeleine
Morden, Jessica
Morley, rh Mr. Elliot
Mountford, Kali
Mudie, Mr. George
Munn, Meg
Murphy, Mr. Jim
Murphy, rh Mr. Paul
Naysmith, Dr. Doug
Norris, Dan
O'Brien, Mr. Mike
Olner, Mr. Bill
Owen, Albert
Palmer, Dr. Nick
Plaskitt, Mr. James

Pope, Mr. Greg
Pound, Stephen
Prentice, Bridget
Prentice, Mr. Gordon
Primarolo, rh Dawn
Prosser, Gwyn
Purchase, Mr. Ken
Purnell, James
Raynsford, rh Mr. Nick
Reed, Mr. Jamie
Reid, rh John
Robertson, John
Rooney, Mr. Terry
Roy, Mr. Frank
Ruddock, Joan
Russell, Christine
Ryan, Joan
Seabeck, Alison
Sheerman, Mr. Barry
Sheridan, Jim
Simon, Mr. Siôn
Skinner, Mr. Dennis
Slaughter, Mr. Andy
Smith, rh Mr. Andrew
Smith, Angela E. *(Basildon)*
Smith, Geraldine
Smith, rh Jacqui
Smith, John
Snelgrove, Anne
Soulsby, Sir Peter
Southworth, Helen
Spellar, rh Mr. John
Starkey, Dr. Phyllis
Stewart, Ian
Strang, rh Dr. Gavin
Stuart, Ms Gisela
Sutcliffe, Mr. Gerry
Tami, Mark
Taylor, Ms Dari
Taylor, David
Taylor, Dr. Richard
Thornberry, Emily
Timms, rh Mr. Stephen
Tipping, Paddy
Todd, Mr. Mark
Touhig, rh Mr. Don
Trickett, Jon
Truswell, Mr. Paul
Turner, Dr. Desmond
Turner, Mr. Neil
Twigg, Derek
Ussher, Kitty
Vaz, rh Keith
Walley, Joan
Waltho, Lynda
Ward, Claire
Wareing, Mr. Robert N.
Watson, Mr. Tom
Watts, Mr. Dave
Whitehead, Dr. Alan
Wicks, Malcolm
Williams, rh Mr. Alan
Williams, Mrs. Betty
Wills, Mr. Michael
Winnick, Mr. David
Winterton, rh Ms Rosie
Woodward, Mr. Shaun
Woolas, Mr. Phil
Wright, Mr. Anthony
Wright, David
Wright, Mr. Iain
Wright, Dr. Tony

Tellers for the Noes:
Mr. Michael Foster and Jonathan Shaw

Question accordingly negatived.

Main Question put forthwith, pursuant to Standing Order No. 62 (Amendment on second or third reading), and agreed to.

Bill accordingly read a Second time.

Ordered,

That—

(1) Clauses 1, 3, 7, 8, 12, 20, 21, 25, 67 and 81 to 84, Schedules 1, 18, 22 and 23, and new Clauses relating to microgeneration be committed to a Committee of the whole House;

(2) the remainder of the Bill be committed to a Public Bill Committee; and

(3) when the provisions of the Bill considered by the Committee of the whole House and the Public Bill Committee have been reported to the House, the Bill be proceeded with as if it had been reported as a whole to the House from the Public Bill Committee.—*[Mr. Timms.]*

Committee tomorrow.

DELEGATED LEGISLATION

Mr. Speaker: With permission, I shall put together motions 2 to 6 together.

Motion made, and Question put forthwith, pursuant to Standing Order No.118(6) (Standing Committees on Delegated Legislation),

Criminal Law

That the draft Serious Organised Crime and Police Act 2005 (Amendment of Section 76(3)) Order 2007, which was laid before this House on 8th March, be approved.

Representation of the People

That the draft Representation of the People (National Assembly for Wales) (Access to Election Documents) Regulations 2007, which were laid before this House on 7th March, be approved.

Constitutional Law

That the draft Government of Wales Act 2006 (Consequential Modifications and Transitional Provisions) Order 2007, which was laid before this House on 26th March, be approved.

Immigration

That the draft Community Legal Service (Asylum and Immigration Appeals) (Amendment) Regulations 2007, which were laid before this House on 14th March, be approved.

Immigration, Northern Ireland

That the draft Legal Aid (Asylum and Immigration Appeals) (Northern Ireland) Regulations 2007, which were laid before this House on 14th March, be approved.—*[Kevin Brennan.]*

BUSINESS OF THE HOUSE

Ordered,

That, at the sitting on Wednesday 25th April, the Speaker shall put Questions necessary to dispose of proceedings on the Motion in the name of Mr Secretary Alexander relating to the Crossrail Bill not later than Four o'clock; and such Questions shall include the Questions on any Amendments selected by the Speaker which may then be moved.—*[Kevin Brennan.]*

COMMITTEES

Financial Mutuals Arrangements Bill

Ordered,

That the Financial Mutuals Arrangements Bill Committee shall have leave to sit twice on the first day on which it shall meet.—*[Kevin Brennan.]*

European Scrutiny

Ordered,

That Mr David Hamilton and Mr Jimmy Hood be discharged from the European Scrutiny Committee and Kelvin Hopkins and Mr Bob Laxton be added.—*[Rosemary McKenna, on behalf of the Committee of Selection.]*

Balanced and Sustainable Communities

Motion made, and Question proposed, That this House do now adjourn.— *[Kevin Brennan.]*

10.21 pm

Mr. David Amess (Southend, West) (Con): I am delighted to have the opportunity of raising the subject of balanced and sustainable communities on the day on which we celebrate our patron saint, St. George. For so long, Ireland, Scotland and Wales have celebrated their national day. I am delighted that the House of Commons is leading the way in celebrating St. George. I am particularly delighted that this debate coincides with the celebration of our national day, because I represent a constituency that is very patriotic and is celebrating St. George's day. During my brief speech, I want to talk about Southend in particular with regard to a balanced and sustainable community. If the Minister does not have the time to respond to all the points that I intend to raise, I am sure that he will write to me.

I started preparing for this debate by finding a definition of a sustainable community. I found eight key characteristics. It should be active, inclusive and safe; well run; environmentally sensitive; well designed and well built; well connected; thriving; well served; and fair for everyone. That sounds a pretty good range of things for a balanced community to have.

A sustainable community is really the antithesis of ghost-town Britain, which has seen the decline of community. That has been well documented of late. It has been highlighted by my hon. Friend the Member for Ruislip-Northwood (Mr. Hurd) in his Sustainable Communities Bill and also by the Communities and Local Government Select Committee in its report on coastal towns. Ten years of top-down centralisation from Labour have frankly added to the cycle of decline in local communities. If people were able to restore their feeling of pride in, and responsibility for, the individual communities in which they live, the quality of those environments and the quality of life of their inhabitants would improve. There can be no better way to build sustainable communities than to involve the people who live in them, so I call on the Government to give a much higher priority to the promotion of sustainable communities than they appear to give at present.

I find Labour's approach to the Sustainable Communities Bill somewhat puzzling. It reminds me of the Warm Homes and Energy Conservation Bill, which became an Act of Parliament and which I was privileged to pilot through the House in 2000. There are a number of programmes that touch on the notion of sustainable communities, but there is no focused strategy to deal with the problem. I understand that at least 50 per cent. of Labour MPs support the Sustainable Communities Bill and that, resisting the "not invented here" syndrome, the Labour Government have finally decided to back it. I am delighted about that, but I fear that the Government do not have a joined-up strategy on the issue.

If the Minister wants firm evidence about how serious the situation is, I can tell him that over the past few years 8,600 independent grocery stores have closed, 4,000 bank branches have closed, 200 police stations have closed, 13,000 independent newsagents have closed, 700 doctors surgeries have closed, 162 green-belt developments were approved by the Government, and 20 independent pubs closed every month. In 2005, 70 per cent. of rural parishes had no general store, 75 per cent. had no daily bus service, 83 per cent. had no GP, and 43 per cent. had no post office. All that has happened under a Labour Government.

The post office closures in Southend have had a serious effect because we have the highest number of senior citizens in the country. Throughout the country 3,700 post offices have closed. The Government gave all sorts of reassurances that that would not impact on local communities, but it certainly has done so in the area that I represent.

Although I welcome the fact that there are now 20 PayPoint outlets in Southend, West, where payments can be made in cash or by debit card for television licenses and in cash for most utilities and mobile phone top-ups, I am concerned that those services will not be accessible to the elderly in my constituency, who are not familiar with the new facility. How on earth the Government expect senior citizens to cope with new technology I do not know. As a result of what has happened with post offices in urban areas, only 42 per cent. of people now walk to their post office, down from 70 per cent. before the recent spate of closures.

The Minister knows more than most, because we had a number of meetings with him about the Southend census. Nothing was done to help my constituents after the 2001 census left 20,000 people off. The subject has not gone away, because it is such a serious matter when funding is provided for 20,000 people fewer than in fact live in the constituency. I do not know how the mistake was made or why I was not alerted to it earlier. It is no good the Government suggesting that the local authority can raise more money. It cannot, because the Government would cap it.

The biggest effect, as the Minister knows, is on buses. Southend residents value their buses, which were being run by First and Arriva. The local authority had to withdraw the subsidy, because it has no money, so services were stopped on the 23 route connecting Belfairs to Tesco and Leigh Broadway, and Arriva stopped an evening and Sunday service along the route from Belfairs to Southend hospital and to the town centre.

The main candidate for providing the necessary funds had until very recently been Tesco. The Minister will no doubt be intrigued by that. The initial encouragement that I received from Tesco led me to question the assumption that national supermarkets, which are blamed for the identikit high street, are not conducive to sustainable communities. For some time I had been in discussion with Tesco, which had informed me that as a firm it often subsidises local bus services for the benefit of the local community. Unfortunately, after a meeting earlier this year with representatives from Tesco who were sent down to the area by the chief executive, I was given the somewhat contradictory information that Tesco did not subsidise local bus services and would not be making any exception. Dealing with Tesco in that respect over 18 months has been a complete and absolute waste of time. I am very dissatisfied with what has happened. I have a letter

[Mr. David Amess]

from one of the directors of Tesco, reiterating its negative response. In the light of record profits of £2.6 billion, I am less than happy.

On the subject of identikit high streets—I am pleased to see my hon. Friend the Member for Rochford and Southend, East (James Duddridge) in his place, because I was going to refer to his high street—between 1997 and 2005, 50 specialist stores such as butchers, bakers and fishmongers closed a week. That has all taken place while we have had a Labour Government. I am not enamoured of identikit high streets and I am fortunate that Southend is not over-afflicted by the phenomenon, but there are certainly many challenges in Southend high street. Independent retailers, starved of business by the big supermarkets, have less money to spend locally and make less demand for local products. That in turn impoverishes local producers. Although I welcome Tesco's surprise announcement on 3 April about increasing the producer price of milk by 4p to about 22p per litre, that is a frightening indicator of the power that supermarkets now have to dictate prices to producers. All of that has happened while we have had a Labour Government.

Between 1997 and 2002, the number of UK farm workers fell by 100,000, leading to many rural homes being taken over by city commuters, who have much weaker links to the local community and are less likely to spend their money locally. As the country's food infrastructure has contracted, it has become increasingly difficult for small shops to source their goods from nearby wholesalers—dairy or abattoir. It therefore comes as no surprise that the distance that the average tonne of UK food is transported has increased from 82 km in 1978 to 128 km in 1999.

The other point that the Government wax lyrical about is democracy. They have a great deal to say about democracy, but in practice they will go down in history as the most undemocratic Government of the last two centuries. In the run-up to the local elections on Thursday week, we are again exposed to the apathy, I dare say, of the general public. I believe in restoring powers to local councils. The Government have taken all the powers away from local authorities. They are now told what to spend money on and how much money to raise. All their power has been lost under this Government. Restoring powers to local councils and involving the public in consultations, as the Sustainable Communities Bill proposes, would encourage people to take part in the democratic process. The key to building a sustainable community is requiring the active participation of communities and residents, mainly through local authorities—let us set the people free.

I am vehemently opposed to the unaccountable power wielded by today's quangos, as are my hon. Friends the Members for Gainsborough (Mr. Leigh) and for Rochford and Southend, East. The hon. Member for Thurrock (Andrew Mackinlay) also has some reservations about the number of quangos in Essex. I welcome the proposals in the Sustainable Communities Bill to make the action of those organisations more transparent. It is not surprising that taxpayers are disheartened by ever-increasing tax rises when they have little control over how money is spent.

I will end with two points. Southend faces a tough employment situation. I will not go into huge detail about it tonight. The Minister has the evidence in the latest report from the Communities and Local Government Committee, which shows how seaside resorts have suffered. The fishing industry, which was traditionally an alternative source of employment for residents in Southend, has been badly hit in our area. Quotas introduced this year introduced by-catch limits of 25 per cent. on skates and rays. That threatens to cripple fishermen up and down the East Anglia coast.

I am informed that, although stocks of skates and rays might be threatened off parts of Britain's coastline, they are in plentiful supply in the waters off my constituency, but they cannot be caught. In 1983, the UK extended its fishery limits to 12 miles. That now clearly needs to be seen to be working. Some 24 years later, fishermen in my constituency are seriously suffering. One of the Minister's colleagues recently met a delegation to discuss the situation. The Minister knows from the Select Committee report that a high proportion of people living in coastal towns are claiming benefits, especially incapacity benefit.

On Friday, I visited Westborough school, which is just about the largest primary school in Essex. The foundation school has been nominated for the sustainable school of the year award. It is an excellent example of how a primary school can make a valuable contribution to the sustainability of a community. It provides support to both pupils and parents in a variety of ways and tries to meet the challenges presented by the diverse urban population from which it draws its intake.

The character of Westborough school has changed dramatically over the past five years from a predominantly white school to a school in which 30 languages are spoken. The school has a long-term vision for the development of its land-locked site and Edwardian building. It has a recycled playground and an environmentally friendly cardboard classroom. It is committed to inclusion and its intake fully reflects the diverse, socially mixed community. Every child participates in an inclusive production each year and no ethnic group is marginalised. The school operates an open-access policy for parents, and problems are dealt with on a same-day basis. The school works with local social services and other providers to facilitate the return to education of disaffected secondary school pupils.

Westborough offers a choice of more than 20 clubs, which are available four days a week and include Spanish, French, reading, sports, art, Latin, chess and cookery. The school runs a breakfast service to ensure that pupils receive a morning meal. Its focus on green and environmental issues is preparing children to be responsible citizens of the future.

Southend, West has the vital ingredients that are required for a sustainable community. I ask the Minister to reflect on the powerless position in which the local authority finds itself and to consider whether the Government could do a little more to help.

10.37 pm

The Minister for Local Government (Mr. Phil Woolas): I give my genuine congratulations to the hon. Member for Southend, West (Mr. Amess) on securing the debate, especially because it is being held on St. George's day, our national day. I share his view that it is right to celebrate St. George's day. On Sunday in my constituency, 1,250 of our Brownies, Cubs, Beavers and Scouts celebrated the 100th anniversary of scouting, as did the rest of the country. Such celebrations take place on the nearest Sunday to St. George's day, and Sunday was one of the proudest days that I have had representing my constituency.

I want to give the hon. Gentleman some encouragement. The direction of travel that he is imploring the Government to follow on devolution—or double devolution, as it has been called—is at the heart of the Local Government and Public Involvement in Health Bill, which is being considered by the House. The Bill builds on the local government White Paper that was published in October 2006.

The hon. Gentleman referred to the Sustainable Communities Bill. The Government did not vote against that private Member's Bill. We are discussing with its promoter and sponsors how we can meet the Bill's objectives of helping to sustain communities in a way that is workable and beneficial. Much merit is claimed for the Bill, ranging from the assertion that it will save local pubs to the suggestion that it will save high streets from voracious supermarkets. Having read the Bill, I am puzzled about how that would be translated into reality. However, its core philosophy is one that we support, and we are considering how to improve the Bill. A number of measures are already in place, or are being put in place, that achieve the goals of the Sustainable Communities Bill. Indeed, debate on the Bill gives me the opportunity to explain to the House in greater detail what those measures are.

The hon. Member for Southend, West, paints a bleak picture of Britain, and I understand why, but I have to say that if he travelled with me to most towns and even villages on a Saturday night, the phrase "ghost town" is not what would come to mind. One wag in my constituency said that it was more like the wild west than a ghost town. I share with the hon. Gentleman the concern about the decline of independent shops, and the work of the all-party group on small shops should be commended, but it would be misleading if the Government gave the impression that those problems would be solved simply by passing a private Member's Bill. We have to ensure fair competition, but the supermarkets are successful because they provide consumers with what they want. Some of the supporters of the Sustainable Communities Bill have to marry that support with the idea of a free market economy, but I am certainly not here to bash successful businesses.

The Government have made significant changes to planning policy, and we believe that they help the situation, particularly with out-of-town shopping centres. I know that that is a big issue in the hon. Gentleman's part of the world; I also know how popular such shopping centres can be, but it is right that planning policy should ensure that town centres and retail centres benefit. That oil tanker has been turned around, and the advent of the new, smaller IKEA stores is the best known example of that so far.

Some of the figures that the hon. Gentleman gave on closures are gross, and not net. I have learned in my time in ministerial office to be wary of figures that move in that way. Indeed, in a previous incarnation, I used to produce regular figures on the loss of manufacturing jobs—it was when the Conservatives were in government—and I confess that they were gross figures, not net figures. The same survey carries on today, much to my discomfort, so I cannot really complain. In any case, the hon. Gentleman raises a serious point. Two specific issues to do with the census figures were raised by him and by the hon. Member for Rochford.

James Duddridge (Rochford and Southend, East) (Con): And Southend, East.

Mr. Woolas: I apologise. The constituency was changed after the Boundary Commission report, was it not? The hon. Member for Southend, West, and the hon. Member for Rochford and Southend, East, raised the issue of the census. Of course, we have to rely on the best figures that are available to us, and the Office for National Statistics is the source of the figures. On the distribution of the money, we simply distribute a cake, as it were, and local authorities and Members have reasonably put their arguments about their area's individual circumstances. I have been lobbied by 18 Members of Parliament who have put a "unique" case, but if there are even just two cases on the same basis, neither can be unique, can it? That is a serious point. The ONS has reported on the work of its working party; it has provided an interim report and is considering how we can deal with the matter.

We live in an era of multi-year settlements for local authorities. The Government changed the formula in the current round to ensure that there is a greater forward look, and to ensure that we do not just rely on historic trends, so I assure the hon. Member for Southend, West that his lobbying has not been wholly without benefit for his area. Later this year, we intend to announce a three-year settlement for 2008-11, and it is important that the discussions on the population figures continue.

I recognise the hon. Gentleman's point about seaside towns. Over the decades, we have seen a general shift because of changes in tourism, changes in fishing industries and other factors. That has been highlighted by all-party groups, by the Select Committee on Communities and Local Government and by academic studies such as those from Sheffield. There are often different reasons in different parts of the country, sometimes to do with port trading, fishing or tourism. I suspect that in the hon. Gentleman's constituency it is a mixture of all three. He nods in assent, which confirms my briefing and my personal knowledge of Southend. There are strong arguments and the issue is being addressed, albeit, I recognise, not entirely to his satisfaction.

The hon. Gentleman raised the issue of concessionary fares. That exposes an important point about devolution. Local authorities and Members of Parliament often argue for devolved powers and against ring-fenced budgets. When the Government

[Mr. Woolas]

provide non-ring-fenced budgets and devolve power, we are often told that the money is not enough, which is the argument on the concessionary bus fares scheme. When the money was provided on a non-ring-fenced basis through the local authority revenue support grant settlement, some councils said that it was not enough. One cannot have one's cake and eat it. If it is such a priority for the local authority, it has to take some tough decisions, just as Governments do. There is further good news, however, because the Chancellor has announced not only a nationwide concessionary fare scheme for buses for the elderly and disabled but a national scheme. Discussions are taking place in Government on how the funding mechanism for that should be handled. Representations made by the hon. Gentleman and others are of course being considered as we work out how the scheme can best come about.

The hon. Gentleman made a rather startling claim when he said that this Government were the least democratic for two centuries. Universal suffrage has not been around for two centuries. *[Interruption.]* The hon. Gentleman says, "For two decades." That gives me a get-out, because I think that I would come out on top were he to make claims about the previous Conservative Government, particularly as regards the abolition of councils and interference in local authorities in that period. Indeed, I could refer to the memoirs of Kenneth Baker, who described how he had to tackle, as he saw it, the views of local authorities in the 1980s—not a lot of devolution around then.

The local area agreement, which pools and aligns Government and local government money in local authority areas, is a significant devolutionary measure. Every local authority in England now has such an agreement. Approximately £500 million is channelled into local area agreements, and that frees up local agencies, especially local councils.

The legislative framework under which councils operate has changed and is changing again with the Sustainable Communities Bill through the key measures of the statutory duty on the partner agencies to co-operate with local councils. Clause 108 provides for a duty to involve, inform and consult, thus fulfilling many of the Bill's goals. Part of my task in Committee is to discuss with members how we can best move forward on that.

Local authorities' financial and legal frameworks are changing, especially through the measures that I have mentioned. Crucially, the performance framework is also changing through the freeing up by the Government and the Audit Commission of the regime under which councils operate.

The accusation has been made that central Government tied down local government. We introduced tough measures, which, along with the hard work of councillors from across the political spectrum and the extra money over the years—no one quibbles that it has been provided; many say that it is not enough but none says that it is too much—have meant a significant improvement in the quality of local authorities. That is not only my view but that of the Audit Commission and other independent bodies.

We are now in a position where we are freeing up local authorities, especially through the significant reduction of targets. There is a strong consensus in the Local Government Association about that. I therefore believe that I can meet some of the measures for which the hon. Gentleman argued but I still resist the accusation that we are the most undemocratic Government for two centuries.

Question put and agreed to.

Adjourned accordingly at nine minutes to Eleven o'clock.

House of Commons

Tuesday 24 April 2007

The House met at half-past Two o'clock

PRAYERS

[MR. SPEAKER *in the Chair*]

Oral Answers to Questions

HEALTH

The Secretary of State was asked—

NHS Information Technology

1. **Mr. David Jones** (Clwyd, West) (Con): What recent assessment she has made of the effectiveness of the use of information technology in the NHS. [133172]

The Minister of State, Department of Health (Caroline Flint): The digital technology being delivered through the national programme for IT is already being used widely by clinicians on a daily basis, and 91 per cent. of general practitioners have made a booking through choose and book. Most importantly, it is bringing benefits for patients by improving their care, safety and experience, and by improving the efficiency of services across the NHS in England.

Mr. Jones: The Minister will be aware that the British Medical Association's working party on information technology is concerned about the non-compatibility of the IT systems of the four home countries, and in November it wrote to the director general for IT in the NHS to express that concern. Will the Minister please say why it was not thought appropriate to design compatibility into the systems from the outset, and what effect does she think that lack of compatibility will have on patient safety, particularly in border areas?

Caroline Flint: Of course we are working with our colleagues across the borders of England to set standards and to consider issues of interoperability. For example, although the devolved Administration in Wales have chosen to adopt different approaches to the development of IT in relation to the health service in Wales, we are in discussions about how we can facilitate the migration of existing NHS shared administrative services, so that the NHS care record service data spine can be used. We are working together, and I am pleased to say that across England, we can prove that we can work with the system to produce results daily. Choose and book is rapidly being taken up across the country, and we are making progress on electronic prescriptions and many other measures. I am sure that that is something that the devolved Administrations will want to consider.

Angela Eagle (Wallasey) (Lab): Will my hon. Friend take this opportunity to congratulate the managers and staff at the Clatterbridge centre for oncology, which several years ago introduced an innovative IT scheme enabling its nine new Linux scanners, which deliver radiotherapy, to be chosen and booked by people who are expecting treatment? That ensures that there is huge productivity, and waiting lists for radiotherapy, which used to be very long, have now plummeted. People are getting their cancer treatment at the time of their choice, much faster than ever before.

Caroline Flint: Exactly. Our ambition is to provide better and safer services, quicker than ever before, and innovative clinicians are working with managers in the health service, and are co-operating with us, to do exactly that. I pay tribute to those people at her local hospital, who are making a difference to the lives of the patients whom they serve.

Mr. David Ruffley (Bury St. Edmunds) (Con): The April Public Accounts Committee report on the national programme for IT reported that the care record service is running two years behind schedule, with no firm plans for deploying the necessary software. Clinicians do not have faith in the programme. Four years after its start, there is uncertainty about the costs for the local NHS, and one of the largest suppliers, Accenture, has bailed out. Why is it that under Labour management, the NHS appears to be in the information super lay-by, when it should be on the information super highway?

Caroline Flint: We acknowledge the PAC report, but it happens to be a year out of date, and it is based on a previous National Audit Office report—*[Interruption.]* Let us just hear what the NAO has to say about our programme for improving technology in the NHS. It says that the NHS connecting for health programme

"has adopted the highest security standards for access to patient information",

and that

"The Programme has the potential to generate substantial benefits for patients and the NHS."

It also says:

"The Department and NHS Connecting for Health have made substantial progress with the Programme."

On the electronic patient record, it is important that we take time to get it right; that is better than speeding ahead and getting it wrong. *[Interruption.]* The Tories had 18 years to get on top of the technology, and not a lot was done. The question was asked—

Mr. Speaker: Order. I call Martin Linton.

Martin Linton (Battersea) (Lab): Has my hon. Friend made any assessment of the switchover from X-ray to digital imaging at St. George's and other hospitals, and on the roll-out of packs in that regard?

Caroline Flint: I thank my hon. Friend for raising that important point. We are moving from old-fashioned X-ray films to digital images, which will transform the NHS. Over 170 hospitals are already using the system, and all NHS hospitals will have it by the end of the year. I congratulate St. George's hospital

on its commitment to providing the best possible service. On top of all that, within the first year we expect to save £40 million.

Andrew George (St. Ives) (LD): Among the large number of answers that I have received from Ministers is one from 4 September last year in response to a question about what information the Department collects from primary care trusts, acute trusts and strategic health authorities on the allocation of budgets for choose and book, as well as information returned about assessment. The answer was "None". How can the Minister, in response to earlier questions, suggest that the Department is satisfied that it can make an assessment about the choose and book system if it is clearly not collecting any kind of information from people who are using the system?

Caroline Flint: We regularly collect information in different ways on the choose and book system and how it is working. I was pleased to visit a GP practice on Monday, and I talked to the GP about how it was working in that area. One thing is true: the IT to support choose and book has been delivered; the IT to support electronic prescriptions has been delivered; the broadband network has been delivered ahead of schedule; and digital X-ray machines have been fully deployed across London and the south of England. That is what is happening, and it is transforming lives. We will collect information where necessary, but we would rather provide the facility and ability for the local health service to get on with the job and produce the results.

Mr. Stephen O'Brien (Eddisbury) (Con): The Minister says that everything has been delivered, but the blunt truth is that twice the Government have set a target for choose and book, and twice they have missed it. Last year, Lord Warner promised to resign if choose and book was not delivered this March; in December he scuttled off on a fix-up job and is now blaming GPs and MPs for his failures. David Nicholson has criticised the bunker mentality of connecting for health, and today—

Mr. Speaker: Order. The hon. Gentleman should ask a question.

Mr. O'Brien: Very quickly, I should like to ask a question. When will the Secretary of State admit that that is a missed target, come clean and deliver something that is worth while?

Caroline Flint: We are delivering connecting for health on time and on budget—but perhaps the hon. Gentleman's question was written by Professor Ross Anderson, who is an independent adviser on IT to the Select Committee on Health. Among a number of suggestions for Conservative party policy, he proposed a fresh look at IT policy, suggesting that in each civil service department there should be a chief information officer at grade 1 and that

"the top 50 per cent. performers should expect a knighthood",

based on their IT advice. If that is the best advice that the Opposition can obtain for operating a modern Government using the modern technology necessary for our public services, so help them.

Cost Shunting

2. **Robert Key** (Salisbury) (Con): What recent assessment she has made of the extent of cost shunting between NHS hospitals and local authorities. [133173]

The Parliamentary Under-Secretary of State for Health (Mr. Ivan Lewis): Delivering high-quality social care and health care in every area while securing maximum value for money can be achieved only by NHS bodies and local authorities working together to make the best use of the available resources. We have made it very clear that cost shunting is not acceptable.

Robert Key: Can the Minister confirm that 17 per cent. of NHS capital resources are locked up in that problem? Does he agree that it does not matter whether we rebrand bed blocking as delayed discharge or cost shunting, because we are dealing with some of the most vulnerable people in our community, many of whom suffer from dementia? It is not just embarrassing, it is shameful that no Government Department is prepared to get a grip on the problem, whether it is the Department for Communities and Local Government funding local authorities, or the Department that runs the health service. We cannot go on with wards full of people who should not be in hospital and need not be there, because it is all down to accountancy.

Mr. Lewis: Some very specific things have been done to bring local authorities and the NHS together at the local level. Local area agreements bind them together through shared objectives and targets, joint appointments are increasingly made between the health service and local government at local level, and the Local Government and Public Involvement in Health Bill requires a duty of partnership for the first time from local government, primary care trusts and other health bodies. I have to say to the hon. Gentleman that Members on both sides of the House remember when winter crises were an annual event under the Conservatives, so we will not take any lectures on bed blocking from him.

Mrs. Joan Humble (Blackpool, North and Fleetwood) (Lab): Does my hon. Friend agree that one issue for social services has arisen because of the success of the NHS in dealing with more patients and discharging more patients? With that increased throughput, many such patients have more intense needs, so will my hon. Friend look at developing more intermediate care schemes in which health and social care departments can work to discharge people into the community, but with more support so that they can go back into their own homes?

Mr. Lewis: My hon. Friend is absolutely right. That is at the heart of the debate about re-engineering services away from the acute end of the national health service into community-based health services and social care. That leads to more investment in early intervention and preventive services, and it increasingly gives people what older people and their families tell us they want—care so that individuals can be supported to continue living at home for as long as possible. It is shameful that the Opposition automatically present all those changes as cuts, not as changing services to meet people's needs.

Julia Goldsworthy (Falmouth and Camborne) (LD): To what extent will greater co-operation and accountability be introduced by pooling budgets? Is the Minister aware of Cornwall county council's local government review submission, which proposes exactly that? Are any discussions taking place at a cross-departmental level to encourage that?

Mr. Lewis: I have a great deal of sympathy with what the hon. Lady says. We need to move from a notion of partnership between local government, the NHS and the voluntary sector to a notion of integration in every local community. We must move away from health care and social care being provided separately, so that local government and the health service locally truly secure the health and well-being of the local population, strongly focused on the needs of individuals, older people, disabled people and their carers, and families.

David Taylor (North-West Leicestershire) (Lab/Co-op): Is there not some risk that the discussion will develop into blame shunting, as David Stout, the newly appointed director of the PCT Network, has suggested? Local people do not know who runs what, and if organisations blame each other, public confidence in both sectors will deteriorate. How can we restore the momentum towards co-operation between social services and the NHS that my right hon. Friend the Member for Holborn and St. Pancras (Frank Dobson) set in train all those years ago?

Mr. Lewis: I agree entirely with my hon. Friend. We must break down the Berlin wall between the NHS at local level and local government. No longer is the prize simply the integration of health care and social care. The full range of services that local government provides make a difference to the quality of life of older people, disabled people and vulnerable people. Local area agreements, a statutory duty of partnership, guidance on how services should be commissioned in an integrated way—all these matter, but so does the culture at local level. We expect leaders in the NHS and local government to provide leadership. We expect professionals to put aside their professional prejudices, organisational boundaries and historic enmities and focus on the needs of the people who require services.

Acute Hospital Services

3. **Michael Gove** (Surrey Heath) (Con): If she will make a statement on the future of acute hospital services. [133174]

The Secretary of State for Health (Ms Patricia Hewitt): The future of acute hospital services increasingly lies in high-quality, independently regulated and locally accountable NHS foundation trusts, such as Frimley Park in the hon. Gentleman's constituency.

Michael Gove: The Minister is aware that accident and emergency units in hospitals that serve my constituents are threatened with closure. What she may not know is that the so-called clinical evidence base justifying these cuts on medical grounds has been drawn up by someone who is not even a doctor, and the officials executing the cuts refuse to make improving clinical outcomes one of the aims of their work. Is it not clear that the cuts have nothing to do with helping people in pain and everything to do with ministerial mismanagement?

Ms Hewitt: The hon. Gentleman is talking absolute nonsense. Hospitals are changing because medicine is changing, and there are discussions going on in Surrey and other parts of the country about how to improve services—in some cases by giving more treatment closer to patients' homes in health centres, community hospitals or GP surgeries, but also about how to ensure, for instance, that for people who have suffered a heart attack or stroke, specialist life-saving care is available in specialist centres. That will not be the case in every single local hospital—but no formal proposals have been made yet on service improvements and changes in Surrey. They will be made in due course, and consultation on them will not start until the summer. That is the appropriate time to have a debate about how services in Surrey can be improved to give people better care and a better chance of having their lives saved.

Keith Vaz (Leicester, East) (Lab): The Secretary of State knows that there has been a promise of new money for Leicester—£700 million for the pathway project. Although there will be a delay in the application for foundation status, will she reiterate the Government's full support for the rebuilding of the hospitals that was promised under pathway, including refurbishment of the Leicester general hospital, so that in Leicester we can provide the best possible care in the best hospitals in the country?

Ms Hewitt: My right hon. Friend and I have taken a close interest in this matter over several years, and I am delighted to say that last year the Minister of State, my hon. Friend the Member for Leigh (Andy Burnham), who has responsibility for reform and delivery, announced a private finance initiative rebuild across the three hospitals of the University Hospitals of Leicester NHS Trust. My understanding is that, following some discussions with the private sector partner about the cost, a review is taking place, but I have no doubt that that investment will continue for the benefit of people not just in Leicester but across Leicestershire and other parts of the east midlands.

Dr. Richard Taylor (Wyre Forest) (Ind): Does the Secretary of State agree with the Department of Health document "Keeping the NHS local: a new direction of travel", which in referring to smaller acute general hospital reconfigurations states:

> "The objective is to provide at a minimum a 'first port of call'...a service able to receive and provide assessment, initial treatment and transfer where necessary"?

Ms Hewitt: As the hon. Gentleman knows, we have recently published a series of reports from the clinical directors—the tsars—on, for instance, accident and emergency medicine, heart attacks and stroke. He will also be aware that, because of the rapid changes taking place in medicine, we now have an opportunity to ensure that some of those assessment and diagnostic services to which he refers can be provided even more conveniently than in a local district hospital—for

example, in a walk-in centre, a GP centre or an urgent care centre—but also that some of the more specialist services need to be provided in specialist centres with enough patients to ensure that the doctors and other staff there can provide the best possible care. However, as I recently saw at Harrogate district hospital—one of the two best hospitals in the country, according to the Healthcare Commission—it is very possible for a small hospital that has made itself the focal point for a wider network of care to provide outstanding services to patients within its community.

Mr. David Winnick (Walsall, North) (Lab): My right hon. Friend's visit to the Manor hospital in Walsall was very welcome. Apart from the reduction in waiting times, was she shown the extensive building plans, the largest development of the hospital since it was built in the 19th century, which was the subject of an Adjournment debate of mine last June to which the Under-Secretary of State for Health, my hon. Friend the Member for Bury, South (Mr. Lewis) replied? As I say, I am pleased that she did visit.

Ms Hewitt: My hon. Friend has been rock solid in his support for Manor hospital and the trust, and the substantial investment programme for the new hospital, which is so badly needed on the Manor hospital site. I congratulate the staff at Manor hospital and the local primary care trust. It will be one of the first hospitals in the country to ensure that for almost every patient with almost every condition there will be a maximum of 18 weeks—and far less than that, for many of them—between GP referral and hospital operation by the end of this year, one year earlier than we pledged in our manifesto. That kind of excellent, fast, safe care was never delivered in hospitals around the country under the Conservative party. It is now being delivered, thanks to the investment and reforms that we are making.

Mr. Humfrey Malins (Woking) (Con): The Secretary of State will be aware that in Surrey the accident and emergency provision at St. Peter's hospital and at the Royal Surrey county hospital are under threat. My hon. Friends take the view, as I do, that this will be deeply damaging. Is the Secretary of State worried that although the proposals have been floated since last year, the promised consultation document did not come out at Christmas, in January or in March, as we were led to believe, and is now promised for some time in June? Can the right hon. Lady guarantee that this suspense for the people of Surrey will not be dragged out much longer? It is a great burden for them at present.

Ms Hewitt: I understand the uncertainty that is inevitably caused when the local NHS considers how best to improve services. As I have just said to the hon. Member for Surrey Heath (Michael Gove), there will be a consultation on specific proposals in relation to hospital and other services in Surrey, and the commitment is that that will start in the summer. The important thing is to ensure that the proposals are right and clinically based, and now that the NHS is back in balance and the NHS in the hon. Gentleman's part of the country has made such enormous progress in getting on top of the financial problems that have arisen, I hope that he and his constituents will accept that the changes proposed will be driven by the need to improve clinical outcomes for patients, not the need to balance the books.

Mrs. Sharon Hodgson (Gateshead, East and Washington, West) (Lab): Will my right hon. Friend join me in welcoming the action taken by my local hospital, the Queen Elizabeth hospital in Gateshead, which is another of the 13 early adopter sites? That will ensure that the 18-week target is hit by this December—one year early, as she said in reply to my hon. Friend the Member for Walsall, North (Mr. Winnick).

Ms Hewitt: I am grateful to my hon. Friend for giving me the opportunity to thank and congratulate the staff at that Gateshead hospital and others. Eighteen hospitals will expect to achieve that 18-week target one year ahead of time by the end of this year. Staff at Gateshead, Walsall and other hospitals are reorganising services. For instance, in the case of orthopaedic patients at Walsall, the staff found that it was taking 200 hours of staff time, much of it administrative, to take a patient from initial receipt of the GP referral through to the hip replacement or other operation. By reorganising the way in which they worked—not by putting in more money—they reduced that to just 30 hours, enabling them to transform the lives of between six and seven people in the time they had previously taken to treat just one. That is the kind of improvement that we are seeing, thanks to NHS staff.

Mr. Andrew Lansley (South Cambridgeshire) (Con): Is the Secretary of State aware of a document called "Squaring the Triangle", which is intended to be the basis for the reconfiguration of acute hospital services in west Surrey? It says:

> "Current Department of Health and Strategic Health Authority guidance suggests that to be viable, a full A&E Department in the future would need to be supported by a catchment population of between 450,000 and 500,000 people. On this basis only two full A&E Departments (rather than the existing three) will be viable for the West Surrey population in the future."

Is the Secretary of State aware of that? Does she endorse or reject that reference to Department of Health guidance?

Ms Hewitt: As I have said, there are as yet no settled proposals for service improvements in west Surrey—or, indeed, in east Surrey. As the hon. Gentleman will be aware from Professor Sir George Alberti's recent report on emergency medicine, there is already a very wide range of different kinds of A and E departments, from those providing the full range of trauma centres down to those providing—*[Interruption.]*

Mr. Speaker: Order. The hon. Member for Surrey Heath (Michael Gove) must be quiet. A question has been asked and it is courteous to listen.

Ms Hewitt: Thank you, Mr. Speaker.

There is already a very wide range of services provided by different A and E departments. I hope that the hon. Member for South Cambridgeshire (Mr. Lansley) would be as focused as we are on

ensuring that A and E services give the best possible care to every patient, whether they need it locally, much closer to home, or in a specialist centre, possibly slightly further away, in order to save their lives.

Mr. Lansley: The Secretary of State is not answering the question. I am focusing on both specialisation and access, and quality of services includes the issue of access. Will she answer the question? Does she endorse or reject the reference to Department of Health guidance? If this is acted on in west Surrey, the implication is that an A and E department will shut. If it were to be acted upon in the north-west of England, where there is one type 1 A and E department to every 207,000 people, half the A and E departments in that region would have to shut. Why do not we not see that happening in the north-west of England, when my colleagues in Surrey see their A and E departments threatened, apparently on the basis of Department of Health guidance?

Ms Hewitt: I think that we can all see the next Conservative party campaign coming, with the misleading propaganda that we have come to expect from it on health. The hon. Gentleman completely misses the point that different A and E departments will offer different sorts of services. For the most specialist services, including stroke services, about which I know he has a long-standing concern, a larger population is required to ensure that specialist staff are available 24 hours a day, seven days a week to deal with the patients who need that care. Different A and E departments will provide a different range of services. That will be one of the key themes of the guidelines and proposals on urgent and emergency care that the Department will publish shortly.

CATS Services (Chorley)

4. **Mr. Lindsay Hoyle** (Chorley) (Lab): If she will make a statement on clinical assessment, treatment and support services in Chorley. [133175]

The Parliamentary Under-Secretary of State for Health (Mr. Ivan Lewis): I suspect that this answer is a direct response to my hon. Friend's persistence on the matter, Mr. Speaker. Central Lancashire primary care trust has agreed with Lancashire Teaching Hospitals NHS Foundation Trust that CATS services will be provided at the trust's hospitals, including Chorley and South Ribble hospital.

Mr. Hoyle: I thank the Minister for reaffirming the position. He could possibly go as far as congratulating the primary care trust on listening to the people of Chorley, because the decision is ground-breaking. It ensures not only that no private company will operate CATS in Chorley but that the services will be run and funded by the NHS and based at the local hospital. That is good news for Chorley. Does my hon. Friend agree?

Mr. Lewis: I congratulate my hon. Friend on the points that he has been making for some time about this issue. The consequence of the PCT's decision is that patients in my hon. Friend's constituency and in neighbouring constituencies will get the choice that they deserve, and any unacceptable waiting times for particular treatments will be slashed. In many areas, that requires a contribution from the independent sector. However, the PCT in Chorley has shown that where the NHS believes that it can do the job and achieve the outcome, it is chosen as a suitable provider. Most importantly, waiting lists and times in my hon. Friend's constituency will be reduced.

Mr. Gordon Prentice (Pendle) (Lab): The first wave of independent sector treatment centres was paid 11 per cent. more than NHS organisations for carrying out exactly the same operations. What is the uplift? How much more will private sector, not NHS, CATS be paid for carrying out precisely the same operations in future?

Mr. Lewis: In the context of the first wave and incentives, the issue was creating a position whereby we could ensure that, in communities where waiting lists and times were unacceptable—and should be unacceptable to the NHS—the independent sector could build its capacity and help the NHS treat those patients as quickly as possible. Whatever debate there may be about the specific amount of the incentive, that was why it was required at that stage in the process.

Community Hospitals and Services

5. **Ms Dawn Butler** (Brent, South) (Lab): How much her Department plans to spend on community hospitals and services in 2007-08. [133176]

The Minister of State, Department of Health (Andy Burnham): We are committed to community hospitals when they represent the best solutions for local communities. To support that, we have set up a five-year £750 million programme to promote the development of community hospitals and services. To date, we have allocated around £100 million to 14 different schemes. Decisions are outstanding on a further 18 schemes.

Ms Butler: Bringing community care and health care closer to individuals will have a profound effect on their lives, ensuring that people live longer and healthier lives. The PCTs have a vital role to play in that. Will my hon. Friend join me in condemning the Lib-Dem council in Brent—also known as the Fib-Dem council—

Mr. Speaker: Order. The Minister will not do that. Perhaps he will answer the first part of the question.

Andy Burnham: It is tempting to do as my hon. Friend asks, and I would like to, Mr. Speaker. However, perhaps I shall simply say that I agree with her that patients support the move to provide more and extended services in the heart of communities, including those in London. That comes through time and again in all the consultations that the Department has carried out.

Richard Younger-Ross (Teignbridge) (LD): Does the Minister agree that minor injury units are an essential part of community hospitals but that the services provided are often cut, as are the hours of opening?

Will he ensure that community hospitals are adequately funded to ensure a consistency of service for minor injury units and look into standardising those services in order to ensure that when people go to such units, they know what services they are going to get?

Andy Burnham: The hon. Gentleman makes an important point. Minor injury units are an important part of the 10 community hospital schemes that I announced recently. I agree that PCTs should take a view locally on where those schemes can help to fill an identifiable need. That is precisely the sort of scheme that we want. In looking further at the range of schemes recently approved, I found that many are very innovative and are offering new kinds of services to communities that have often had poor to patchy general practice in the past. It is all about bringing better and extended services to communities that have not benefited from such services in the past.

Mr. Kevin Barron (Rother Valley) (Lab): May I thank my hon. Friend for his recent announcement about the building of a new primary care centre in Rotherham? Does he accept that that will not only provide patient services seven days a week, but will have further benefits to services in the acute sector? Does he also agree that those reconfigured services in the NHS are improving the level of service to patients and should be welcomed by everyone and not cried against by Opposition Members every time we attempt to improve patient services?

Andy Burnham: The points that my right hon. Friend makes about the links between pressure on accident and emergency departments and acute hospitals generally are extremely well made. The scheme that we recently put forward and approved in his constituency includes a walk-in centre and a minor injuries unit. It also includes access to diagnostic facilities, dietary services, physiotherapy and audiology, so it truly provides a step forward for my right hon. Friend's community. He is absolutely right that the beauty and benefit of those schemes is that they can take the pressure off local acute hospitals and give patients another option rather than trekking into accident and emergency as the only available option for treatment.

Mental Health Patients (Children)

6. **Mr. Desmond Swayne** (New Forest, West) (Con): What measures she is taking to ensure that children are not accommodated with adult mental patients. [133177]

The Minister of State, Department of Health (Ms Rosie Winterton): We have made a commitment to eliminate within two years the use of adult psychiatric wards for children younger than 16. My officials are writing to strategic health authorities informing them that if a child younger than 16 is placed on an adult psychiatric ward, it should be reported directly to the Department so that we can take appropriate action.

Mr. Swayne: Given that the Government's own commissioner, Professor Sir Al Aynsley-Green, has said that children who go into adult wards for treatment come out in a worse state than when they went in, will she guarantee that the current provisions in the Mental Health Bill that require age-appropriate treatment settings will remain unamended?

Ms Winterton: No, I will not. One of the problems with the House of Lords amendments to the Mental Health Bill is that, in certain circumstances, they restrict the ability of clinicians to treat 16 or 17-year-olds, for example, who might be better placed on an adult ward. That imposes quite a straitjacket in terms of the clinician's ability to place people. There is also the issue of emergency treatment and the Lords amendments create further problems in that respect. However, as I said, we are certainly committed to ensuring within two years that children younger than 16 are not treated on adult wards.

Dr. Doug Naysmith (Bristol, North-West) (Lab/Co-op): As my right hon. Friend is aware, during recent consideration of the Lords amendments to the Mental Health Bill, a number of interesting suggestions and proposals were made. Will she give me a guarantee that she will consider them very carefully?

Ms Winterton: My hon. Friend is right to say that this is an extremely important issue. I know that he is concerned about it, and he has raised the matter with me separately. As I have said, the problem with the House of Lords amendments is that they would create a clinical and legal straitjacket, but that is not to say that important issues have not been raised, and I am sure that we shall discuss them in Committee.

Mr. James Gray (North Wiltshire) (Con): My constituent, Miss Fiona Gale of Sherston, having been treated in an adult mental health care ward and abused in various ways while she was there, was then discharged against her wishes. Tragically, she committed suicide in front of a train in my constituency shortly afterwards. The coroner agreed that she should have been treated in a separate children's ward and that there should have been a halfway house between the completion of her treatment and her discharge into the community. I welcome what the Minister has said about under-16s; will she also consider what I have said about the provision of a halfway house?

Ms Winterton: It is absolutely tragic to hear about such cases. The hon. Gentleman mentioned that the child had been discharged against her will, and that obviously should not happen if a child is still in need of psychiatric help. The hon. Gentleman will be aware of changes made to the Mental Health Bill in the House of Lords that we are seeking to overturn, but one of the provisions that we are seeking to introduce is supervised community treatment. That would enable someone to be discharged but to remain under the care of health care professionals.

Charlotte Atkins (Staffordshire, Moorlands) (Lab): What evidence is there that primary care trusts and mental health trusts are discharging their duty of care to the under-18s who need mental health treatment? What proportion of under-18s have access to early intervention provision, which has proved highly successful in treating psychosis among people of that young age group?

Ms Winterton: I cannot give my hon. Friend the exact number of children using the early intervention teams, but the spending on child and adolescent mental health

services—CAMHS—increased from £284 million in 2002 to £530 million in 2005. With that increased investment, we have managed to employ more staff. There were about 7,700 in 2003; that figure went up to 9,800 in 2005. The case load has also risen by about 40 per cent. between 2002 and 2005, however. The extra investment is making a difference, but we certainly accept that there is some way to go, particularly in the development of CAMHS services, and the Under-Secretary of State for Health, my hon. Friend the Member for Bury, South (Mr. Lewis), is continuing to work on further improving those services and, in some instances, integrating them more effectively with the other services.

Tim Loughton (East Worthing and Shoreham) (Con): Yesterday in Committee Room 16, in front of MPs and Members of the Lords, two teenage girls, Lois and Antonia, gave harrowing accounts of their experiences in acute mental wards. Those were adult, often mixed-sex, wards, which contained people who had committed homicides, in which the girls were subjected to sexual abuse and invasion of privacy, and received little or no age-appropriate treatment from inappropriately qualified staff and no help with their education. On behalf of the hundreds of children placed in those wards—the number is growing—they begged for the age-appropriate amendments to the Mental Health Bill to be retained. They do not think that the Lords amendments would prove to be a straitjacket, because they would provide for age-appropriate treatment and allow for emergency admission. Why are they wrong?

Ms Winterton: They are wrong because—*[Interruption.]* I am not saying that those girls are not well intentioned, or that we do not want to ensure that the situation improves. At the moment, the number of such bed days—that is, the number of days when a bed in an adult ward is occupied by under-16s and 16 to 17-year-olds—is dropping. We need to ensure that we have more accurate information about that.

The Lords amendments include the proposal that a child should be seen by a specialist practitioner—in this instance, a CAMHS specialist. If they were on an adult ward, that would be difficult to achieve. In that sense, the problem is a real one because the CAMHS specialist would not be assigned to an adult ward. Were it more appropriate for the care of an individual aged 17 to 18 to place them on an adult ward, they would not have access to the specialist. As I have said, however, there are certain problems with the Lords amendments—

Mr. Speaker: Order. With respect to the Minister, other Members must be allowed to speak.

Nurses' Pay

7. **Mr. Neil Turner** (Wigan) (Lab): What the pay level of a newly qualified student nurse would be if their pay had risen in line with average earnings since 1997. [133178]

The Secretary of State for Health (Ms Patricia Hewitt): Basic pay for a newly qualified nurse has increased from £12,385 in 1997 to £19,645 by November this year.

Mr. Turner: I thank my right hon. Friend for putting into context the large and fully justified pay increases for student nurses since 1997. New nurses need to know, however, that they have an adequate career path once they enter the service. Will she indicate what "Agenda for Change" means for nurses throughout their careers?

Ms Hewitt: My hon. Friend makes an extremely important point. One of the most important reforms introduced by "Agenda for Change" was to open up new opportunities for nurses to build their skills and take on new responsibilities. Under the old Whitley scale, a clinical nurse specialist grade 1 could hope to achieve a salary of £26,000—barely twice that of a newly qualified nurse. Under the new system of "Agenda for Change", by November this year a nurse consultant at the highest level will be able to earn more than £90,600, which is a measure of the change and improvement that we have been able to make.

Mr. Andrew Mackay (Bracknell) (Con): Is the Secretary of State comfortable with the fact that, because of the actions of the Chancellor of the Exchequer, nurses in England are experiencing a staged pay increase, while those in Scotland are having a full pay increase?

Ms Hewitt: I understand the concerns of nurses and other health service staff about the staging of the pay award. When we accepted the independent pay review body recommendations across the public sector, not simply those for the NHS, we decided to stage the implementation for this year as we took account of the wider economic position on inflation and interest rates. That is not only fair to nurses and other public sector staff, but right for the public as a whole.

Norman Lamb (North Norfolk) (LD): I acknowledge the increases in pay over the years, which were clearly needed. Nurses are still, however, one of the lowest-paid groups of professionals in public service. Does the Secretary of State accept that nurses this year are getting a real-terms cut in pay, and that the impact on morale of the phased increase, combined with the fact that many newly qualified nurses have no job at all, is really damaging the profession? Is she proud of that situation as we approach the 10th anniversary of the Labour Government?

Ms Hewitt: I have just explained, as I have on many occasions, why it was necessary to take account of the wider economic circumstances. It would not be in the interests of newly qualified nurses or anybody else were we to see inflation and interest rates return to the levels that they reached under the Conservative Government. We will not take risks with the economic stability and strength that have been achieved, particularly as a result of the policies of my right hon. Friend the Chancellor. The hon. Gentleman mentioned newly qualified nurses and their difficulties in getting jobs. We are making great efforts to ensure that the NHS in each region finds appropriate posts for newly qualified NHS staff to address that precise issue.

Mr. John Baron (Billericay) (Con): Not only are nurses receiving a real-terms cut but the Department of Health originally argued for a pay rise of only 1.5 per

cent. Given that the independent review body for nursing not only rejected the Government's figures but criticised the Department of Health for failing to provide any evidence as to how its estimate was reached, does the Secretary of State understand how angry and cheated nurses up and down the country feel when the Government seem to be plucking figures out of thin air in order to keep salaries low?

Ms Hewitt: Salaries for nurses and other NHS staff are a great deal higher than they were under the Conservative Government, and a great deal higher than they would have been under the Conservative party's new policy of cutting public spending to make way for tax cuts.

I remind the hon. Gentleman that there are over 80,000 more nurses in the NHS now than there were when we were elected 10 years ago. Not only has their pay increased substantially and not only will it continue to rise substantially this year as a result of the increments under "Agenda for Change", but nurses are increasingly enjoying more flexible working conditions and support for child care needs—and, of course, much better holidays, maternity and paternity leave and pay than they ever enjoyed under the hon. Gentleman's party.

Asylum Seekers

9. **Mr. Anthony Steen** (Totnes) (Con): What health care provision her Department makes available to victims of human trafficking who have applied for asylum. [133181]

The Minister of State, Department of Health (Caroline Flint): Asylum seekers, including those who have been victims of human trafficking, are entitled to free NHS treatment for as long as their applications, including any appeals, are being actively considered by the Home Office. Any ongoing treatment will continue free of charge for unsuccessful applicants until their removal from the United Kingdom.

Mr. Steen: Trafficked women inevitably display mental as well as physical damage. Can the Minister guarantee that all victims who have applied for asylum will receive mental health support, some kind of counselling, and psychological care—not just to help them gain security and confidence as required by article 12 of the Council of Europe convention on action against trafficking in human beings, which the Government signed only last month, but to help the criminal authorities pursue traffickers?

Caroline Flint: I pay tribute to the work done by the hon. Gentleman as chair of the all-party parliamentary group on trafficking of women and children.

People who have been trafficked and who claim asylum can gain access to mental health services, but the Department, along with colleagues in the Home Office, intends to review access to health services for foreign nationals. We hope to report in October this year. As the hon. Gentleman will know, as part of the action plan to which the Government are committed and following the signing of the convention, we are examining ways of preventing trafficking and identifying its victims, as well as considering what services are needed. The POPPY project, which we have funded, now has funds to provide an outreach service, which will be very important to the many agencies that will play a role in supporting the needs primarily of women, and in some cases of children.

Mrs. Ann Cryer (Keighley) (Lab): I am delighted by my hon. Friend's reply. It is comforting to know that trafficked women will be given that level of care, but what provision will there be for people who are in the country on visitors' visas?

Caroline Flint: I thank my hon. Friend, who I know takes a huge interest in this issue. I should make clear that my original answer related to those who have been trafficked and are claiming asylum. As for my hon. Friend's question about visitors' visas, emergency treatment is available to those who present themselves provided that it has priority over establishment of their status or ability to pay. That underpins the way in which we run our health service.

There are issues involving people who should be paying and the reclaiming of funds. I understand that the Minister of State, my right hon. Friend the Member for Doncaster, Central (Ms Winterton) and colleagues across Government are examining a range of issues relating to health service access for foreign nationals, which may include insurance issues.

Maternity Services

10. **Mr. Sadiq Khan** (Tooting) (Lab): If she will make a statement on the future of maternity services in England. [133183]

The Secretary of State for Health (Ms Patricia Hewitt): On 3 April we published "Maternity Matters", which sets out how we propose to deliver on our commitment to improve maternity services for women. By the end of 2009, for the first time, mothers-to-be will have a guarantee that the NHS will give them real choice. That will include the opportunity to be supported during births, either at home or in midwifery units, by midwives whom they know and trust to care for them.

Mr. Khan: St George's hospital in Tooting has an excellent maternity department. Both my children were born there. This summer, the hospital will open a new midwifery-led unit for low-risk women. Does my right hon. Friend agree that such units, which help to create a home away from home for women and their families, should be offered to all who wish to have their babies delivered naturally?

Ms Hewitt: I strongly agree. That kind of midwife-led unit, which can provide superb support for women and their partners and babies, is exactly the kind of development that we want to see repeated in other parts of the country. I congratulate midwives and other staff at St. George's on that excellent development. The fact that there are 60 more midwives at St. George's than there were 10 years ago is in part what has helped make that improvement possible.

Greg Mulholland (Leeds, North-West) (LD): On 17 March we heard the devastating news that the proposed new children's and maternity hospital in

Leeds would not go ahead, despite having been approved by the then Secretary of State for Health in July 2004. Why has the project been pulled despite leading local specialists having said on 27 March that current services are "not fit for purpose" and that they are anxious about the continuing safety of children in hospital? When will the people of Leeds get the children's and maternity hospital that they so badly need?

Ms Hewitt: There is no doubt that the people of Leeds need a new children's hospital and improved services; that has been recognised for a long time. Following the recent concerns and the possible delay in respect of that new hospital, the Minister of State, my hon. Friend the Member for Leigh (Andy Burnham), recently met the strategic health authority and colleagues from the trust to discuss that and to ensure that issues, particularly to do with cost, can be looked at so that the scheme can get back on track.

Mr. Jeremy Hunt (South-West Surrey) (Con): Will the Secretary of State congratulate my sister-in-law, who happens to be a constituent, on the recent birth of her son, Thomas, at the Royal Surrey county hospital, and does the Secretary of State share my hope that my constituents continue to benefit from its excellent maternity unit for many years to come?

John Bercow (Buckingham) (Con): My son was born there, too.

Ms Hewitt: I am happy to congratulate everybody whose children have recently been born at that hospital, or anywhere else—perhaps I can cover all congratulations at this point. As we discussed earlier, proposals will come forward for improvements and changes in services in various parts of the country, and there will be proper and full consultation on those proposals. It is important to ensure that in the constituency of the hon. Member for South-West Surrey (Mr. Hunt) and everywhere else women and their partners have the proper choice of having a baby at home if that is what they want and it is safe, having a baby at a midwife-led unit, or having a baby in a hospital, where there would be a consultant-led unit as well as a midwifery team. We will guarantee that choice.

NHS Finances

11. **Daniel Kawczynski** (Shrewsbury and Atcham) (Con): If she will make a statement on NHS financial performance in the year 2006-07. [133184]

The Minister of State, Department of Health (Andy Burnham): On the basis of results reported at quarter three, we believe that the NHS is on course to deliver at least a balanced financial position at the end of the 2006-07 and continues to perform well against key service targets.

Daniel Kawczynski: I thank the Minister for that reply. He might be aware that the *Health Service Journal* recently published some very out-of-date and inaccurate information about the financial aspects of various trusts, one of which was the Shrewsbury and Telford Hospitals NHS Trust. Please will he issue the latest figures so that publications such as the *Health Service Journal* have up-to-date figures? Also, does he agree that Tom Taylor, the chief executive of the Royal Shrewsbury hospital, is doing a great job of turning around the finances of our hospital?

Andy Burnham: I agree that the chief executive is doing an outstanding job. The hon. Gentleman might be aware that the latest figures at quarter three show that the trust was forecasting a £2.3 million deficit for year-end, but I can update that by telling him that the view of the strategic health authority is that the trust continues to make improvements and the expectation is that it will continue to improve in this financial year. The expected improvements relate to both the application of resource-accounting and budgeting and the effect of the national payment by results policy. Therefore, there is good news. The hon. Gentleman is right that his trust is on an improving course, and I hope that we can look forward to having his support in continuing to help it get into financial balance.

Andrew Miller (Ellesmere Port and Neston) (Lab): Will my hon. Friend the Minister congratulate my primary care trust on getting its books back into balance and, pursuant to his response earlier on community hospitals, will he ensure that the next round of investment takes into account fabulous community institutions such as Ellesmere Port hospital, which are especially fabulous for patients such as stroke victims?

Andy Burnham: I certainly pay tribute to my hon. Friend's primary care trust and to others around the country, which have done an outstanding job in difficult circumstances in getting the NHS into a position whereby we can predict that overall, it will balance its books this year. It is because we have asked the NHS to take some of those difficult decisions and to tackle overspending that PCTs such as my hon. Friend's can support the excellent community services that he rightly draws attention to. It has been a difficult year for many PCTs, but we can now look forward to a year in which we can bring down waiting lists and improve the range of services for patients.

Dentistry

12. **Mr. Greg Hands** (Hammersmith and Fulham) (Con): What assessment she has made of access to NHS dentistry services in (a) 2005-06 and (b) the 2007-08 financial year. [133185]

The Minister of State, Department of Health (Ms Rosie Winterton): In April 2006, primary care trusts had commissioned 75 million annual units of dental activity; by January 2007 that had risen to 78.4 million.

Mr. Hands: The chief dental officer leaked to the press on Friday that instruments used to perform root canal treatments will now have to be disposable. The excellent NHS dentist on North End road is concerned about access, pointing out that those regulations could cost £35 per root canal treatment, which is half the total that a PCT typically spends on a whole course of treatment. Given those new regulations and the fact that no extra funding is being provided, is not the Minister's purpose to create an NHS dentistry system that is solely about tooth extraction?

Ms Winterton: First, I challenge the hon. Gentleman's assertion that this information was leaked; it was sent to all dentists, and there was a ministerial statement about it. Moreover, and as he knows, this was a safety issue relating to Creutzfeldt-Jakob disease. Dentists with a good NHS commitment are given some £80,000 towards their business expenses and are expected within that to offer proper equipment and treatment and proper staff to carry that treatment out. So such expenses are perfectly well covered by the existing amount given to dentists to help run their businesses.

Point of Order

3.32 pm

Tim Loughton (East Worthing and Shoreham) (Con): On a point of order, Mr. Speaker. I seek your guidance on correcting the record regarding a reference to me made by the hon. Member for Rhondda (Chris Bryant) during business questions last Thursday.

Mr. Speaker: It is not the purpose of the points of order system to correct the record. If the hon. Gentleman had read *Hansard*, he would have noted that I stopped the hon. Member for Rhondda (Chris Bryant) in his tracks, to put it mildly.

Chris Bryant (Rhondda) (Lab): I still ran the marathon.

Mr. Speaker: The hon. Gentleman was stopped because he had no right to criticise any hon. Member who had not been notified of such criticism in advance. I said at a later stage that the matter was finished with, and I hope that the hon. Member for East Worthing and Shoreham (Tim Loughton) will leave it at that.

Carers (Identification and Support)

3.33 pm

Barbara Keeley (Worsley) (Lab): I beg to move,

That leave be given to bring in a Bill to require health bodies to identify patients who are carers or who have a carer; to require identified carers to be referred to sources of help and support and to make further provision in relation to such arrangements; to make provision in relation to the responsibilities of local authorities and schools for the needs of young carers and their families; and for connected purposes.

In March 2006, I introduced a Bill with the same aims as the first part of this new one. As I told the House then, 1 million carers in the UK care for more than 50 hours per week. The 2001 census figures show that carers are twice as likely to suffer ill health if they care for 50 or more hours a week. Medical research also suggests increased ill health among those caring for a person suffering from dementia or stroke disease. It is my view that we must intervene to identify and support the most hard-pressed carers, who care for more hours than the hours of any full-time job.

In my Worsley constituency, the highest level of caring commitment is needed in the two wards with the highest levels of people with stroke and heart disease, and with cancer. While the national average is one in five carers caring for more than 50 hours a week, that rises to one in four in Walkden North ward in my constituency, and to one in three in Little Hulton ward.

Those carers play a vital role in health and social care. They are key partners in care for the NHS, but their own health is also threatened and there is a need for recognition of carers' health needs. In 1999, the Government gave GPs and primary health care teams a five-point checklist for use with carers in their practice population. The first requirement in the list was that GPs should identify those patients who are carers or who have a carer. Eight years on from the launch of that national strategy, research shows that the work done nationwide by GPs and primary care teams to identify carers in their practice population is still inconsistent. Research by the Princess Royal Trust for Carers concludes that only a small proportion of the total number of carers is being identified. Even GP practices with good links to their local carers' organisations are not doing the work necessary to identify all those carers whose health might be affected by their caring responsibilities.

Two carers known to Carers UK provide examples of how important it is to identify carers. Valerie Low of Carlisle cares for her husband, who was severely brain-damaged in a car accident in 1997. For years, Mrs. Low did not know that advice or respite care were available to help her as a carer. Now that she has been identified, she arranges respite care from Crossroads.

Tracy Barker from the Isle of Wight has cared for her son for 16 years. He has autism, asthma and epilepsy. Like many parent carers, Ms Barker did not see herself as a carer and had no idea of the support available to help her. She struggled to pay bills, yet she had not been told about carer's allowance. Eventually, she had to move to a different area for financial reasons, and then she suffered depression. Now that she has been identified as a carer, she receives carer's allowance and has attended a number of courses that have helped her.

[Barbara Keeley]

If they are not identified, carers will struggle without the help or support that they need. My Bill would require that primary care trusts and local health boards ensure that effective procedures exist within primary care to identify carers, and that carers are referred for advice and given regular health checks.

The Pensions Bill also requires the identification of those carers caring for 20 or more hours per week so that they can earn the carer's contribution credit. My hon. Friend the Minister for Pensions Reform has made a commitment to use the Government's review and update of the national carers strategy as an opportunity to explore how that identification can be carried out by health and social care professionals. That is a welcome step forward.

In previous years, hon. Members of all parties have given their support to carers week, which this year runs from 11 to 17 June. Its main objective is to enable new and "hidden" carers to access support and services.

Young carers are perhaps the most hidden of all carers. The 2001 census records some 175,000 young carers, but only 30,000 of them are known to young carers support services such as the Princess Royal Trust for Carers and other children's charities. Indeed, a survey by NCH and Carers UK showed that fewer than one in five of known young carers have received an assessment of any kind.

The Princess Royal Trust for Carers believes that it is likely that the most vulnerable young carers, including some of the 13,000 who care for more than 50 hours a week, continue their caring role throughout their childhood without any support. Young carers may have parents with substance misuse or alcohol problems, and the extent of that problem is not fully understood. The "Hidden Harm" report estimated that 250,000 to 350,000 children have parents with serious substance misuse problems. The alcohol harm reduction strategy for England states that between 800,000 and 1.3 million children are affected by parental alcohol problems. In the families of alcoholics or problem drug users, children may find themselves responsible for their parents' safety.

My Bill would place duties on social services authorities to consider what support services are needed to sustain the parenting role in such families. When a parent is assessed for community care services, support services should be offered if it is found that the adult relies for support on the caring role of his or her child. In that way we can ensure that the health, education and well-being of the child or young person are not impaired by caring responsibilities.

Young carers may have a parent with an illness such as multiple sclerosis, or with a learning or physical disability. The parent may rely on the care from their child, as a case known to the Princess Royal Trust for Carers illustrates. A single parent was diagnosed with multiple sclerosis and loss of mobility, which affects not only her but her children, aged 8 and 12, who have to provide her with the round-the-clock support she needs.

Such children are missing out on their education and, like other young carers, they find themselves misunderstood at school, treated as truants and bullied by other children. Schools need written policies stating the support that they will offer young carers. My Bill would require that both schools and local authority children's services have policies in place to support such young carers.

Many health and social care professionals are frustrated by the difficulties they experience due to different thresholds for service provision for different client groups. An adult mental health worker may be aware of several children affected by their parent's mental health condition. However, unless the children are at risk of serious harm the health professional will probably not be able to help them. The general duties to young carers and their families outlined in my Bill would help. A simple joint working protocol between children's and adult services, combined with a training programme for staff, would help to solve the problem.

Census figures tell us that a minimum of 2 per cent. of all children in the UK are young carers. However, work by Professor Saul Becker of Nottingham university and others suggests that the true number of young carers could be much higher—possibly 1 million of the 3 million children and young people who live in families where there is serious illness or disability. Whichever figure we use, we need now to bring in measures so that schools and local authorities recognise the issues faced by young carers.

I have outlined how the measures in my Bill would ensure that health professionals identify carers and refer them to much needed help and support. As we move towards the Government's review of the national strategy for carers, I hope the measures outlined in the Bill will offer a sturdy framework for improved services and support to carers. My Bill is supported by Carers UK, Contact a Family and the Princess Royal Trust for Carers. I thank Carers UK and Luke Clements for helping me to draft the Bill and Alex Fox of the Princess Royal Trust for Carers for his input on young carers. I also thank the House for giving me the opportunity to present it today.

Question put and agreed to.

Bill ordered to be brought in by Barbara Keeley, Tony Baldry, John Bercow, Mr. Paul Burstow, Annette Brooke, Dr. Hywel Francis, Helen Goodman, Lady Hermon, Mrs. Sharon Hodgson, Ms Diana R. Johnson, Ms Sally Keeble and Lynda Waltho.

Carers (Identification and Support)

Barbara Keeley accordingly presented a Bill to require health bodies to identify patients who are carers or who have a carer; to require identified carers to be referred to sources of help and support and to make further provision in relation to such arrangements; to make provision in relation to the responsibilities of local authorities and schools for the needs of young carers and their families; and for connected purposes: And the same was read the First time; and ordered to be read a Second time on Friday 19 October, and to be printed [Bill 92].

Opposition Day

[9TH ALLOTTED DAY]

Modernising Medical Careers

Mr. Speaker: I have selected the amendment in the name of the Prime Minister.

3.43 pm

Mr. Andrew Lansley (South Cambridgeshire) (Con): I beg to move,

That this House acknowledges the UK's exceptional history of medical training which has produced some of the best medical professionals in the world; supports medical training designed to improve patient care which is well implemented, flexible and applied in a way which ensures the necessary level of clinical experience; believes that these objectives have been undermined by poor planning, inadequate consultation and lamentable implementation; notes with particular concern the flawed electronic application process (MTAS) which has breached legitimate expectations that selection for entry to programmes must be open, fair and effective; regrets the lack of ministerial leadership for MTAS and the failure of the Government's review to deliver strategic solutions; accepts that training posts are competitive but believes that insufficient allowance has been made for the number of trainees coming through the Foundation years in addition to the Senior House Officer (SHO) route; calls on the Government to create additional training posts to allow transition for SHOs into specialty training in 2007, 2008 and 2009; deeply regrets the distress and loss of goodwill among junior doctors in training; and further calls on the Review Group led by Sir John Tooke to listen to the medical profession in reviewing the structure of Modernising Medical Careers to ensure that the original principles, including flexibility, are sustained and command the confidence of the medical profession.

The reason why we have called this debate and given up Opposition time to such an important subject is that time and again we have sought answers from the Secretary of State for Health and Ministers about what has happened to the modernising medical careers programme, in particular the recruitment and selection process. With your consent, Mr. Speaker, we put an urgent question that the Secretary of State had to answer, because previously she had provided no good answers. Last Monday, she came to the House to apologise unreservedly—about time—but also to announce a further review and the conclusions of the first review group she had instituted. Serious questions and issues remain, however, and many junior doctors across the country and the consultants responsible for the interviewing process feel they have not been answered.

Our purpose today is therefore threefold. First, we want to secure some answers; secondly, through our motion, we want to make clear the necessary steps that the Government should accept to regain the confidence and support of the medical profession; and thirdly and not least, we want to demonstrate to the many junior doctors who have come to Westminster today to tell their Members of Parliament of their personal experiences, their disillusionment and, in many cases, their anger at what has happened to them that Conservative Members at least understand and accept their views. I suspect that many Labour Members, on the Back Benches at least, understand the problem. We will see later whether they are willing to come to the House to express to Ministers the sentiments that they have no doubt expressed to their constituents in private.

Dr. Nick Palmer (Broxtowe) (Lab): Does the hon. Gentleman agree that whatever the flaws or otherwise of the electronic system, the underlying problem is the surplus of applicants compared with places? Will he commit his party to increasing funding to the health service by the same level as we are committed to doing so that these doctors have a real prospect of a future in the NHS in the years to come?

Mr. Lansley: The hon. Gentleman must know that, in the general election the year before last, we committed ourselves to exactly the same level of funding as applies now. However, we are talking not about the next election, but about what is happening now. We are committed to the same level of funding, but we are also committed to a far more efficient use of that funding.

The hon. Gentleman could have said, "By the way, the Government spent £72 million on the NHS university," but that turned out to be completely wasted. What was their response to that waste of money? It was to try to suppress the report by Sir William Wells that was designed to examine where all that money had gone. Let us first be concerned with spending money effectively before we start debating how much money there will be beyond the comprehensive spending review.

The Secretary of State is sometimes at pains to challenge us on whether we agree with the principles behind modernising medical careers. Yes, we agree that modernising medical careers is a necessary process. To put it at its simplest, let us consider whether services in the NHS should be provided in the long run by specialist doctors or by doctors in training. Patients and the public would expect the services to be delivered by specialists and that it would be a consultant-led and increasingly a consultant-delivered service. When one looks across the world, one sees that this country has been unusual in the extent to which services in NHS hospitals, in particular, have been delivered by doctors in training rather by doctors who have their specialist certificates.

The principle of modernising medical careers is accepted and we also accept many of the principles in the documents of 2002 and 2004 that led to it. We should not rely on doctors in training for service delivery and training must be limited in time. It cannot be open-ended. As Sir Liam Donaldson said in his report about the "lost tribe" of senior house officers, we cannot have junior doctors who drift from one SHO job to another for years without ever making progress in specialist training.

Let us remember that one of the principles of MMC was that it was intended to be flexible and widen career choice. Where did that one go in the translation of principles into practice? The way in which MMC has been implemented is lamentable. When people look at the political gravestones of the figures in the Government, they will see carved on them, "It should have worked in principle, but it didn't work in practice." The Government started out with good intentions, but time and again they have failed to deliver. Here is another lamentable and shocking example of how they have failed to turn what, five years ago, was a straightforward set of principles into something that works in practice for those in the NHS today.

Mr. Henry Bellingham (North-West Norfolk) (Con): My hon. Friend is putting forward an excellent case. Like many hon. Members, I have been meeting young doctors, including some who are now going to go abroad. Those doctors are worried that they will not receive sufficient training under MMC. For example, orthopaedic surgeons received 22,000 hours of training under the old system, but they will receive only 6,000 hours of training under MMC. There might well be a happy medium, but the Government have certainly not got this right.

Mr. Lansley: I understand exactly the point that my hon. Friend makes. I have had exactly the same conversations. I think that most junior doctors would acknowledge that it would be difficult to sustain the degree of clinical experience that used to obtain and that that would probably not be consistent with the delivery of services by specialists. However, my hon. Friend is right that there is a balance to be struck. Surgical specialties, especially, are, in effect, crafts as well as academic disciplines. While the structure of MMC and its focus on specific competencies address important issues, the programme has significantly failed to reflect accurately the importance of clinical experience and academic achievement, which should be involved in the selection of candidates.

Several hon. Members *rose—*

Mr. Lansley: I give way to my hon. Friend the Member for Worthing, West (Peter Bottomley), who has done an enormous amount to represent the views of junior doctors on this subject.

Peter Bottomley (Worthing, West) (Con): I, like Ministers, care about what is happening, but perhaps Opposition Members have been more open about some of the problems. Locally, we have discovered that filling out 150 words is worth the same as a PhD, which involves three years or more of hard work. An explanation of that is needed. On the first day the system opened, it was apparently not possible to apply for a job within 50 miles of Worthing or for one in genito-urinary medicine. The problem is not the computer or the method of consulting the people who put the thing together. The problem was caused because the system was not run as a trial in at least one region to evaluate the experience. Will my hon. Friend commit us to go on working not only for senior and junior doctors, but for those in the MMC system who resigned because of a loss of confidence, by backing the doctors and, if necessary, saying to the Government, "Why don't you drop your defences and join in working out the problems and solving them?"

Mr. Lansley: My hon. Friend has captured exactly what we are trying to achieve through this debate. If hon. Members read the motion, they will see that its objective is not to engage in the easy task of saying, "It's all gone wrong and the Government are to blame." The motion engages with the question of what needs to happen now, although I note that the Government amendment says nothing at all about that.

The Government have been given warnings and they have to account for why they did not accurately reflect on the problems. The hon. Member for Broxtowe (Dr. Palmer), who asked the Whips' question and then left the Chamber, said that this was about the number of applicants. However, I remember standing at this Dispatch Box on 20 December 2005 and making it clear to the Secretary of State that there would be a problem in August 2007 because two year cohorts of applicants would be coming together in one year, so the number of applicants for training posts would effectively double. The Secretary of State said that that issue had to be addressed. With a year and a half in hand, I was foolish enough to imagine that she would solve the problem. When, on 13 December 2006, Lord Warner said that junior doctors in England should be pretty confident about securing a training post and that additional training posts would be created, I was foolish enough to think that the Government had considered the situation and arrived at a solution.

There was a good deal of forewarning. The royal colleges rightly told the Government that the programme should be piloted, as my hon. Friend the Member for Worthing, West suggested, but that did not happen. Last year, junior doctors in the British Medical Association wanted a delay of a year. To be fair, I was not sure that that was the right thing to do because it would have harmed the circumstances of the foundation programme graduates. None the less, the BMA was rightly pointing out serious unresolved problems.

Dr. Evan Harris (Oxford, West and Abingdon) (LD): I strongly support the hon. Gentleman's motion. Does he agree that the key point about MMC is that the number of training posts will not meet the need of the people who want to apply? The principle should be that all those who are qualified for a training post, and who are capable of being trained to consultant level and wish to be trained to that level, should have a training post; otherwise, we are wasting money by putting them through medical school and house jobs. A solution in which those people are parked in career-grade posts, so that they become fellows or hold staff grades or trust grades, is not acceptable, because then the service will be delivered not by consultants, but by a demoralised and often racially segregated group of doctors who are not fully trained and who are not specialists—and that is not the way we want our health service to go.

Mr. Lansley: The hon. Gentleman is leading me further into what I was hoping to say. Let me just respond to that point. From what I know of the interviews that are already taking place, many consultants holding the interviews are meeting well-qualified applicants; I see that the Secretary of State is nodding merrily. However, unfortunately, we know that many well-qualified applicants did not get interviews. As the hon. Member for Oxford, West and Abingdon (Dr. Harris) suggests, we need a process in which well-qualified junior doctors have progressive opportunities to enter specialty training, and that is what our motion says. It also suggests that it may not be possible for all well-qualified applicants to secure specialty training or run-through training posts this year, but we have to put a stop to the current structure, which, in effect, limits the ability of some people, particularly senior house officers, to enter specialty training next year, or the year after that, if they do not enter the run-through training process this year.

Dr. Julian Lewis (New Forest, East) (Con): Surely specialisms are to be held by the people best qualified to fill the posts, but how can that be reconciled with a situation in which people are confined to applying for posts in certain geographical areas? That means that if there are only two or three posts going in an area, and someone is the third or fourth best qualified person in the area and so does not net the post, they are unable to qualify, or even to apply, for similar posts in other parts of the country, even though they may be much better than the people who are allowed to apply for those posts.

Mr. Lansley: I am grateful to my hon. Friend, who makes an important point. He reminds us of the most important reason why we are debating the subject. I have received hundreds of e-mails on the subject, and I have met many constituents, as I am sure that colleagues from across the House have done, who are concerned for their careers, for their livelihoods, for the fulfilment of their vocation to be a doctor and care for patients, and often for their family life. I ask hon. Members from across the House to imagine how they would feel if they were junior doctors—highly motivated professionals who have gone through graduate education, and who have, in some cases, worked in the health service for several years. They are senior professionals by any measure, but the net result of the current structure, including the way in which the review group has changed things, is that there is one interview for one unit of application, and that might be for a post anywhere in the east of England, from Hemel Hempstead to Cromer. That is the sum total of their ability to exercise control over the future of their career.

John Bercow (Buckingham) (Con): Dr. Mary Weisters and Dr. Tracy Graves practise general surgery and neurology respectively. Between them, they have 25 years' experience, which includes education, training and hands-on practice in the national health service. According to the figures, they have a one in 30 chance and a one in 13 chance respectively of securing a job at a time of rising demand for medical services. Does my hon. Friend not agree that it would be a scandal bordering on criminal irresponsibility if they were shunted out of the national health service or, as happens at present, patronisingly encouraged to go abroad—something that they do not have the slightest desire to do?

Mr. Lansley: I am grateful to my hon. Friend, because he further reinforces my point. I have often met married junior doctors who are wrestling with the issue of how they can both secure posts in a way that is consistent with maintaining their family life. That is intensely difficult. My hon. Friend's point is a fair one; the British Medical Association is today warning that literally thousands of junior doctors could end up going overseas. What is the Government's response? Well, we saw the document produced in the Department of Health last week. It was not published, but it found its way out. The Government are "volunteering" junior doctors to join Voluntary Service Overseas, so that they go abroad. *[Interruption.]* Well, it struck me that VSO is about volunteering—not the distressed reallocation of doctors from the United Kingdom to overseas, which is outrageous.

Tony Baldry (Banbury) (Con): Further to the point made by our hon. Friend the Member for Buckingham (John Bercow), how do I explain to my constituents at the Horton hospital that we are likely to lose 24/7 consultant-led paediatrics, consultant-led obstetrics and a special care baby unit in the near future, because we have been told that there are insufficient doctors? How is a community like north Oxfordshire to accept on the one hand that there is a substantial downgrading of NHS services in Banbury and the surrounding area in a way that has never taken place before, while on the other it can see that junior doctors are being thrown on to the scrapheap?

Mr. Lansley: There is only one way for my hon. Friend to explain that to his constituents: it is chronic mismanagement of the national health service by the Government. It was the Government's intention to continue the expansion of consultant posts, but that has been torpedoed by the mismanagement of finances and deficits in the health service so that across the NHS posts have been frozen, consultant posts have disappeared and specialist consultants in some specialties cannot find posts. The consequence is seen not only in the impact on Horton hospital in my hon. Friend's constituency, but across the country. The increase in medical school output or in the number of junior doctors coming through would have been consistent in due course with a larger throughput into consultant posts, but the Government's attitude is that those consultant posts have been lost for financial reasons and they are cutting back on the hospital sector, so they want to maintain a tight bottleneck at the point at which junior doctors enter the further reaches of specialty training. They are stopping the flow, and they are literally forcing large numbers of doctors to leave the country.

The Government may believe that the doctors who will leave this country will be those who came from overseas in the first place, but that is not how it is working out. It is an arbitrary system. The scoring system, recruitment and application system have been made "objective" in a way that has become virtually arbitrary. Those who are selecting candidates for posts across the country were unable in the initial process to see anything like sufficient of the clinical experience, the academic achievements and the character of the candidates presented to them. It turned into a scoring system in which someone could literally—I have evidence in my file—pay £129, go on a course, and be told how to answer the questions to be selected for interview. That is utterly outrageous.

Mr. Michael Jack (Fylde) (Con): Following my hon. Friend's extensive research for this debate, can he explain why there is such a misfit between the 30,000 junior doctors who started out with an aspiration to reach those higher posts and the 22,000 opportunities that exist? Who created that over-supply of 8,000 junior doctors, and has he worked out the cost to the economy, never mind the human cost, of that enormous waste of unplaced talent?

Mr. Lansley: My right hon. Friend may be aware that we are constantly searching for accurate figures as to precisely how many applications and run-through training posts there are. Of the 18,500 posts in England—I think that the Department would

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acknowledge that figure—we have not even been told how many are run-through training posts and how many are fixed-term posts. The disparity between the figure of 18,500 and anything up to 34,000 posts is principally the result of the combination of two annual cohorts coming together because the new MMC process is shorter than the old training process, the right of European economic area nationals to apply without legal restrictions in this country, and a large number of overseas doctors who, for example, have highly skilled migrant programme visas.

There is no reason, as far as I am aware, why the Department should not have anticipated all those components. As little as four months ago, the Department, in the guise of the former health Minister, Norman Warner, was about a third out on the number of potential applicants. It is not good enough for Ministers to say, "There were more applicants than we expected so it all went wrong." They were responsible for the process. They are responsible for the number of junior doctors who have access to training in this country. They should have known the likely outcome and dealt with it.

Time and again we have told Ministers that thousands of junior doctors would be left without training posts. The response of the Secretary of State is always to misinterpret that and say, "You're saying that they are all going to be unemployed, and that's shroud-waving." She said on 19 March that

"the shroud-waving about unemployed doctors is absurd."—[*Official Report*, 19 March 2007; Vol. 458, c. 582.]

In a letter to me on 27 March she stated:

"It is wrong to conclude . . . that there is a danger that these doctors will be unemployed"—

[Interruption.]

The Secretary of State says that is right, but in her own Department a document is being circulated, the purpose of which is to try to deal with the fact that up to 10,000 junior doctors will be unemployed. That is what it says—unemployed or without training posts. It was not absurd. We were not shroud-waving. It was a fact and the Government knew it, but they would not admit it.

The Secretary of State has been in appalling denial about all this. I shall try to avoid a long quote, but I want the House to listen to the words of one consultant who wrote to me describing the process from the interviewer's point of view. We are hearing from junior doctors about how appalling the process has been. The consultant wrote:

"Today was the first occasion in 20 years that I was asked to make important decisions on the careers of our future colleagues, with no CV or application form to review in preparation for the face-to-face. The only information I received was a list of candidates—in no particular order—and a start time and venue. Each candidate arrived armed with a brief one-page summary, hand-written immediately prior to interview and a portfolio the size of one or two telephone directories. Three colleagues and I were supposed to review these in 30 minutes flat, at the same time as we conducted a structured interview, marked each domain individually, and finally came to an agreed score for each domain that will be forwarded to MTAS . . . I never saw any references and there was no opportunity to review our decisions. This process is the antithesis of fair employment and equal opportunities."

That is from the consultant's point of view. Imagine how it seems from a junior doctor's point of view. I have a quote from a junior doctor who describes his experience. He states:

"I have a first-class degree in medicine/neuroscience, medical degrees with distinction, two research doctorates . . . in behavioural neuroscience, nearly 30 scientific publications including text books and commercialized research software, research prizes, three years' experience as a lecturer in neuroscience at the University of Cambridge, and two years' experience as a medical SHO at teaching hospitals . . . whilst I was short-listed for an ST2 medical position I failed to be shortlisted for ST1 psychiatry, which requires no previous psychiatry experience. Presumably, in some way my answers to the 'anecdote' questions didn't fit the psychiatry scoring system, whatever that was".

That reflects precisely the point made by my hon. Friend the Member for Worthing, West. A candidate can end up with all those qualifications but fail to be shortlisted because of the scoring system, under which a PhD was worth one point and 150 words on how one copes with stress was worth four points.

Peter Bottomley: Perhaps one should ask whether the Prime Minister would appoint the Front-Bench health team on the same kind of system. Will my hon. Friend join me in posing a question to the Secretary of State for answer at the end of the debate? Is it true that the review group has said that each candidate will get one interview in their primary area? Is it true that under the MTAS system people who are to be interviewed this weekend are being told that there are no jobs available—that all were filled on the first round, so they cannot select their first choice? The advice is that they contact the deanery directly. The Secretary of State shakes her head. Will my hon. Friend join me in asking her to get that checked by the end of the debate and tell the House what applicants are being told under the system today?

Mr. Lansley: I am grateful to my hon. Friend. I am sure that the Secretary of State heard what he said, and I hope she will respond. On interviews, I suspect that she is not looking forward to the one with the next Prime Minister.

The Secretary of State has been in denial. She has told the House about the outcome of the review group. In a letter to me on 27 March she stated:

"The Review Group is independent and responsibility for membership rests with Professor Neil Douglas".

But a freedom of information request to the Department secured the answer:

"I can confirm that Clare Chapman, Director General of Workforce at the Department of Health, had overall responsibility for considering who was appropriate to sit on the review group."

It was not independent at all. It is no wonder, given the lack of a strategic solution from the review group led by Professor Douglas, that the Secretary of State has had to announce a new and a second review.

Professor Crockard, who was responsible for the modernising medical careers process, resigned, and in a letter to Liam Donaldson, the chief medical officer, said:

"I have become increasingly concerned that the well intentioned attempts to keep the recruitment and selection process running have been accompanied by mixed messages for the most important people in the whole process—the young doctor applicants."

It is basically unfair to advertise the possibility of four interviews and then suggest that these might not be honoured. Shelley Heard, the clinical medical adviser to the MMC process, said:

"The Review Group has not done this strategically or with an eye to the future."

This is why we are here this afternoon. The Secretary of State and the Government are in denial about the scale of the process and the many difficulties and problems with the scoring system and the recruitment process, which I have not had time to go through, and are not coming forward with viable solutions for the future.

David Taylor (North-West Leicestershire) (Lab/Co-op): The hon. Gentleman makes a fair point about the lack of independence of the first review group, on which the great majority had close involvement with the creation of the MTAS and the modernising medical careers project. Does he hope that Professor Sir John Tooke, in agreeing the complement of his review group, will not include anyone who has played any part in any of the processes that have had so many problems during the past few months and years?

Mr. Lansley: I am grateful to the hon. Gentleman for that. The Secretary of State will no doubt tell us more in a moment, but she has this afternoon announced the terms of reference for Sir John Tooke's review: that it will be independent of the four health departments—good; and that it will have an independent secretariat—good. But there are two problems. First, she has not announced the membership, and I entirely endorse what the hon. Gentleman said. It is essential for the confidence of the medical profession that Sir John Tooke's review is conducted by people who are in no sense, whether positively or negatively, associated with the decisions that have hitherto been made about the MMC and MTAS processes.

The other problem with what the Secretary of State has announced this afternoon is that she is asking Sir John Tooke to report on an interim basis in September. Hon. Members will know that the problems that we are encountering now with the outcome of the second review group will come to a head in August, so she appears to be precluding the possibility of Sir John Tooke and his colleagues, whoever they may be, intervening more or less immediately to say that steps need to be taken.

The Opposition motion includes essential measures. The review still has serious problems and it will be subject to legal challenge. There is a good argument that legitimate expectations of junior doctors in the application process have been completely failed, and there are still problems in trying to manage the application process. People cannot obtain interviews and are being logged out and obstructed, and there is scope for gaming for those who have already had interviews. To that extent there is an uneven playing field between those who had first round interviews and those who are in round 1B. It is astonishing that in England junior doctors are being restricted to one interview, whereas in Scotland and Northern Ireland all four original interviews are being offered.

It is far from clear that consultants throughout the country will be prepared to participate in what they regard as an unfair recruitment process. The consultants at Addenbrookes in my constituency sent me the results of a consultant survey that they had recently undertaken, and three quarters of those consultants said that they would refuse to take part in further interviews. Ninety-seven per cent. of them wanted to see the previous system of appointments restored for this year. I do not necessarily agree with that. However, there is something that we can and must do between now and August. It is not good enough to wait for Sir John Tooke's review in order to produce a report in September. We must consider foundation programme graduates who should, in all cases, be able to access specialty training. If they are not getting access to that training, posts will need to be created to enable that to happen. That was clear from the original principles of MMC, as stated in April 2004 in "Modernising medical careers: the next steps":

"It is not acceptable that they"—

that, is foundation programme graduates—

"should at this stage fall out of the training system".

Yet, according to the Department's own document, between 500 and 1,300 such foundation year graduates might fall out of the system.

It is not acceptable that this shambles means that large numbers of senior house officers, many of whom have excellent clinical experience, good academic qualifications and fine references, are going to be closed out of the ability to enter specialist training. We must turn more trust grade posts into training posts. I said that to the Secretary of State on 19 March, when Ministers sat there barracking me, saying, "That is extra money; it's going to cost." Of course, as we now know from a document sent to hospital trusts and strategic health authorities on 5 April, that is exactly what the Department is doing. It has asked hospital trusts and SHAs to respond by 27 April. Will the Secretary of State now commit to an increase in the number of training posts available this year and the holding back of some run-through training posts for 2008 and 2009 so that, as the hon. Member for Oxford, West and Abingdon said, senior house officers—those who have a legitimate expectation of completing their specialty training—will not suffer the guillotine that cuts off the possibility of their securing the appropriate level of training this year, next year or the year after?

Dr. Evan Harris: The hon. Gentleman is absolutely right. He is also right as regards the financial cost, or otherwise, of converting staff grade posts and trust grade posts to junior doctor training posts. Clearly, some service functions may have to go with the loss of those service posts, but I think that most junior doctors will be prepared to do some supervised service as the price of having a career in training. Does he agree that if the Government plan junior doctor posts, there must be some central planning to get the consultant expansion that is needed to underpin all of this?

Mr. Lansley: On the latter point, it is fair to say that one of the essential things that John Tooke must do is to establish a new work force planning arrangement that is owned much more by the profession and the service than by the Department of Health, which has handled it so appallingly.

The hon. Member for Oxford, West and Abingdon makes an important point. As I am sure that the Secretary

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of State would agree, turning trust grades to training posts is not without cost. That would have to come from the MPET—multi-profession education and training—budget in strategic health authorities. The Government have admitted that in the last financial year—2006-07—they cut £350 million from education and training budgets. Three or four weeks ago, the chief executive of the NHS said that that was for one year only. We are now at the start of the new financial year. It is clear from the SHA board papers that some SHAs are already planning to cut £136 million out of their training budgets for this financial year. We know where the money could come from for more training posts, because there is money in the training budgets, yet the Secretary of State sits there saying that the Department cannot afford them. It could afford them were it not mortgaging the future of the NHS to deal with its financial mismanagement to date.

Let me make it absolutely clear what we want. On 30 March, I sent the Secretary of State a letter with 101 e-mails that I had received from junior doctors about the many problems that they had experienced. I have had no reply. Senior house officers cannot become another new lost tribe of junior doctors in whom we, as the public, have invested not only our taxpayers' money but an enormous amount of our emotional support in the best young people of this country who have chosen to go into medicine but who might end up never being able to fulfil their vocation or, worst of all, pursuing it overseas, so that all those investments have been lost

Justine Greening (Putney) (Con): It is not only a matter of the time and energy that junior doctors put into getting qualified but the massive student debt that they incur. Medical graduates now have an average debt of £21,000.

Mr. Lansley: It is no wonder that not only Australian medical recruiters who come to this country but the City try to recruit junior doctors. Some of them will understandably be tempted precisely because of the point that my hon. Friend makes.

Mr. Frank Field (Birkenhead) (Lab): The hon. Gentleman says that we should ensure that there are career prospects for our best young people in this country. Given the unique circumstances that give rise to the issues that we are debating—two strings of training are concluding in one year—does he believe that the Government should ban doctors from Europe from applying for jobs in this country? Given that Europe takes so long to respond to anything, the year would be over and we would be into a second one before it had caught up with what we had done.

Mr. Lansley: I am grateful to the right hon. Gentleman but I fear that, legally, his suggestion is impossible. I do not propose it because I do not believe that the Government could legally take such action.

We cannot allow investment in junior doctors to be abandoned—that appears to be a risk as a result of the Government's policies. The vocation to serve patients in our national health service must not be lost to this country. The human needs of junior doctors—to pursue their career and maintain their family life—must not be ignored by the way in which the process is administered. We need to return to the profession greater control over its education and training. It is vital to find a solution that wins back the profession's confidence, which the Government have lost.

It is vital that Sir John Tooke's review not only has the option of making immediate recommendations but can be independent, representative of the profession and the service, open in its analysis—not closed, as previous review groups have been—and strategic in its outcome.

In a briefing paper for the debate, the Royal College of Physicians described what has happened as:

"The worst episode in the history of medical training in the UK in living memory".

The medical profession is rightly angry. Its members have been disempowered and they are demoralised. That has happened on the Secretary of State's watch. We have brought her to account and we want a solution. The Government's amendment makes no reference to the appointments and recruitment systems or MTAS. Worse, it contains no expression of regret. Our motion expresses on behalf of Parliament our deep regret about the distress caused to junior doctors and the loss of good will in the medical profession. We do not hear that from the Government. That is why hon. Members should reject the amendment. I commend our motion to the House.

Mr. Speaker: Before I call the Secretary of State to move the amendment, I point out that a demonstration took place in the Public Gallery. I know how seriously members of the public take the matter and I understand that things can get heated. However, I must tell the House that, if there is another demonstration, the Serjeant at Arms' officers have the authority to clear the Public Gallery. That might be unfair to those who have travelled a long way to hear the debate.

4.23 pm

The Secretary of State for Health (Ms Patricia Hewitt): I beg to move, To leave out from "House" to the end of the Question, and to add instead thereof:

"recognises the international reputation for excellence of medical training in the UK; acknowledges the need to modernise medical careers to ensure all doctors are properly trained to nationally recognised standards, including a fairer and more transparent process for applying for specialist training; notes that Modernising Medical Careers (MMC) will deliver training to a consistently high standard which, combined with the expansion of the number of doctors, will provide high quality safe care by appropriate skilled medical staff; notes the wide consultation that took place on MMC and the strong support for the need to improve doctors' training amongst doctors' representatives including the medical royal colleges and the British Medical Association; welcomes the external review that is already being conducted into how MMC has worked to date and the changes made as a result; and supports the longer term review recently announced to ensure MMC works well in the future."

Let me begin by stressing, as I did last week, that my ministerial colleagues and I are in no doubt about the distress, anxiety and uncertainty that has been caused to junior doctors by the problems with this year's applications system. Those problems should not have arisen, but they have, and we are all—Ministers, officials in the Department, the medical royal colleges, the British Medical Association, the postgraduate

deaneries—completely focused on sorting them out so that, as I said to the House last week, we have a system for this year that is fair to junior doctors and enables the NHS to make the right appointments to all the posts involved.

In addition to the urgent questions that the hon. Member for South Cambridgeshire (Mr. Lansley) mentioned, there have already been three written ministerial statements as well as last week's oral statement. I will, of course, continue to update the House on the work of the review group under the leadership of Professor Neil Douglas, which will remain in existence while we continue to sort out the problems that have arisen with this year's applications system.

Before I return to the question of the applications system and look forward to Sir John Tooke's review, I want to say a little more about the new medical training system and what it replaces. As on previous occasions, the hon. Gentleman has simply understated the very real problems of the old system that modernising medical careers replaces. That system, as the whole House would acknowledge, has always produced outstanding doctors for the NHS, many of them world leaders.

However, that system was also wasteful, inconsistent, often unfair and, indeed, as the Royal College of Surgeons said several years ago, "most unsatisfactory". Some junior doctors had to apply for a new training post every six months. They were sending in different applications in different formats to different hospitals and different post-graduate deaneries at different times of the year. There was no proper national curriculum and no standardised assessment process. It has always been the case that, because of the intense competition for medical training posts, junior doctors who could not secure the senior house officer job that they wanted found themselves filling in time in the wrong post—from the point of view of the skills that they wanted to develop—in non-training posts or as a locum. Sometimes, as Conservative Members pointed out, they had to do so for years on end.

Remedy UK, the newly formed group that has been so critical—understandably so—of this year's problems says in its briefing paper on MMC that many of those in the old senior house officer job were in short-term or non-training posts or endured poorly planned training with no clearly defined end points. There were certainly deficiencies in the selection and appointment procedures, along with inadequate supervision, assessment and career advice. It was precisely because of those problems that, following the leadership of the chief medical officer, the Department of Health sat down with the medical royal colleges, with the British Medical Association, with the postgraduate deaneries and others—including, of course, representatives of the junior doctors—to devise modernising medical careers, which almost everybody agrees is the right way forward. Indeed, Professor Douglas's review group has confirmed that.

Mr. Desmond Swayne (New Forest, West) (Con): The right hon. Lady is setting up a straw man. Absolutely no one here is trying to suggest that we should have stuck with the original system. Her job here today should be to explain the shambles that we are now in and how we are going to get out of it, rather than to review what might have been the case in the past.

Ms Hewitt: I have to tell the hon. Gentleman that in a debate titled "Modernising Medical Careers", it makes sense to remind the House of how it came about, why we committed to it in the NHS plan of 2000 and why its underlying principles and direction of reform for medical training are absolutely right.

Dr. Evan Harris: I share the right hon. Lady's view that the problem with the old system was that too many doctors at senior house officer level had nowhere to go to get into training, so they had to mark time, go into career grade posts or SHO posts that were not really training posts. Does she accept that the test of the new system will be how many fewer people in that situation either have to leave training against their will when they are capable of being trained to be consultants or have to go unwillingly into career grade posts below specialist training level? Does she accept that that will be the test of the success of her new system?

Ms Hewitt: What I accept in response to the hon. Gentleman's question is that it has never been possible for every junior doctor who wants to pursue training through to a consultant post to do so, particularly in the specialty that they originally wanted to follow. I will come back to that point in a moment.

Mrs. Nadine Dorries (Mid-Bedfordshire) (Con): Will the Secretary of State give way?

Ms Hewitt: I want to make a little more progress before I give way again.

The first part of the new system—the two-year foundation programme—was successfully introduced in 2005. In line with the principles that will operate throughout modernising medical careers, that will give every medical graduate a series of properly supervised placements in medicine, surgery and a range of other specialties and settings, with formal training based on a national curriculum developed following wide consultation with the profession, including the medical royal colleges, and approved by the Postgraduate Medical Education and Training Board. It will also provide our medical graduates with regular workplace-based assessments of competence, a national learning portfolio and formal access to careers advice, all of which were missing from the old system.

Mrs. Dorries *rose—*

Ms Hewitt: If Opposition Members support all that, I shall be delighted. I shall give way to the hon. Lady.

Mrs. Dorries: As my hon. Friend the Member for South Cambridgeshire (Mr. Lansley) has said, there is no argument about the fact that doctors' careers and training processes needed modernising. The issue is that the process has been a complete, unmitigated disaster, yet the Secretary of State is not accepting responsibility for that.

Ms Hewitt: I am sure that the hon. Lady will not accept my word for it, but if she just looks at the several statements made by the review group under Professor Neil Douglas, she will see that it has not been a complete, unmitigated disaster. The applications system has actually been working well in many places,

[Ms Hewitt]

particularly for GP posts. Many problems have arisen that I have acknowledged since the scale of the problem became clear and taken action on, particularly by the appointment through the Academy of Medical Royal Colleges of Professor Neil Douglas to lead the review group and to sort out the problems. Just as I am acknowledging the problems, I wish that the hon. Lady and her hon. Friends would acknowledge that we are taking this matter seriously. We have apologised for the fact that the problems arose, and we are now seeking to correct them and to sort this out.

Lynne Jones (Birmingham, Selly Oak) (Lab): A serious problem exists today, but the review group will not report for some time. I listened carefully to the hon. Member for South Cambridgeshire (Mr. Lansley), and there was nothing in his speech that I could disagree with. My right hon. Friend cites Remedy UK; I met one of my constituents this morning, and they are calling for more training posts to be created. There is nothing in the Government's amendment today to tell us how we are going to get out of this situation, and I hope that my right hon. Friend will address that problem.

Ms Hewitt: That is precisely the point that I am coming to, but I wanted first to make the rather important points about why we are changing to modernising medical careers.

Mr. Jack: Will the Secretary of State give way?

Ms Hewitt: No, I want to make some more progress before I give way again.

As I told the House last week, Professor Douglas's review group has already agreed on significant changes to the system. They have been announced to the House and to junior doctors, and they are now being implemented. The review group decided, after careful discussion, that it would be wrong to abandon the process of interviews that is now under way. It concentrated instead on how to change the process so that it would be fair to junior doctors and meet their needs and the needs of the NHS as a whole. In particular, every eligible applicant was invited to reaffirm or revise the order of their application preferences and was guaranteed at least one interview for their revised first preference specialty. That is now happening and, over the past few days, more than 25,000 applicants have taken the opportunity to revise the order of their preferences and have done so successfully on the much-maligned medical training application system—MTAS. Those interviews are now under way, and they will continue right through next month.

Mr. Jack: I am grateful to the Secretary of State for her courtesy in giving way. Will she put on record for the benefit of the House the fact that, while receiving submissions from her officials when the new training methods were being devised, she never received any message at all from any official or from anyone concerned with medical training or medical manpower planning that there would be a problem with two streams of trained doctors arriving at the same time and chasing the same posts? Did she ever receive such advice?

Ms Hewitt: Last year, the main focus of the discussions, particularly with the British Medical Association, was on the number of training posts that would be available. That is not dictated by Ministers or the Department of Health; it is determined by the individual trusts and postgraduate deaneries on the basis of what is needed by the service. We spent several months and a great deal of work establishing the number of training posts that would be available. The noble Lord Warner, then the Minister responsible, made a statement on that subject towards the end of last year—*[Interruption.]* If I may remind the right hon. Member for Fylde (Mr. Jack), Lord Warner said in that statement that we did not and could not know how many other applicants there would be, particularly from overseas.

Mr. Frank Field: The junior doctors who have been in contact with me are not now so concerned about the process, which they find rather academic, but they are desperately worried about their jobs. When the crisis began to unfold, the Prime Minister said that he expected that the vast majority of doctors coming up for appointment would gain appointments. Will my right hon. Friend have an opportunity this afternoon to outline the measures that she has directed to ensure that that pledge is fulfilled?

Ms Hewitt: First, in response to my right hon. Friend the Member for Birkenhead (Mr. Field), and to other questions, I want to clarify the total number of training places available: about 23,000 postgraduate medical training appointments are available across the UK this year, which is more than ever before. Of those, 3,000 are being filled by recruitment to general practice, and just over 19,000 places are available on MTAS at the moment, with a further 700 to be added to the system. We all know very well that there are more applicants than training posts. That has always been the case, but it does not mean, as headlines and some press reports claimed at the weekend, that there will be 10,000 unemployed doctors.

Of the 32,000 or so eligible applicants for those training posts, about 30,000 are already working in the NHS, about 6,000 of whom are completing their foundation programme, and about 8,000 of whom state on their applications that they are working in non-training posts—trust jobs, staff jobs, locum posts and so on. About 16,000 say that they are working as senior house officers, but because of the deficiencies in the present system, many of those posts are not proper training posts either. Regardless of the outcome of applications for the new training posts, the NHS will continue to need all those jobs and possibly more in the future, because the number of patients is increasing, and so is the number of doctors—the NHS now has over 30,000 more doctors than 10 years ago.

Someone who is currently working in the NHS in a non-training post, whatever it is called, who does not get the training post for which they applied this year, will be disappointed, just as many were last year, the year before and every other previous year. They will still, however, have their job. Those who do succeed in getting a training post will leave a vacancy that can be filled by a doctor—with appropriate experience, of course—who has failed to get the training post that they sought this year.

Rob Marris (Wolverhampton, South-West) (Lab): A couple of years ago, the province of Ontario in Canada abolished grade 13, which led to a double cohort going to university, for which steps had to be taken. My right hon. Friend talks of posts for medical graduates, but the difficulty is that no steps appear to have been taken to plan for the inherent and entirely foreseeable problem of the double cohort of SHOs at one end and recent medical graduates at the other. SHOs who started under the old system are competing with recent medical graduates for an insufficient number of training posts—I stress the word "training" to my right hon. Friend. As I understand it, a lot of those people will be redundant from 1 August. Will she assure me that a sufficient number of training posts will be available for those doctors?

Ms Hewitt: The number of posts must be based on the needs of patients and the service as well as the needs and wishes of trainees. As I have tried to stress, it has always been the case that some doctors in training have either had to change their specialties or been unable to progress in their training to consultant grade. The new system does not change those realities.

Mr. Andrew Pelling (Croydon, Central) (Con) *rose—*

Ms Hewitt: I want to make a little more progress before I give way again.

I fully recognise that it would be quite wrong to leave a junior doctor part-way through his or her training with no clear prospects. Until the whole process of interviewing and job placement is completed in a few months time, we will not know which trainees—whether they are just completing the foundation programme or are more senior—have obtained specialist training posts. However, I assure my hon. Friend and the House that we will give them proper support.

As part of the review, we are working urgently with the royal medical colleges and the NHS to establish the need for additional training posts—which will of course have to be approved by PMETB, the Postgraduate Medical Education and Training Board—including one-year placements and more senior posts. We are also considering how we can provide more effective training support for doctors in service posts—that is, non-training posts—to maximise their development opportunities. That is the issue on which Professor Douglas's review group is now focusing, having dealt with earlier problems involving the application process, and it will make a full statement—as will I, to the House—on the support that will be available very shortly.

Mr. Pelling *rose—*

Mr. Bellingham *rose—*

John Bercow *rose—*

Ms Hewitt: I will give way to the hon. Member for Buckingham (John Bercow).

John Bercow: The right hon. Lady referred to the needs of patients. When we envisage circumstances in which every junior doctor in every grade and in every specialty changes job on the same day, the spectre is inevitably raised, and was articulated to me only this morning, of wards either empty or massively understaffed, potentially thereby—I choose my words carefully—imperilling public and patient safety. The right hon. Lady shakes her head, and she is entitled to do so, but can she assure me that there will be no such scenario anywhere in the country? If she is confident that she can, will she say precisely what contingency planning is being done to enable her confidently to make that prediction?

Ms Hewitt: As I have just said, the great majority of applicants who are already in non-training staff posts, trust posts and a variety of other non-training posts will still have those jobs because they will still be needed in the NHS. Each hospital trust, and the board of each trust, has a responsibility to its patients to ensure that on 1 August, or any other day, the right number of the right staff are available to provide safe, high-quality care.

Mr. Bellingham: Further to the point made so eloquently by my hon. Friend the Member for Buckingham (John Bercow), is the Secretary of State aware that in my constituency Queen Elizabeth hospital has made it clear that because of the changeover date of 1 August, no elective work will be done during the first week of that month? All day surgery will be cancelled for a week, which will mean the cancellation or postponement of probably 100 operations and a consequent increase in waiting lists. Will that happen throughout the country, and why will it happen in my constituency?

Ms Hewitt: The issue of the changeover date is nothing new. Trusts have to plan for it very year, and that is what they are doing this year. It is not exactly unpredictable or novel. As I have said, it is up to individual trusts to decide how to organise staff in order to meet their patients' needs.

Mr. Pelling *rose—*

Ms Hewitt: I want to make a little more progress before I give way again. I have been quite generous in taking interventions.

We hear from Conservative Members and others demands for the creation of an unlimited number of training posts to meet the needs and wishes of junior doctors. We must recognise that it is necessary to balance fairness to doctors in training with the needs of patients and the NHS. It would be completely wrong to create a specialist training post for everybody who wants to become a consultant in a particular specialty, including for people who have in the past applied for training posts year after year, as some have done, and have not been able to progress in their training, or to create posts regardless of whether the NHS actually needs so many consultants in a particular specialty.

Cardiothoracic surgery is an example of such a specialty. Because technology and medical practice have transformed how cardiothoracic patients are treated, the NHS already has far more fully trained cardiothoracic surgeons than it needs. This year alone we have 300 applications for five speciality cardiothoracic posts. It would not be right for the NHS

[Ms Hewitt]

to create another large number of cardiothoracic training posts simply so that there are enough for every applicant who would like to specialise in that field. Equally, however, those applicants who have that field as their first choice and who are disappointed must have the opportunity and support that they need to progress in another specialty. That is an important point, because what we need in terms of training—and I believe that we will get this with modernising medical careers—is a system that not only gives dedicated and excellent junior doctors the chance to progress in their careers, but enables the NHS to have the right number of people with the right skills at a time when medical practice and technology are changing faster than ever before.

Mr. David Heath (Somerton and Frome) (LD): It is instructive that the right hon. Lady chose the small specialty of cardiothoracic work, which has always been oversubscribed, and it would be interesting to find out whether she can give any other such examples. However, may I return her to a question that she has still not addressed, despite having been asked it at least three times this afternoon? There was an entirely predictable consequence of the double cohort. What planning did the Department do to deal with the double cohort issue?

Ms Hewitt: The hon. Gentleman is ignoring the fact that, because of how the old system worked—with junior doctors applying for jobs all over the country, and with different application systems and things happening at different times of the year—there was no national system. Therefore, we had no statistics in respect of the number of people who had been applying unsuccessfully for training posts. I agree that it is clear, with the benefit of hindsight, that it would have been better if we had predicted that almost everybody in a non-training post would take the opportunity of this year—the first year of a system that is much fairer and much more transparent, with more training posts available than ever before—to make an application. Of course it would have been better if we had predicted that. We failed to do so, and I have apologised for the problems and distress that that has caused. More importantly, however, we are now putting that right.

Mr. Pelling: I am grateful to the Secretary of State for giving way. What would her advice be to the four junior doctors from my constituency who visited me today, all of whom have been offered training posts, in Brisbane, Toronto and Singapore, bearing in mind that the offer being made by the Secretary of State is that they can have some kind of job in the NHS, even perhaps as a rural GP in Scotland—an example of "Dr. Finlay's Casebook", if ever there was such an example? Would her advice be that it would be best if, despite the £250,000 that has been spent on the training of each of them, they accepted those job offers outside the United Kingdom?

Ms Hewitt: I am unsure whether the hon. Gentleman is prejudiced against general practitioners, or those working in country areas, or those working in Scotland. The job he mentions is in my view an excellent post, and I am sure that someone will fill it admirably. He also ignores the fact that 23,000 postgraduate medical training places will be available across the whole of the United Kingdom, which is more than ever before.

Let me deal with the issue of doctors going abroad, which the hon. Member for Croydon, Central (Mr. Pelling) just raised. At the weekend, there was some quite disgraceful reporting in some sections of the press. On the one hand, they were busy saying how disgraceful it is that doctors have had to suffer the distress and added uncertainty of this year's difficulties, while on the other they ran a headline saying that they were all going to be shipped abroad to do voluntary service overseas. That is absolute rubbish. It has always been the case that some British junior doctors have chosen to go abroad at some stage in their training to get extra experience to further that training. Some do voluntary work in, or are on secondment in, the developing world—an issue on which the noble Lord Crisp recently produced an excellent report. However, there is no question of junior doctors being forced into those options or being shipped abroad.

We all need to focus on the interviews that are taking place and that will continue over the coming month, the first round of job offers that will then be made, and the enormous effort that will go in—thanks to the work not just of the review group, but of consultants and the postgraduate deaneries around the country—to matching, as far as is possible, junior doctors with their first preference application, and to match, wherever possible, medical couples with their combined preferences through the medical training application system, which is an issue that was specifically raised. Of course, there will then be a second round of interviews and job offers. Once all that has been done, we will then ensure proper support, as I indicated a moment ago, for those trainee doctors who have not secured the training post that they wanted.

Rob Marris: I am very grateful to my right hon. Friend for patiently explaining the issues and for being generous in giving way. She talks about focus, and what I am focusing on is the figures that she has given this afternoon, which I have perhaps misunderstood. She mentioned 23,000 training opportunities and 32,000 applicants. I am focusing not on the MTAS system—good or bad as it may be in terms of the computer system and the lack of CVs—but on the fact that apparently and entirely predictably, 9,000 doctors, whom it costs £250,000 a throw to train and who have been in the system for a minimum of six years, will be redundant. That will be a great loss to the taxpayer, to the NHS and to them personally.

Ms Hewitt: I am afraid that on that point my hon. Friend is absolutely wrong. Well in excess of 9,000 of those 30,000 applicants working in the NHS are working in non-training jobs that the service will continue to need. They are the so-called "trust" jobs—the service jobs—but they also include some of the senior house officer jobs, which are not training posts, despite their name. Those jobs, as well as the 23,000 training places, will continue to be needed and to be filled by junior doctors. That is why the headlines about 10,000 unemployed or redundant doctors are simply wrong.

Mr. Frank Field *rose—*

Ms Hewitt: I give way a second time to my right hon. Friend.

Mr. Field: I am very grateful for the chance to make a second intervention. I ask my right hon. Friend not to answer the Liberal Democrats' endless plea for a post mortem. *[Interruption.]* Yes, the Liberal Democrats did ask for a post mortem to find out what went wrong. We all know that something has gone wrong—even the Liberal Democrats should understand that simple point—but young doctors in Birkenhead want to focus on the future. In answer to my previous intervention, my right hon. Friend said that, at some stage, she and others would consider the creation of new training posts. Will she please say a word or two about that before the end of the debate?

Ms Hewitt: I did indeed say that as part of sorting out the difficulties that have arisen this year we are already working with the royal colleges, the NHS and postgraduate deaneries to see whether additional training posts can be made available to start, of course, alongside the other ones later this year. We are looking at that issue.

Dr. Evan Harris: Will the Secretary of State give way?

Ms Hewitt: No. I am not going to take further interventions, as I am very conscious of the time.

We are also looking at what additional training and support should be given to those who take the non-training posts—the staff jobs and so on—so that they can continue their development. In some cases, they will be in a position to apply successfully for a training post next year.

We are doing two things. First, through Professor Douglas' review and with the close involvement of the medical royal colleges, the BMA and other bodies, we are sorting out the problems that have arisen this year. Secondly, we are looking further into the future. As I announced last week, we are to set up a wider review of the modernising medical careers programme. It will be led by Sir John Tooke, and the House will know that I published the review's full terms of reference today.

The principal task facing Sir John and his review group will be to examine the framework and processes underlying modernising medical careers to inform improvements for 2008 and beyond. Therefore, the existing group led by Professor Douglas will continue to make sure that we sort out the difficulties for this year, and Sir John Tooke's review will look ahead to next year.

As hon. Members will see from its terms of reference, Sir John Tooke's review will look at questions such as whether the system is flexible enough—one of the main principles of modernising medical careers—or whether the scoring system devised through a very full consultation with the professions is now, on reflection, thought to be inappropriate and in need of revision. I am extremely grateful to Sir John for undertaking the review, and I stress once again that it will be completely independent. Sir John is identifying the members of his review panel and I shall make an announcement about that with him in due course. He will recruit his own secretariat and have a budget for that purpose. He has kindly offered to produce an interim report in September, as that will assist us in planning and making improvements for next year. That interim report will be published, of course, and Sir John has also undertaken to inform us of preliminary findings earlier. I know that Sir John will do everything that needs to be done to involve junior doctors, the medical profession more broadly and the NHS in the review. I have full confidence in him, and I hope that that confidence is shared across the House.

As I noted earlier in this important debate, we have more than 30,000 more doctors in the NHS than we had 10 years ago. We have more trainees and more training places than ever before. We are establishing a new training system that will build on the excellence that British doctors have always achieved. However, it will also give us a much better, fit-for-purpose medical training system.

We are sorting out the problems that have arisen this year, and we are learning lessons to ensure that we can make further changes and improvements next year. It would have been much better, of course, if the problems with this year's transitional year had not arisen. We all regret—I most of all—that they have arisen, but the new system that we are putting in place with modernising medical careers will be fair to doctors and right for the NHS. Above all, it will be best for patients.

I commend the amendment to the House.

4.58 pm

Norman Lamb (North Norfolk) (LD): I want to start by speaking about the Government amendment that the Secretary of State has asked the House to support. It is remarkable for the fact that it makes no reference at all to the extent of the shambles in the medical training system. I assume that the amendment will win the day this evening, but anyone reading it would not have any understanding of the scale of the discontent in the medical profession resulting from what has happened.

All those involved are left in a state of some despair, because the problem was so avoidable and because the damage that has been done—and the likely disruption still to be faced—have had such a negative impact on the NHS and the morale of the doctors on whom we all rely. Today, the Secretary of State repeated her apology to junior doctors. She was right to do so, because of the stress and anxiety caused to so many young professionals who have committed themselves to the NHS.

Although the impact has been most severe on junior doctors, who feel that their careers are hanging in the balance, consultants too have been left completely frustrated and angered by the utter incompetence that they now have to remedy. They are faced with having to try to clear up the mess by undertaking a vast number of extra interviews in a short space of time.

Of greatest concern, however, is the impact on patients. When doctors have rock-bottom morale, it is not good news for patients. What about the impact on patient care of the recovery programme—all the extra interviews that must take place during May? What will happen on 1 August? I shall return to those questions.

[Norman Lamb]

How on earth did we reach this point? The origins date back to the chief medical officer's report in 2002. Its original principles clearly attracted widespread support. Self-evidently, there is a need for a modernised and focused career structure for trainee doctors. More standardised training based on competencies is the right way forward, and it is entirely reasonable to focus both on clinical skills and on the communication skills that I readily acknowledge are important for doctors. There were also legitimate concerns about patronage and bias in the old system. In any modern service those features are unacceptable and need to be challenged. Career advancement should always be based on merit, not on who a person knows or even the colour of their skin. I suspect that that has been a problem in the health service in the past.

What went wrong? The Royal College of Physicians points to two failures. The first was that modernising medical careers had become a straitjacket. It was too inflexible: it forced early career decisions on young doctors and from that point demanded a training schedule that gave them little opportunity to change direction to a different specialty. It shortened the training period, leaving many doctors concerned that their experience would be reduced as they went through the training process.

The second failure was the introduction of the medical training application service—MTAS—which was set up by the Department of Health to select junior doctors for MMC training posts. The royal college described the system as "deeply flawed, and unpiloted"—it had specifically requested that the system be piloted. Many concerns have been raised about how the unpiloted system has worked. It seems remarkable that so much emphasis appears to be placed on creative writing skills—we have heard about the number of points allocated for that competency—compared with clinical excellence. It seems that doctors who have undertaken research to prepare for a specialism could be disadvantaged. No CVs are considered and there is no proper acknowledgement of academic qualifications. The central question that the Minister of State, the hon. Member for Leigh (Andy Burnham), must answer when he responds is: how on earth did that happen? Is not it incredible that an entirely new, sophisticated web-based system was introduced without proper piloting?

Anne Milton (Guildford) (Con): As the taxpayer is likely to have to fund the reviews of the debacle and its repercussions, does the hon. Gentleman agree that it is important that we hear from the Secretary of State or another Minister exactly who was responsible? We have not yet been told.

Norman Lamb: I am grateful to the hon. Lady for that intervention. I disagree with the right hon. Member for Birkenhead (Mr. Field), who seems to think that establishing who was responsible is a pointless exercise: it is essential if we are to hold the Government to account and learn lessons for the future. The hon. Lady made a point about the costs of the recovery exercise. I put that question to the Secretary of State during her statement last week. I did not get an answer, so I would be grateful if the Minister of State could confirm what assessment has been made of the likely additional cost of the recovery exercise.

I was making a point about piloting. The terms of reference of the review highlight several features of the system. They include the assessment methodologies used in the selection process, including the relative merits of competency-based and more traditional methods of selection and recruitment; the level of choice on offer at application; and the lack of flexibility available to trainees on run-through programmes. They are all issues that would emerge from pilot programmes and the problems would be ironed out before a programme was rolled out nationally. How on earth was the system introduced without proper piloting?

Justine Greening: The hon. Gentleman is making some excellent points. Before I became an MP, I spent many years working in business and I cannot ever remember any company of any importance introducing an IT system without a full pilot and assessment of it afterwards.

Norman Lamb: The hon. Lady is absolutely right. Much smaller organisations pilot new programmes before they are introduced. We are talking about a system that is supposed to deal with tens of thousands of applicants across the whole country. It is bizarre and extraordinary that it was not piloted.

Warnings also went unheeded. The Royal College of Physicians warned but was ignored. The British Medical Association said that it tried to get the Government to listen, but it was ignored. During the Secretary of State's statement last week, the hon. Member for Wolverhampton, South-West (Rob Marris) told the House that he had written several weeks ago to one of the Ministers at the Department—

Rob Marris: In the autumn.

Norman Lamb: The hon. Gentleman wrote in the autumn. He did not say to which Minister he wrote, but he said that he had not received a reply and that he had raised concerns about the introduction of the system. His warnings went unheeded.

Rob Marris *rose—*

Norman Lamb: As I understand it, the hon. Gentleman has still not had a reply. Perhaps he is going to tell us otherwise.

Rob Marris: May I clarify the position for the hon. Gentleman? I wrote last autumn expressing concern about the system and I was assured by the then Health Minister, Lord Warner, that it would be all right on the night. When it became apparent in the spring that it was not all right on the night, I wrote and asked who was being disciplined on account of this failure. After many weeks, I have still not received a reply to that question other than the answer that I received from the Secretary of State in the statement last week, when she said that no one had been disciplined.

Norman Lamb: I am grateful to the hon. Gentleman for that. Even if no one is disciplined, people could still be held to account for what has happened, but we have had no indication of whether that will happen.

Given that there was no piloting and that all the warnings from professional bodies were ignored, one is left with the sense that the Government have demonstrated total arrogance and total incompetence, or a pretty potent mix of the two. Who is responsible for the debacle? Will anyone be held to account? Surely, it is a pretty damning indictment when the former national director of MMC, Professor Alan Crockard, resigned stating that MTAS

"has lacked clear leadership from the top for a very long time".

What does he mean by "from the top"?

Mrs. Gwyneth Dunwoody (Crewe and Nantwich) (Lab): We have heard a fairly solid dose of hypocrisy about this issue in some parts of the debate. No one is suggesting that we return to the absolute chaos of the previous system, in which some doctors suffered considerably. However, may I point out to the hon. Gentleman that Professor Crockard was presumably in on the arrangement from the first and was also acting as a consultant?

Norman Lamb: I am grateful for that intervention, but I made the point that the principles of the system were widely supported at the start and I highlighted the concerns about the previous system. *[Interruption.]* I did highlight the concerns about bias and so forth; it was absolutely right to bring in a new system. It is the way in which it has been implemented that has caused so many people to be left totally frustrated by the Government's incompetence. Professor Alan Crockard may be partly responsible for the debacle, but when he says that there has been a clear lack of leadership

"from the top for a very long time",

we ought to listen to that concern.

Mr. John Leech (Manchester, Withington) (LD): Surely the difference is that the professor has fallen on his sword, whereas the Secretary of State has not?

Norman Lamb: I take that point. When the professor says that there is a lack of leadership from the top, we need to know whether he is referring to the Secretary of State, or a civil servant—*[Interruption.]* MTAS is a Department of Health initiative, so we need to know from the Minister to whom Alan Crockford—[HON. MEMBERS: "Crockard."] We need to know to whom Alan Crockard refers when he says that there is a lack of leadership from the top. Will the Secretary of State publish all the correspondence as part of a wider review so that lessons can be learned about what has gone wrong?

Will the Secretary of State publish any written submissions made by Professor Shelley Heard, who has also resigned? Professor Heard was the national clinical adviser and has been quoted as saying that the principles

"have been lost in the detail and acrimony of a recruitment process which should have supported and not driven it".

She said:

"we are losing the goodwill of a generation of UK graduates who believed it when we said we wanted to train more UK doctors better and we are losing the goodwill of patients and senior colleagues".

Professor Heard also fundamentally challenged the direction taken by the review group set up by the Secretary of State. She said that the group

"has become so immersed in the detail that it cannot see a way ahead which will be both equitable to doctors and support the aims of MMC".

She found herself

"able to support few of the decisions that the review group has taken since they undermine the principles which are at the core of MMC".

Does the Minister accept that the review group's direction of travel is undermining the principles at the core of MMC, as Shelley Heard suggests? That is a serious challenge to the direction that the Government are taking.

I am an employment lawyer by training, and before I became a Member of Parliament I advised employers on fair recruitment processes fairly regularly. This is not a fair recruitment process. It is fatally flawed, and once a process is flawed, one cannot satisfactorily remedy it. Will the Minister confirm whether the additional interviews for those candidates not hitherto given interviews will be conducted by differently constituted panels? However objective a scoring system, once different assessors are introduced on to a panel, objectivity is destroyed. Once something is flawed, it is always flawed, and that is why I have supported the attempts by Remedy UK to secure a judicial review of the process.

I want to explore the recovery process itself. I understand that all the additional interviews will take place over a four-week period in May. Will the Minister confirm how many extra interviews the Government expect will be required? Will that be logistically possible to achieve? When I put that question to the Secretary of State last week, she said that it would be achievable, but "only with considerable effort". That suggests that there is a risk of substantial disruption to patient services and a possible impact on patients.

I understand that trusts are resistant to allowing consultants time off their clinical work to conduct the interviews. The hospital trusts are all under intense pressure to deliver on waiting time targets, yet they will lose a substantial number of clinical hours to conduct additional interviews. I understand that 10 candidates were originally interviewed for two specialty training level 3—ST3—posts in cardiac surgery in London, but that it is expected that an additional 50 applicants will be interviewed to comply with the review group's new process. Will the targets with which acute hospitals must comply be adjusted to take account of the disruption that will inevitably occur, given that if a surgeon is interviewing, he or she is not operating? A question was raised about the cost of the recovery programme, and I hope that the Minister will give a confirmation of its cost.

What analysis has been undertaken of the impact of all junior doctors starting their new roles on 1 August? The Secretary of State, who I notice has disappeared from the Chamber, indicated that the turnaround had always taken place on 1 August, but I understand from my hon. Friend the Member for Oxford, West and Abingdon (Dr. Harris) and many others that that is not the case. It was a phased process; all junior doctors across the country did not change jobs on one day. It is hard to imagine a more crass arrangement than one in

[Norman Lamb]

which everyone is expected to start work under a new system at exactly the same time. Induction procedures will take doctors away from their duties, and I understand that many hospitals will, in effect, operate bank holiday working arrangements during that period, cancelling operations and clinics. Newly appointed doctors will find that their predecessors have already gone, leaving inadequate knowledge of the patients on the wards for whom the new doctors are supposed to be caring.

I suppose that it was inevitable that the changeover for the whole country would be planned for a peak holiday time, when so many consultants are away. That simply adds to the challenge. I have heard that some trusts are starting to suspend the right of consultants to go on holiday in the first two weeks of August. That suggests that acute trusts are anxious about the potential impact on patient care during that period.

On the mismatch between the number of applicants and the number of posts advertised, the Secretary of State indicated that there were about 23,000 training posts, but of those 23,000, she said that 3,000 were general practitioner posts. She then said that the net figure for hospital posts was something over 19,000. I do not quite understand the maths, but that is what she said. She also said that 700 extra posts were being added. I do not understand where that figure comes from, and I would be grateful if the Minister of State could explain when he winds up the debate. Are those 700 extra posts the additional training jobs that the Government said that they hoped to provide, or are we expecting more training posts on top of that 700? The people affected by the problem, many of whom are in the Gallery today, deserve clarity and answers from the Government on that point.

The Secretary of State was right to point out that some, but not all, of the people who do not get training jobs will continue in their existing posts. Will the Minister give his assessment of the number of junior doctors who are likely to be unemployed come the summer? The hon. Member for Wolverhampton, South-West had a stab at providing a figure, but he was told by the Secretary of State that he had overstated the numbers because many people would remain in their jobs, so what is the figure? We know from the document leaked last week that Government planning is proceeding on the basis that thousands may be unemployed. It is incumbent on the Government to tell us the estimated number of junior doctors who will be unemployed this summer.

The document referred to the possibility of junior doctors being sent off with Voluntary Service Overseas. VSO is a fantastic concept and I applaud all the junior doctors and the many other professionals who do voluntary work overseas, but as a human resources solution for a Government who have got themselves into a hole, it is hardly an appropriate way forward. Will the Government publish the document that was leaked last week? I have not seen it. Is it available, and may we see what the Government are planning to do with all the unemployed doctors this summer?

We are told that it costs about £250,000 to train a junior hospital doctor. How many are likely to end up heading overseas or leaving the profession as a result of the crisis? What is the scale of the resources that will be wasted on all that training?

The hon. Member for Wolverhampton, South-West raised the issue of the two cohorts coming together, as did my hon. Friend the Member for Somerton and Frome (Mr. Heath) in an intervention on the Secretary of State. We still have not had a satisfactory answer on why the Government did not expect that to happen and why they do not appear to have planned for it or its consequences.

I suspect that the right hon. Member for Birkenhead might disagree on this point, but one sensitive, but important, issue is the way in which we treat foreign doctors who work in hospitals across the country, many of whom have given dedicated service to the NHS. How will they be treated as a result of this debacle? My hon. Friend the Member for Oxford, West and Abingdon made the point that, historically, staff grades that are often filled by ethnic minorities and women are, in a sense, dead-end jobs, with no prospect of career advancement. Why can the Government not plan to convert those jobs into training posts, to give the occupants the chance of career enhancements?

Dr. Evan Harris: Does the Minister accept that the key to the mismatch between the number of juniors looking for training posts and the number of training posts available is the question of consultant expansion? It begins and ends with that, because what patients want—we must remember patients—is a consultant-provided service. The Minister must explain whether medical schools were expanded in order to fill an expanded consultant grade, or whether they were expanded in order to fill trust grades, clinical fellowships and staff grades—all non-training posts, which many people do not want to occupy even though they are in such posts? Does he expect that the consultant expansion we need will take place? In 1997, a *British Medical Journal* editorial noted that "consultant expansion was insufficient". That editorial was written by a Dr. Evan Harris, but 10 years on, I see that there is still no expansion—

Mr. Deputy Speaker (Sir Michael Lord): Order. I think that that doctor's intervention is long enough.

Norman Lamb: It has never been known in the past, Mr. Deputy Speaker. I endorse the question that my hon. Friend put to the Minister and hope that he will be able to respond.

In conclusion, the scale of incompetence is quite remarkable. We need belated recognition from the Government that the problems this year have not been resolved and that the system remains fatally flawed. Remedy UK is seeking judicial review this week and I hope that it succeeds in that challenge to the Government, because the process, as we have all said, is fatally flawed.

Mr. John Gummer (Suffolk, Coastal) (Con): Will the hon. Gentleman add to his questions to the Government a question about how bad the next disaster has to be before any Minister thinks that they ought to resign, so that we have a picture in advance?

Norman Lamb: I have a great deal of sympathy with the right hon. Gentleman's intervention. We heard earlier that the departing director said that the system had been mismanaged and that there had been a lack of direction "from the top". Where is the top? Is it Ministers? The Secretary of State has left the Chamber, as we have heard, but who will take responsibility? That is the critical issue. I fundamentally disagree with the right hon. Member for Birkenhead. If we are to hold the Government to account, it is right to find out what has gone wrong, who was responsible for it, and for that person to be held to account.

Mr. Heath: On a point of order, Mr. Deputy Speaker. Is it not customary in the House for a right hon. or hon. Member who has made a contribution to remain in the Chamber long enough at least to hear the subsequent contribution from another hon. Member? Is that still the normal practice in the House, and does it apply to Secretaries of State?

Mr. Gummer: Further to that point of order, Mr. Deputy Speaker. Is it not true that the Speaker recently circulated a note on that very point, not just to Back-Bench Members but to all Members, saying that it was courteous to listen to the following two speeches after making a contribution?

Mr. Deputy Speaker: The first point of order and the subsequent point of order are both accurate reflections of the Speaker's views about how Members should behave in the House. It is not the Chair's responsibility as to whether Ministers remain for the debates.

3.23 pm

John Mann (Bassetlaw) (Lab): I am sure that there will not be any hon. Members who wish to leave the Chamber until they have had the benefit of hearing my contribution. No doubt those who do so will want to read it in the morning.

I wish to begin by declaring two interests. Of course, my family and I are users of the national health service, which we use, and will continue to use, exclusively. I am an unpaid member, too, of the editorial board of *People Management*, which is the leading human resources management magazine in the country.

I make the point because I note that there are two young and keenly engaged Ministers on the Front Bench. In the political traditions of this country, one of the problems faced by all Governments is that Ministers change so rapidly. That has always been the case. I have never fully understood the logic whereby successive Governments of all kinds have chosen to keep changing Ministers rapidly, with Ministers moving between different portfolios. That creates a potential problem for Ministers when they inherit the results of the actions of previous Ministers, in addition to the problem of mastering the brief. The point is not specific to the debate today. It applies to the technical issues that arise in attempting to hold the Government to account.

My suggestion to the Government and anyone else who cares to read *Hansard* tomorrow is that one of the big opportunities missed in the past 10 years, as it has been by successive Governments, and which I hope a change in Prime Minister will grasp, is that Ministers ought to be trained through, for example, the Henley Management college in effective leadership skills to equip them for the management of major Government Departments. This may be the only chance I have to put that on the record before a change of Prime Minister. It is an idea that I have held and discussed with Cranfield School of Management, Henley Management college and others. It is relevant to all parties. How we manage major Departments is fundamental to the effectiveness of Government.

My second observation is how comforting it is to have such a feeling of déjà vu with respect to union organisation and strength, and the solidarity of the closed shop. It is many years since I have witnessed such good union organisation. There are rumblings outside the House—only just outside—in traditional union style, and traditional union briefings. Traditional closed shop arguments have been accepted by the Government.

That takes me back to the time when I tried to negotiate for young engineering apprentices who were doing four years of training but were not guaranteed employment by engineering companies at the end of it. How jealous we were of Fleet street, where there was an age-old tradition of a trade being passed from father to son, apprentices being guaranteed work, and jobs for life. The changes that took place in the mid-1980s were bitterly resented by those families and particularly by the young workers, who perceived entry to that trade as a vocation for life. I see some resonance with the Government's acceptance of the arguments and their guarantees of employment for junior doctors.

Mike Penning (Hemel Hempstead) (Con): With regard to Ministers moving on too fast, the Secretary of State has been in office throughout this debacle—since the general election. If she is not up to the job, surely the senior management, the Prime Minister, should sack her.

John Mann: There is another game going on, and that is called the knock, knocking of the NHS. The Opposition's motivation in having this debate, and the style of debating used, has been to knock the NHS and run it down, rather than look at the specific technical issues and how they may be improved, as the Liberal Democrats rather more realistically have attempted to do. The party that never really loved the NHS in the first place has a political agenda.

On every occasion the Opposition attempt to suggest that the NHS is in great crisis. The best judges of that are the patients, and my area is as good a judge of the state of the NHS as anywhere else. Since I have been a Member of Parliament, the NHS in my area as been a top performer. Two years after I became an MP it became the top performer in Britain, and remains so.

The hon. Member for North-West Norfolk (Mr. Bellingham) is no longer in his place but he referred to incompetent NHS local management. That is not what I see. In my regular meetings with management, consultants and GPs, one of whom I met to discuss some of these issues at length last week, I hear pertinent points about where they wish to see improvements, but there is pride in the fact that modern management, modern doctors and modern GPs now receive the funding that they deserve and have the tools to do the job. That is a fundamental difference from the past.

[John Mann]

I shall illustrate that with one of the campaigns that I ran. *[Interruption.]* The hon. Member for Hemel Hempstead (Mike Penning) from a sedentary position asked what I had had to do with improving the performance of the NHS. Along with thousands of my constituents, I have made a tiny contribution. When there was not a Government but a management move to downgrade my accident and emergency department, I led the campaign—

Mr. Deputy Speaker: Order. This is not a debate about the training of Ministers or the NHS in general; it is about modernising medical careers.

John Mann: That is precisely the point that I am leading into. The successful ballot on the accident and emergency department in my hospital was caused for only one reason, and that was that there was a perceived problem in recruiting consultants to cover that department. The issues raised in my hospital and by my GPs are the problems of attempting to recruit both specialists and generalists in a semi-rural area with a district general hospital and GP practices—

Justine Greening *rose—*

John Mann: I will give way in a minute, but it is important that I make this point because it is precisely on the issue of modernising medical careers in areas that have been underfunded, traditionally and historically, and which because of that have had recruitment problems for many years. The shift in allocation is one of the bravest things that the Government have done. The 11.5 per cent. increase in PCT funding last month was the biggest in the north of England—*[Interruption.]* This is absolutely on the subject. The subject is how my area can recruit the consultants and the GPs that it needs, and how, in an area such as Cresswell, just outside my constituency in the constituency of my hon. Friend the Member for Bolsover (Mr. Skinner), where many of my constituents worked for year upon year, the NHS had not been able to recruit GPs until last week, when a new GP practice was appointed.

Justine Greening: I am obviously listening to the hon. Gentleman's rather long speech with interest. I presume that it is long because so few of his own Back Benchers are present to stand up for the junior doctors who face this terrible crisis. I am wondering whether he will ever start talking about the subject of the debate, which is about the junior doctors throughout the country who face redundancy having gone through an horrific recruitment process yet who still do not have an answer from the Secretary of State about what will happen next.

John Mann: The hon. Lady is choosing not to listen to the point that is being made. The question of recruitment is fundamental to the changes that are taking place in modernising medical careers. What is the point of having large numbers of junior doctors if there are not jobs? I drew an analogy with the closed shop. Many professions would like that certainty of employment in following their careers but do not get it. Equally, what if a hospital such as mine cannot get the consultants it requires to cover accident and emergency and questions whether it should have A and E, or if an area such as Cresswell does not have enough GPs? In the wider area of Warsop, which incorporates Mansfield, there have repeatedly been problems in getting enough GPs to cover the work that is there.

Mr. Fraser Kemp (Houghton and Washington, East) (Lab): Some years ago, we had a serious problem in the city that I represent, Sunderland—we had the lowest proportion of GPs anywhere in the UK. When we investigated, we found that in many cases, because of the funding arrangements, doctors themselves were not encouraging recruitment into practices. The health authority intervened to deal with the situation, but it was not the fault of the Government or the money going in—doctors themselves were not going out of their way to recruit more doctors in our city.

John Mann: My hon. Friend makes an excellent point.

Let me ask a couple of questions of Ministers. Under the Government's plans, how will areas such as mine be guaranteed the consultants whom a small district general hospital requires in order to maintain core services by having staff in place and who come from the ranks of junior doctors? How will that be done, and how does it fit into the Government's planning in the longer term?

Mr. Pelling: Will the hon. Gentleman give way?

John Mann: No; I am going to conclude in a minute because many Members wish to speak. *[Interruption.]* No doubt that includes the rude hon. Member for Hemel Hempstead, who is saying, "Thank goodness."

How can we ensure that an area such as mine, which has top-performing NHS services and where we have moved from small one-man-band GPs to large GP practices, can get the quality of GPs to meet the new kinds of specialties that the Government rightly want to devolve down to primary care from the hospital sector? How does that fit into the vexed question of junior doctors wanting to follow traditional forms of careers when some of the new specialties that are required are in primary care, not in the hospitals sector—an issue which official Opposition Members, as is clear from their barracking, have no desire to debate.

5.38 pm

Peter Viggers (Gosport) (Con): I congratulate the hon. Member for Bassetlaw (John Mann), who made a clever job of distracting attention from the profound concern that is felt in much of the House.

We are facing the worst and most avoidable disaster to overtake young people in professional training. Thousands of young people are being plunged into uncertainty about their careers. The tragedy is that this disaster was predictable and predicted—it is unfolding like a slow-motion train crash. I am grateful for the opportunity to be able to contribute briefly on behalf of my constituents, who feel anger and disbelief about the present situation.

The people involved in this disaster are mainly professionals. Of no professionals is so much asked, in terms of resilience and commitment, as doctors. When doctors commit to the profession of medicine, an enormous amount is asked of them as regards training, and there is an assumption that at the end of their training period they will eventually have an opportunity to work and that that will be reflected in a fulfilled sense of commitment.

There is a need for change in doctors' training and most people agree that it was appropriate to make a change. However, in their manner of doing that, the Government are at fault not only in the detail but in the larger issues. They have been greatly at fault in three main matters: administration, computer failure leading to mismatches occurring, and the number of jobs.

The Secretary of State provided several facts when trying to explain the position. I submit that those facts did not help me—and I followed her contribution carefully—to understand the position better. Apparently, there are to be 23,000 training posts and 32,000 doctors are seeking them. However, she gave us many other numbers, seeking to lead us to believe that there was no problem.

I am afraid that there is a problem, because the Government have failed to deal with the double cohort—the two different groups of doctors who will enter training in August. Some will work under the previous system and others will work under the new system.

The Secretary of State failed to provide assurance in the case of an individual doctor in my constituency, whose mother I met today. The doctor is 28 years old, has been qualified for six years and has always wanted to specialise in intensive care. She was offered a post in August last year. It was a two-year post in anaesthetics, which would lead her to qualify in anaesthetics or go further and use her anaesthetics qualification to specialise in intensive care. Now the two-year post that she was offered in August 2006 has collapsed, leaving her with the prospect of no medical job after August this year. She is not simply a highly qualified doctor but someone who, with one other woman, rowed the Atlantic as part of her gap year.

Doctors must be given a guarantee that they will not be forced out of training. A formula must be found to permit their training to continue. The Government need to take exceptional measures and give us progress reports. The matter must be resolved by August—if necessary, by using interim measures.

5.42 pm

Mr. David Kidney (Stafford) (Lab): The county town of Stafford employs a high proportion of public sector workers because it is an administrative centre. There are workers in local government, the hospitals, the university and so on. That means that, when a problem arises in the public sector—be it last year's efforts, which were especially bitter in Stafford, to try to deal with deficits in health trusts, or junior doctors this year struggling to find a training post and feeling that they have been badly treated—it affects not only those who work in a hospital trust or another health setting, but a large proportion of the public because of their affinity with the public sector generally. That might apply to the Member of Parliament who has such an affinity because of political values, the workers because they work in the public sector, and the public, who come into contact with public services perhaps more than in other areas because of Stafford's higher than normal proportion of jobs in the public sector.

The subject of the debate is therefore generally a serious issue for Stafford. I am happy to explain that that is one of the reasons for my participation this afternoon. However, people obviously want to bring the debate to the personal level. In preparation for last week's return to Parliament and the Secretary of State's statement and today's debate, I met the junior doctors' leader in Stafford, local NHS managers and local providers of health education. Like many hon. Members, I have also met a junior doctor from my constituency who lobbied me about his personal circumstances, and representatives of the campaign that Remedy UK has organised for today. I am pleased to have an opportunity to take part in the debate to support the points that they made to me.

It is worth starting from the point of view expressed in the original words of the motion. What has been extraordinary about the history of medical training in this country is that it suffered its share of severe underfunding for decades before 1997, which led to a shortage of training places. That led, in turn, to a shortage of qualified doctors, consultants and nurses in the NHS, which created quite a challenge for the new Government, who were committed to improving the situation very quickly. Although the Government could turn on the tap for more money to pay for more doctors, nurses and consultants, there were not enough of them to recruit because the training places had been cut for years before. That is an important point for hon. Members to take into account about the history of how we came to be in the present situation.

The obvious corollary at the time was that because the money was made available and the posts were there to be filled, we recruited outside the country to fill the vacant posts. That is relevant because while people talk about the double cohort of people coming through to training posts now and the senior house officers also looking for a training post, we also have the added pressure of non-EU citizens in this country whom we recruited who still want jobs in the NHS. There was something of a failed attempt by the Government last year to squeeze them out. That in itself was hurtful to quite a large number of my constituents who came from the Indian subcontinent in order to work in this country because we needed them. All those points should be taken into account when we reflect on the situation today.

It is a good thing, is it not, that more people are in training, completing it and coming forward in greater numbers? It is also a good thing that recruitment and retention generally in the NHS has been good over the past few years. I hesitate to say that it is good now, because I am not reading a Labour party brief and want to tell it as it is. Obviously, the Government's insistence on getting rid of deep-seated deficits, which started last year—an insistence, incidentally, that I support wholeheartedly—has led to a crash in recruitment and retention. That provides a further additional pressure—on top of the three that I have already identified—when it comes to the training

[Mr. David Kidney]

places available for junior doctors now. It is easy to add them up and see that four pressures have all come to bear this year on the problem of the number of places available for the junior doctors who are seeking them.

The review body, comprising all the bodies that the Secretary of State described, and then Ministers, took the decision that this year is the year in which modernising medical careers for junior doctors should kick in. It is certainly a difficult year. In the looking back that the hon. Member for North Norfolk (Norman Lamb) called for, and in seeking attributions of blame for the current situation, a good question to pursue would be whether there was any opportunity to hold back from making it this year. However, it is fair to say that modernising medical careers is the right thing to do and has gained widespread support.

It is remarkable that no one in today's debate has asked to turn back the clock and go back to the previous system. Every hon. Member has spoken about how MMC could have been introduced more effectively and how it should be improved in future years. In some areas of recruitment—before it was applied to junior doctors—it has been implemented without the sort of reaction that we are talking about today. General practitioners two years ago provide a good example of that.

When I met the leader of the Stafford junior doctors, she drew my attention to certain issues that I strongly support. First, for example, it is right to standardise training standards for junior doctors seeking specialty posts. It is also probably right in this day and age for there to be an online system. It reminds me of my adult son and daughter who use the internet, rather than pen and paper, as second nature when it comes to compiling a CV for a job application. Those aspects are right and are here to stay.

Other points that we have discussed today, however, included the scoring system, the lack of flexibility, the people who did not get acknowledgements for their online applications and felt that the applications were never read, and the doctors who felt forced to apply for jobs at the other end of the country from their families. All those personal circumstances, which I discussed with the leader of Stafford's junior doctors, were individual tragedies.

Norman Lamb: The hon. Gentleman is making some fair points in criticising the way in which the system has operated. Are not all the features that he has described evidence and justification for the need for such a system to be piloted before being introduced?

Mr. Kidney: I agree with the hon. Gentleman. I considered whether to intervene on him earlier to say that I agreed with him on that point, but I also intend to say in my speech that developments such as these should be piloted in future. So the answer to his question is yes.

I was describing the personal tragedies that have happened because of the way in which the system has been introduced. I want to remind hon. Members who were not here eight days ago when the Secretary of State made her statement to the House that, on that occasion, I made the point that this concerns individuals who each demand more respect from the system—and the people administering it—than they have been getting over the past few months.

In fairness to the Secretary of State, she has apologised at least three times for what has gone wrong with the system and for the distress that that has caused to those affected. One review has proposed changes that are about to be introduced, and she has also announced a further, broader review, which has been mentioned today. The shadow Secretary of State made a temperate speech today, with many good points. One of them was about the independence of that review, and the importance of all of us having confidence in its deliberations and conclusions. That is an important point for the House to make.

Meanwhile, making a success of the first review, with its guarantee that every junior doctor who applies for a post and states their first preference will have at least one interview, is placing a terrific strain on managers and consultants to deal with the extra work that they are being asked to do over the short space of time between now and August. It is fair to say that they are the hidden heroes who are solving this problem right now, and they deserve our thanks. The hon. Member for North Norfolk made that point earlier. A number of consultants wrote a letter to *The Times* earlier this month to say that they had been placed under a lot of pressure, at a time when they had plenty of other work to do to meet the demands of patients and the NHS. We owe them a debt of gratitude. That letter, incidentally, also called for the scrapping of MTAS and a return to the previous system, so although I said that no one in this debate had asked for that to happen, other people certainly have. We should remind ourselves, however, that the previous system had serious faults too. It did not find a specialty training place for every junior doctor either.

If the Minister listens to the shadow Secretary of State, and to my hon. Friends who have said the same thing, he will realise that there is the prospect of a win-win situation. My hon. Friend the Member for Bassetlaw (John Mann) made the point that certain areas are short-served by the NHS at the moment, and we could create a win-win situation by expanding the number of training places available for junior doctors in those areas and in specialties where there are shortages. Perhaps those shortages exist because people do not want to take on those specialties, and it would be wrong to force anyone to do something that they did not want to do, but this could give us an opportunity to ask people to look again at specialties where there are shortages, in which they might be able to do a good job. We could create a win-win situation by filling the posts that we need to fill and finding places for the people who want them. I hope that the Minister will be able to respond to that point later.

I want to put forward some points on behalf of a doctor in my constituency with whom I have had a good, spirited correspondence on his concerns about modernising medical careers. He and I agree that we are unsure about the evidence on the number of available posts and the number of people applying for them. Obviously, the more transparent Ministers can be about this, the better it will be for people who have fears—whether politically motivated or not—about

what is happening. It is clear, however, that there are fewer training places than there are people applying for them.

My doctor correspondent makes the point about the double cohort, observing that

"increased numbers of medical students are passing through their second foundation year and needing specialist training. The shortened training also has a big impact on the large number of senior house officers who also need to find a place on the new training pathway."

The two cohorts are coming together at the same time. He also makes the point that non-EU doctors are competing for those posts. He concludes:

"The new doctors in their second foundation training year have no chance of success against the more experienced senior house officers and the non EU graduates."

I do not know that, and I bet that most people in the House today do not know it, because we are not sure whether we have enough confidence in the system to say whether that is the case. The doctor goes on to say that

"MTAS has had to make its mark by designing an application form in which experience counts for virtually nothing. Selection is largely from the psychology questions which have no tested validity in this field. The marking of these questions is also widely variable between different markers."

All those factors have undermined confidence in the system so far.

I shall not name the doctor without his permission, but it is important to get his views on record. His letter goes on:

"I should tell you that this whole exercise has also been an opportunity for government to reduce the 'power' of doctors and their representative bodies."

Such allegations can be made, and can sound reasonable, because of the mess that we are in at the moment.

There has always been competition for posts, and some people will always find themselves in short-term posts because they cannot get the specialty training that they want. I was pleased to hear the Secretary of State say that support will be available for such people after this year, but will my hon. Friend the Minister tell me more about their prospects in future years? Can they always expect to be treading water and becoming what some people call the second lost tribe, or will they have the prospect of moving on? It is in the context of their fear that they will have nowhere to go that we hear the constant talk of people being forced to emigrate to find a job.

I shall return to the effect that all this is having on my constituents. It is demoralising for them to hear that the state is paying to train bright young people to provide a service that everyone wants and values, only to see them emigrate because they cannot be given a post in their own country. That is very harmful.

Mr. Leech: Does the hon. Gentleman acknowledge that some doctors will be left without a job, or does he agree with the Secretary of State, who seems to think that there will be a job for everyone?

Mr. Kidney: The hon. Gentleman cannot have been listening to what I have said. Under the previous system, not everyone got the specialty post that they applied for, so they did something else. They still had a job, however. The Secretary of State has said that nothing in the new system will change that basic fact. If someone does not get a specialty training place, they will still have a job. That is the point of my question to the Minister. What are the prospects for those people who still have a job, even though it is not the training post that they want? That is a reasonable question.

I mentioned earlier that a university in Stafford offers health training. Admittedly, it does not train junior doctors, so I will not push my luck too far in talking about issues other than modernising medical careers. I want to make the point, however, that there have been superb improvements in medical training in recent years. There have been some great developments, from foundation degrees to professional doctorates. In terms of continuing professional development, relationships between NHS employers and training providers have been much improved, including the excellent development of mentors for newly qualified doctors and other health professionals. Much better recognised training and qualifications have been developed for those in the support teams for doctors and consultants. For example, last week, at Staffordshire university, I heard about training for operating theatre staff, the pilot for primary care staff, and the current deliberations about whether help can be provided in the training of care home staff. We should celebrate all those excellent developments.

Everyone I listed at the beginning of my contribution has said that better work force planning is needed. Nobody would disagree with that. We are dealing with one of the biggest work forces in the world, not just in the country, so it is understandable if it presents more difficulty than others. Clearly, good work force planning involves listening and research, engaging those who know what is happening and have expertise to offer, piloting changes before implementing them more widely, on which I agreed with the hon. Member for North Norfolk, and, having carried out pilots, conducting proper evaluation before the final implementation. If there are lessons to be learned from today, I hope that the Minister will accept that those points cover some of them.

6.1 pm

Mrs. Nadine Dorries (Mid-Bedfordshire) (Con): I thank Remedy UK and the junior doctors for the lobby that they organised in a professional and effective way. You were not in the Chair, Mr. Deputy Speaker, when the Public Gallery erupted, rather naughtily, into spontaneous applause earlier. They managed to do something that Opposition Members rarely achieve, no matter how many hours we debate for: to make Government Members hang their heads in shame—

Mr. Deputy Speaker (Sir Alan Haselhurst): Order. I am sorry to interrupt the hon. Lady in full flow, but it is customary not to refer to anything happening outside the Chamber.

Mrs. Dorries: I apologise, Mr. Deputy Speaker.

There are 650 MPs in the House, and I do not know how many of us have three As at A-level. I would imagine, however, that the number is in single figures. Junior doctors have had to plan from childhood to become doctors—deciding that they want to do so

[Mrs. Dorries]

when they do their GCSEs and choose their A-levels—because it is incredibly hard to get the results necessary to go into medical training and pursue the career with determination for six or seven years.

The Opposition have agreed that medical careers needed to be modernised, because the system did not work as it did in the past. As a nurse, I know that. What doctors did not need, however, was a computer system that failed hopelessly and abysmally, application dates for interviews extended by days, data lost and the computer system crashing. Junior doctors did not know what was happening to their applications, when or where—or if—their interviews were being held, or whether they would have a training position.

Nor did junior doctors need uncertainty, particularly those who have families or are dependent on their jobs or salaries, as we all are. We are all dependent on knowing how much we will earn this year, particularly if we have a mortgage to pay. Thousands of junior doctors do not even know whether they will be able to make their mortgage payments, let alone whether they will be able to pay any debts that they may have brought with them out of university or medical school, or whether they will be living in a particular area with their families or working in a particular region.

Justine Greening: My hon. Friend is making some excellent points. Anyone with primary school-age children is possibly going through the process now of working out which primary school they will be starting in September.

Mrs. Dorries: I thank my hon. Friend.

Although we are not allowed to refer to what is happening outside the Chamber, I can legitimately bring some of the comments made by junior doctors to the House's attention. There has been much speculation about how many doctors will not have jobs, and the figure seems to range between 9,000 and 11,000, so we can safely say that it will be about 10,000. We know that the Department of Health is in discussion with VSO about finding employment for our junior doctors, which is a shameful position for the fifth largest employer in the world to be in.

Mike Penning: I could not agree more with my hon. Friend. Will not that just delay the problems, because once doctors have done the wonderful work that they can do with VSO, they will come back to the country and have no jobs?

Mrs. Dorries: Absolutely. The majority will come back and look for jobs, and we will be faced with the problem later.

Moreover, were I a junior doctor, I might not want to go and work for VSO. I might want to stay in this country. I might have a family and a mortgage, and might want to continue my career in the UK. Dr. Sonia Heyer, of Harrow, Middlesex, said:

> "As a junior doctor who may be unemployed this summer as a result of the present recruitment fiasco, I was delighted to learn that we may be required to seek employment with voluntary services overseas.
>
> I would go, provided I could secure the company of the present Secretary of State for Health, in which case I would gladly accept a mapless mission to the Amazon jungle."

She is a braver woman than I—I would not want to go with the Secretary of State for Health. Junior doctors, however, are facing no employment during the summer, or perhaps going to work abroad with VSO, which is not what they want.

The Secretary of State has largely chosen to ignore the problem that she knew, as my hon. Friend the Member for Gosport (Peter Viggers) described, was a train wreck in slow motion. As the Chancellor was warned of the pensions fiasco, I am sure that the Secretary of State was warned of what would happen with a double cohort. Another doctor, Dr. Judith Secker, described the process as follows:

> "It was the equivalent of taking a decision for all children to leave school at the age of 17 instead of 18. In the year when the change came into effect, all the 17-year-olds and all the 18-year-olds would be seeking university places (or employment)"

at the same time. We all know that that would be a complete shambles, and that is what we are faced with today.

I am sure that the Secretary of State was warned about what was going to happen, but what was put in place to deal with it? Absolutely nothing. We have two cohorts of junior doctors looking for placements all at the same time, which has caused unnecessary competitiveness between them, indecisiveness, uncertainty and worry. One doctor, a junior orthopaedic surgeon, has said that three junior doctors in the past two months have burst into tears on his ward because they do not know whether they will have a job from 1 August.

The fact is that our doctors do not know whether they will be earning a salary. If they do not want to work for VSO, where will they go? A junior doctor in my constituency, as a midwife in my constituency has done, has applied for summer work at Waitrose. That doctor has done seven years' training and 12 months in a hospital. What kind of Government tell our junior doctors to spend their summers working in Waitrose?

I do not want to take up too much time, and I want to allow other Members to speak, but I have some questions that I want to ask the Secretary of State. Will she let us know what will happen to the 10,000 doctors who will not be in employment? Will they be offered compensation? Will they be found work somewhere other than abroad? Will she leave 10,000 doctors without jobs? We need an answer. What will happen to those doctors? If they are unemployed, she will hear a lot more about it. Actually, I am not so sure about that, because the matter will come to fruition and hit the headlines in August, and I am sure that she will not be in her current position by that date.

6.9 pm

Mr. Andrew Pelling (Croydon, Central) (Con): I greatly enjoyed the engaging speech of the hon. Member for Bassetlaw (John Mann), who stressed the importance of proper allocation of public resources. However, it cannot constitute the best application of public resources to spend a quarter of a million pounds on the training of every junior doctor, and then to face

the prospect of so many leaving the country to be employed elsewhere in the English-speaking world.

This afternoon I met four junior doctors, all of whom have had job offers within a very short period—in Brisbane, Singapore and Toronto. Almost all are at the specialist training stage, and they could be described as emblematic of the problems created by MMC. Often those who have made the most progress in their training are most affected. It is a great shame to see £1 million of investment and training going elsewhere, as I did when I met those doctors today. The hon. Member for Bassetlaw would think it a great shame as well if he recognised that this misallocation of resources will make it difficult for his constituents' needs to be met.

Mr. Kemp: The hon. Gentleman has rightly raised the allocation of public resources. Many innovative health authorities, including those in my area, are paying GPs salaries rather than giving money to their practices and giving doctors a quasi-self-employed status. Does the hon. Gentleman support the move towards salaried GPs?

Mr. Pelling: It is certainly worthy of debate, but I want to concentrate on the Secretary of State's approach and what it means to my constituents who came here today. Apparently they will have jobs in the NHS, but not necessarily in their particular specialties. It is rather like telling a promising young libel lawyer that he or she can have a job as a conveyancing solicitor. What those doctors heard from the Secretary of State today was not about jobs for GPs; she seemed to be saying that they might as well emigrate, and with great immediacy take the training jobs that are being offered to them elsewhere in the English-speaking world.

I have seen the Department's leaked document revealing the desperate measures that will be taken to try to find jobs for doctors somewhere in the NHS. The suggestion that somehow jobs can be found in accordance with the model in the highlands and islands of Scotland shows how desperate the situation has become for the Government. Junior doctors cannot retain much confidence in the system when—as my hon. Friend the Member for South Cambridgeshire (Mr. Lansley) pointed out—they see such a demonstration of the arbitrary nature of the selection process. I know of a consultant who had to deal with 650 applications in four hours. The 150 that were not dealt with went straight into round two.

As others have said today, a large number of applicants are not sure whether their applications were even considered. They cannot judge whether they were rejected on grounds of merit or whether their applications were simply neglected. Many junior doctors will look at the MMC site, which states boldly:

> "Progress through each stage of training will be through open and fair competition using nationally standardised application forms and guidelines."

However, the oblique standardised forms that replace CVs mean that junior doctors can have no confidence that they have been able to give full expression to their talents or suitability for a post.

Justine Greening: Is it not bizarre that that is probably the only recruitment website in the world that does not allow applicants to attach CVs to their applications?

Mr. Pelling: Notwithstanding the bold statement that the process is fair, it can only mean that people who have invested not only years of training, but before that many years securing the necessary qualifications to begin that training, are being given a most unreasonable deal. I would not be at all surprised if the junior doctors whom I met today said, "This is the last straw," and took up those job offers abroad, which are better than anything that the NHS can provide.

The new system involves a great deal of uncertainty. Others have spoken of the danger of court action. There are questions to be asked about the quality of the curricula to be provided, and also about the standing of the medical training that our country provides. That standing is important not only to junior doctors but to the United Kingdom as a whole, but the "gold standard" is in danger of being compromised.

It is always difficult for politicians to recognise that they have made mistakes, and we are grateful that the Secretary of State has been able to apologise. However, as the hon. Member for Bassetlaw observed, it takes leadership to be able to recognise that it is time to cut one's losses. If junior doctors are to be given the confidence that will enable them to stay in this country, they must be offered the prospect of jobs in the NHS through the provision of training jobs in the first place. If we are not to lose a quarter of a million pounds' worth of training for all the junior doctors who will depart these shores within the next few months, we must accept what the Opposition motion says. Jobs—training jobs—must be given to people who have invested so much of their time to become junior doctors and serve the people of this country.

6.17 pm

Dr. Richard Taylor (Wyre Forest) (Ind): The disaster that threatens to derail MMC is the medical training application service, so I shall concentrate on that.

It seems that whatever topic is raised, it is possible to choose witnesses and evidence. The briefing from NHS Employers glosses over all the difficulties. The date of 1 August has always been a nightmare, because junior house officers have always changed over on that date. The fact that senior house officers and registrars did not do so in the past has made it slightly easier, but I fear that there will now be a disaster. NHS Employers says:

> "Employers are working with their consultants and junior doctors now to ensure that services for patients are not adversely affected by the change in timing. This is vital as employers need to be confident that well qualified doctors are in place to deliver safe and high quality patient care from August 1 when the new training programmes are available."

Sadly, as the House knows, there are no junior doctors in training in my patch, but as one of the few ex-hospital doctors in the House I have had a great many letters from such doctors. To obtain an accurate assessment of the position outside, I wrote to *Hospital Doctor* asking for comments from senior consultants involved in training. I invited comments in support of MTAS and comments in condemnation of it. I received

[Dr. Richard Taylor]

exactly 40 letters: one expressing support, one expressing qualified support and the remaining 38 expressing tremendous worry. These are not whingeing letters from consultants. In contrast to the opinion of many Members, consultants work very hard for their patients, and the relationship between a consultant and his junior staff was—I hope that it still is in some ways—that of a father and their family. I remember consultants whom I worked for who were father figures, and I hope that I, too, was such a figure to my juniors. Therefore, I take seriously the comments of consultants.

I cannot express those comments except by reading some quotations, so I have selected brief passages from four of the letters, which I want the Minister to hear. A correspondent from the north-east wrote:

"It is almost beyond belief that the MTAS online application form, which ignored qualifications and previous experience and relied on answers to fatuous questions, was introduced nationally without validation or piloting. Widespread scepticism and concern was expressed by a large majority of colleagues who attended MMC Recruitment and Selection Training courses with us, which was ignored."

Comments from Aberdeen include:

"I have personally witnessed the devastating effects this process has had and is having on our highly trained junior doctors"

and

"I have personally seen weak candidates being offered 4 interviews and very strong, able candidates being offered only one."

A correspondent from Cambridge wrote:

"If the madness continues, then in August there will be many unfilled junior hospital jobs and many junior doctors without jobs...this will be dangerous for patients...and the effect on junior doctors cannot be overestimated."

I also received the following:

"We will have contrived a situation where many English trained graduates leave the country and we import doctors to fill the places."

The writer of the letter goes on to say that if he were allowed to do so he could easily fill the jobs by August.

Finally, a letter from Northampton states:

"I have been dismayed by the unfolding disaster that is the Medical Training Application Process. I have discussed these problems with many senior and junior colleagues and know that their views are much the same as mine".

and

"We have let down all these young doctors, as well as damaging the present and future health care of patients. Equally important we have lost our reputation for medical training. This is true nationally and abroad. I have just returned from a trip to Malaysia where I spoke to doctors, university educators and other professionals and the common views expressed were amazement at how the UK got itself into this mess and secondly that they would no longer consider it wise to send their bright young people to the UK to train in medicine."

Other problems include the stupidities in the scoring system—such as applicants getting two points for having a PhD and four points for their 150-word description of their personal qualities. There are also problems to do with the time involved for consultants drawing up the shortlists, let alone interviewing, and the fact that the interviewers do not know whether applicants have put their institution as their first choice. Also, to interview all applicants who put a particular training option first would be impossible without cancelling clinics and operations. The knock-on effect on spouses and families has been referred to; such families will now face uncertainty, and there might be splits between partners and between parents. The short time that is available to relocate is also a problem, as are the costs to the NHS of relocating.

What should we do in the future? Many of my correspondents feel that there is only one thing to do: to abolish MTAS. A professor of surgery writes:

"Although some of our leaders are still trying to find a compromise...the bare minimum to restore confidence in our medical students and junior trainees would be disbanding PMETB and MTAS."

Readers of *The Guardian* will this week be relishing some of the most famous 20th-century speeches. Nelson Mandela has been cited, and a few words from a speech he made in 1964 are worth quoting:

"I regard the British parliament as the most democratic institution in the world".

I hope that the House will listen to the voice of grass-roots hospital doctors, and realise that when something is deeply unfair and wrong there is not a compromise to be had, and that instead there must be a restart.

6.25 pm

Justine Greening (Putney) (Con): I am pleased to be able to contribute to the debate because, like other Members, I have received many letters from constituents, many of whom are directly involved in the process or who have brothers or sisters or more distant relatives who are directly involved in it. Many of them have been extremely concerned about what has happened. I wish to take this opportunity briefly to express some of their concerns in their own words.

Many described the process that they have been through as "shambolic". One said that, essentially, it was like a "creative writing exercise", and wrote of his colleagues:

"One wonders why they bothered to commit so much time and energy to a profession to have their ambitions potentially shattered in a flawed process. Many of our junior doctors at my hospital are in a worse position and have no interviews and nothing to hope for at all."

Another correspondent says that the online application form is "riddled with error" and that the

"process is spectacularly breaking down".

She described the form as:

"A series of 8 tree-hugging questions with 150 word answers"

and that that

"replaced any common sense when it came to qualifications, aptitude, and professionalism in order to assess the candidate. Any idiot could have answered those questions well."

Clearly, we do not want idiots to take up such important positions.

Other people talk about the system crashing when they tried to fill in their applications. One described their first interview, which was in Manchester on 16 March:

"I took along my portfolio and my cv and offered to show it to the interview panel and they told me that it would not be necessary."

How can we expect good recruitment decisions to be taken when CVs are not even looked at? Another person who got in touch with me was a candidate in a Birmingham interview session which was cancelled at the last minute. Another described the system as a

"vastly unfair, harsh, draconian punitive selection procedure"

that has been imposed

"on all junior doctors within the UK. Lives are being destroyed as we speak and the UK will lose its brightest and best doctors of a generation if it is not stopped."

Those are the kinds of impact that the system that we are debating has had on junior doctors.

Many relatives are equally concerned. A father got in touch with me about his daughter. He describes the situation as

"nothing short of a disgrace. The future loyalty to the NHS of these young people on whom we shall depend will have been lost. They have absolutely no confidence that they will be fairly treated now or in the future."

Many Members have been made aware of similar cases involving people who had spent many years training to become doctors and who had almost got to the final hurdle only to find that it had been taken away; they were not even allowed to jump over it at the beginning of this unfolding shambles. The situation is depressing. Getting the Government to take action has been like pulling teeth—to use a medical simile. Over a period of several months, the Minister and the Secretary of State have had to come back to the House to continue to explain what is happening in respect of this unfolding disaster.

One clear way that we can tackle this matter and give some genuine confidence to the junior doctors who are listening to the debate, and to those who will read about it tomorrow in *Hansard*, is to vote for the motion before the House. That will give them the confidence that the necessary training posts will be in place over the next few years to help us work through this crisis in a measured way, which is what we need to do.

I want to ask the Secretary of State about the Tooke review. It is obviously easier—and, given the judgment calls already made by the Department, more appropriate—to get out of this mess by subcontracting it out to Sir John Tooke. However, in her opening speech the Secretary of State said that Sir John might make recommendations to the House earlier than August if he considers it appropriate to do so. Why is that not her decision? Surely it is appropriate for junior doctors to know much sooner what is going to be done about this problem, rather than having to wait until the end of the summer. By that time, many will have already taken alternative decisions about their careers. People cannot just put their lives on hold until this Government manage to talk their way out of this shambles.

I have another question for the Secretary of State and for the ministerial team who have been involved in this process. What will happen if Sir John Tooke's review uncovers further problems, if the shambles develops in an even more dramatic way and, as my hon. Friends have suggested, we get to August and many junior doctors are left redundant? What will it take for the Secretary of State to say that enough is enough regarding her and her team's role, and to take voluntary redundancy, which many people in her Department have done? Whose career prospects are being damaged more—the Secretary of State's, or those of the many junior doctors who will not get a second bite of the cherry, once they have lived through this shambles?

This is not good enough, and it certainly is not the best year ever for the NHS and the doctors whom we have been discussing today. The NHS has been fundamentally financially mismanaged in the past decade. As an accountant, I was astonished to see financial boom in the NHS followed by bust. Such boom and bust is largely responsible for the destabilisation of recruitment in the NHS—an issue far broader than the catastrophe that MTAS has created. How many more shambles have to occur before the Secretary of State takes genuine responsibility, instead of continually subcontracting Government policy out to other people and putting off taking decisions?

The situation is urgent for those involved; they have not got until August to wait for answers. If the motion before the House is accepted, that would at least provide them with some certainty about their roles and what will happen in the coming years. It would give us the chance to take a thorough look at what has gone wrong, and to consider in detail what needs to be done. As I have said before, as someone who has been in business I know that when many different issues unravel over time one needs to take a step back and to look at the fundamentals of what is going wrong. However, our junior doctors cannot wait for an holistic review process. We need to give them some certainty by voting for the motion before us.

Having read this debate in tomorrow's *Hansard*, not many people will have much confidence in this Government and their ability to deliver and work their way through these dramatic problems. It is not just doctors who are concerned about the recruitment process. I have no doubt that many nurses throughout the country who are finishing their training courses will be shuddering at the prospect of the process that they will have to go through to find a job over the summer months. It is not good enough to be told that we are having a review, and that there will be no answers before August.

The Secretary of State referred in her opening speech to creating some additional training posts. It is incumbent on her to give the House a sense tonight of the number of such posts. What is the approximate number? What is too low, and what is unrealistically high? That is what we and junior doctors need to know. I doubt whether many of us have much confidence in the management team at the very top of the Department of Health. Frankly, the sooner that that team is changed and we have people who can run professionally an organisation that so many of us depend on—whether we work in it or are treated by it—the better.

6.35 pm

Dr. Andrew Murrison (Westbury) (Con): We have had an excellent debate this afternoon, involving a total of seven Back-Bench speakers, all of whom contributed, in their own way, to our deliberations.

I start by declaring my interest as a registered medical practitioner, although mercifully I am not one of those caught up directly in the shambles that we have been discussing, or one of those involved in events

[Dr. Andrew Murrison]

outside this place today. A number of us went outside to speak to the representatives of Remedy UK and to listen to what they had to say. I recommend that Ministers listen to what they have to say to them, too, because they have done a wonderful job in highlighting this issue to Members.

An NHS consultant whose daughter is a junior doctor emailed yesterday to say:

"The whole concept of MMC had some merit but the way it has been planned and carried out is nothing short of scandalous."

That is a pretty good way of epitomising what many of us feel about this issue. The hon. Member for Wyre Forest (Dr. Taylor) gave a series of worrying accounts in a similar vein from other consultants throughout the country. My hon. Friend the Member for Putney (Justine Greening) gave further evidence from junior doctors who had written to her with personal stories of how this catastrophe has affected them in a direct way. In her excellent contribution, she was right to ask—as a number of other Members did—that the second, Tooke, review be truly independent. That means that when Sir John Tooke chooses his team, its membership should not include those previously involved in this process, because they would inevitably bring to the debate preconceived ideas. It is important that this issue be approached with fresh eyes.

We Conservatives have always supported the evolution of a consultant-led, increasingly consultant-delivered service, and we support the principles of MMC that underpin it. We can, of course, debate points of detail such as the removal of the influence of the medical royal colleges and their replacement by the expensive training quango PMETB in 2005. It is salutary to remember that those are the same UK royal colleges whose supervision of medical education and training was described by the Health Secretary on 16 April as "second to none".

However, having agreed with the Government in principle, we turn to implementation. At the heart of this, of course, lies MTAS. As he threw in the towel as MMC's national director, Professor Alan Crockard said that MTAS

"has lacked clear leadership from the top for a very long time."

Others have used that quotation and I make no apology for repeating it. We have to ask what he meant by "the top"; I leave Ministers to draw their own conclusions. Professor Shelly Heard was similarly scathing as she quit as MMC national clinical adviser.

The courageous hon. Member for Wolverhampton, South-West (Rob Marris), in a thoughtful intervention on the Health Secretary on 16 April, asked who would be held to account for the debacle that we are examining today. She replied in her trademark, rather breezy fashion:

"As far as I am aware, no disciplinary or performance management steps are being taken in the Department, but no doubt that can be considered as appropriate."—[*Official Report*, 16 April 2007; Vol. 459, c. 48.]

So nobody has taken the rap for what doctors have described as the biggest crisis to hit British medicine since the start of the NHS.

The hon. Member for Bassetlaw (John Mann) suggested that Ministers should avail themselves of the services of the Cranfield or Henley school of management. Of course, those schools teach leadership, which is what is needed now. Next, my hon. Friend the Member for Gosport (Peter Viggers) underscored the seriousness of the crisis. He asked that Ministers give the House regular situation reports as the reviews go on. That is important, given the enormity of the problems facing the NHS.

Much of MMC and MTAS has been designed to remove the influence of the old boy network—I suppose that one can call it that—that Ministers believe has been responsible for the appointment of junior doctors in the past. NHS Employers is a metastasis of the Government's cheerleader, the NHS Confederation. In its briefing note, it identifies the twin crimes of "patronage" and "bias" in the appointment of junior doctors. In its zeal for reform, it does not pause to consider at what terrible cost those sins have been purged. Many will believe that the Health Secretary's surgery has been somewhat worse than the disease.

Apart from the drearily predictable NHS Confederation, there have been remarkably few apologists for the mess over which the Health Secretary has presided. Let us set aside for a moment the administration of MTAS, which has caused so much heartache, and focus on modernising medical careers. We can applaud the intention to move forward to a more focused, competency-based training that reflects what has been happening in other trades and professions, and in other countries. We hope that training will be more flexible and, as women make up half the medical work force, that it will facilitate a better work-life balance. It is surely right that doctors are better able to communicate with patients and colleagues, and that communication is a key element in any training or assessment process. Modernising medical careers recognises that, but we have grown an inflexible monster that forces early job choices on young doctors that will be difficult to move out of and into. Practical experience will be curtailed and all of a sudden that "second to none" training about which the Health Secretary boasted in her speech last week is beginning to look far less robust.

MTAS is truly remarkable. In place of a CV and hard data encapsulating hard-won academic qualifications and clinical experience, applicants are invited to furnish a load of soft mush. Other hon. Members have mentioned scoring, and the hon. Member for Stafford (Mr. Kidney) referred to that. The essential concern is that the influence of PhDs, for example, has, as we discussed earlier, been eclipsed by offerings in essay form that are made up at short notice and in a way that, as my hon. Friend the Member for South Cambridgeshire (Mr. Lansley) noted, is capable of being imparted in a course that costs very little.

Certainly, the current system encourages creative writing and theatricality. No doubt they are invaluable attributes, but they are hardly core competencies for aspiring consultants—even, if I may say so, for consultant surgeons. I understand from a written answer sent to me on 13 March that MTAS will cost £6.3 million over five years. Can the Minister who will wind up the debate confirm that that does not include the cost of the paraphernalia of failure—review groups, appeals, judicial reviews and so on? I assume

that it does not, because last week the Health Secretary admitted that she did not know how much the review that she had announced would cost.

On 16 April, the Health Secretary said of the extra resources required by the first—the Douglas—review that

"the service around the country will in many cases need to release consultants from their planned activities in order to make time available for the additional interviews."—[*Official Report*, 16 April 2007; Vol. 459, c. 45.]

What assessment has the Minister made of the cost in front-line patient care caused by the crisis? What will be the impact in the next few weeks of the redeployment of medical staff apparently necessary to patch up MTAS? How many operating lists will be cancelled, how many clinics scratched, and how many ward rounds foregone?

The hon. Member for North Norfolk (Norman Lamb) is worried about logistics, costs and wastefulness, and rightly so. I am delighted that the Liberal Democrats will support our motion this evening.

On 19 March, the Health Secretary said that

"shroud-waving about unemployed doctors is absurd"—[*Official Report*, 19 March 2007; Vol. 458, c. 582.]

On 16 April, we had more assurances from the Secretary of State when she said that she wanted to take

"the opportunity to refer to the thoroughly misleading statements made in recent weeks about the prospect of thousands of junior doctors finding themselves without work. This is complete nonsense."—[*Official Report*, 16 April 2007; Vol. 459, c. 46.]

Ms Hewitt *indicated assent.*

Dr. Murrison: The Health Secretary is nodding. In contrast, however, NHS Employers has at least some grip on reality. We learn from its leaked report of how it is desperately scratching around for jobs abroad to offer doctors who it recognises will be unemployed on 1 August. The NHS Employers briefing paper talks optimistically of service posts that have been converted by employers into training posts. How many of those have there been after Lord Warner's announcement of 13 December, and how many more does the Minister anticipate? Other hon. Members have made that point already, and it is important that we know the numbers involved.

While NHS Employers has been trawling the world to see where it can park unemployed British doctors, has it asked our EU neighbours how they might help? Given that many of the available training billets in the UK will be going to European economic area doctors, it seems reasonable to ask where the reciprocity is. The right hon. Member for Birkenhead (Mr. Field) spoke about banning European doctors, and that point may be germane here. Certainly, we recognise that the treaty obligations into which we entered—rightly or wrongly—forbid us from banning European doctors. That is simply not possible, but NHS Employers might consider Europe as it trawls around the world. Many Labour Members have been greatly exercised in the past by unpaid researchers attached to MPs' staff. In a like manner, are they not concerned that officials are entertaining a scheme to hive unemployed junior doctors off into voluntary service overseas? What would be the precise terms of such an arrangement?

Heaven for junior doctors will be a place on a run-through training programme. The Government are saying, "Get that and you're well on your way to consultant status, in due course. Fail and you're set for a grisly series of fixed-term specialist training appointments, so-called locum appointments for training, a re-run of your second foundation year"—how depressing must that be?—"Undefined academic appointments of the sort we thought MMC was designed to address, professional 'locuming' and a constellation of low-grade, non-training jobs. You'll be part of your postgraduate dean's euphemistically styled 'talent pool', to be fished out when something vaguely suitable turns up."

I hope that that "something suitable" does not involve working in a supermarket, as happened to the constituent of my hon. Friend the Member for Mid-Bedfordshire (Mrs. Dorries). The lost tribe of senior house officers is set to become nomadic as they drift from hopeless job to hopeless job with little chance of breaking out, in stark contrast to the previous flawed, but far less rigid, milieu. It is little wonder that so many dedicated, expensively skilled professionals are set to quit the UK and the NHS, as my hon. Friend the Member for Croydon, Central (Mr. Pelling) pointed out, and even to quit medicine altogether.

The Health Secretary's fulsome apology last week was indeed appropriate, but junior doctors facing the prospect of being hung out to dry want to know why she is not joining them.

6.48 pm

The Minister of State, Department of Health (Andy Burnham): The hon. Member for Westbury (Dr. Murrison) is right to say that this has been a good debate, and I shall do my best in the time available to answer some of the points that have been raised.

This matter is of fundamental importance to the country. We must ensure that patients get the best possible care from highly trained and motivated staff, but we recognise that there has been a significant impact on the lives and careers of those dedicated and hard-working staff who are applying to progress their training as doctors in the NHS. Young people and their families will be watching today's proceedings closely, and we know that they will have gone through considerable anxiety. I know from the e-mails that I have received—and I am sure that other hon. Members of all parties have received similar messages—that there has been considerable anxiety about this matter. It is right for the Government to address that and to give people practical information so that we can map a way forward.

My right hon. Friend the Secretary of State began by setting out the principle of modernising medical careers. One of the interesting things about today's debate was the degree of agreement on both sides of the House, expressed by almost every Member who spoke, about the principles behind MMC. The programme has the potential to benefit both doctors and patients in the NHS and it is important to note that its foundation stages have been successfully introduced. We believe that we can build on that success.

[Andy Burnham]

The difference between us and some Opposition Members is that they suggest that all the measures were hatched in secrecy in the Department of Health and that we did not involve anybody else in drawing up plans for this stage of the implementation of the MMC programme. That is not the case. We have worked closely with the Academy of Royal Medical Colleges, the BMA, NHS Employers and others over a long period. However, we are not washing our hands of the issues. We have tried to face up to them, but the important thing is to take action now to help people and to put in train a wider review of the system so that when this year's process is over, we can ensure that lessons are learned and that, in time, we can bring in a strengthened system.

The suggestion crept into many of the comments today that there were no unfairnesses or problems in the old way of doing things. That simply is not the case. If we accept the principles of MMC, we must also accept that there were myriad unfairnesses in the old system. The difference is that those unfairnesses were not out in the open, in the transparent way that they are now—*[Laughter.]* It is because they are transparent that we can work through the issues that have been identified and create a fairer training system for doctors.

The hon. Member for North Norfolk (Norman Lamb) made a speech that was good in many ways. He, too, endorsed the principles of the programme and observed that patronage and bias had been problems in the past. Despite the laughter from the Conservative Benches, the hon. Gentleman was right to identify those problems. He suggested that the system was too inflexible—a point raised by the shadow Secretary of State in his opening remarks. I draw the attention of both Members to one of the points in Sir John Tooke's terms of reference:

"the lack of flexibility available to trainees on run-through programmes".

Sir John will examine that specific point in his review.

The hon. Member for North Norfolk spoke about the lack of a pilot for the scheme. In fact, the electronic portal for foundation recruitment was piloted in 2006. The application form was based on an existing form used in the London area, and the current form was piloted pre-launch in at least two deaneries. At the end of the day, we can review the programme and consider whether there was enough piloting and I shall take on board the conclusions of the review. However, it is not the case that the scheme was rushed through with no attempt to consult or to pilot.

The hon. Gentleman asked how many extra interviews would be required. Originally, 26,000 non-GP interviews were scheduled. The number of extra interviews required following the Douglas review will depend on how many junior doctors change their first preference. As the hon. Gentleman knows, that process has been going on over recent days so it is obviously too early to give him the figures. However, we estimate that guaranteeing one interview for each eligible applicant will require between 13,500 and 23,900 interviews. The number will depend on how many doctors change their preference. We shall of course need to balance the requirements of the service—another point made by the hon. Gentleman. We believe that the provision of extra interviews in round 1 is likely to reduce the number required in round 2, but we shall work through that issue as we go further down the line.

We shall not know how much additional cost will be incurred until the end of the process. However, the proposals have been agreed with the deaneries and NHS Employers. We believe that is the right action to take, because it will bring back a degree of fairness and meet the complaints we faced—that the system was unfair and people were being denied opportunities. Like the hon. Member for Westbury, the hon. Member for North Norfolk asked about the provision of care to patients during the period of the review. We shall not relax any service standards or targets.

The hon. Member for North Norfolk asked my right hon. Friend the Secretary of State about the 700 posts that are to be added. Originally, a small number of one-year posts was held over for round 2. After the review group's recommendation, those posts were loaded on to the system for the extended round 1, so the 700 posts will soon be available on the system. I hope that that answers his question.

My hon. Friend the Member for Bassetlaw (John Mann) made an interesting point, which again goes back to the principles of the MMC programme. He asked about the needs of communities such as his, where traditionally there have been problems in the recruitment of both hospital-based staff and GPs. My area is in a similar position. My hon. Friend the Member for Houghton and Washington, East (Mr. Kemp) pointed out that in his area, too, there were real difficulties in recruiting more GPs. MMC is being introduced to ensure that we can address those recruitment problems, especially for shortages such as that of GPs in the north of England. In principle, the scheme enables people to move from over-subscribed to under-subscribed specialties and we believe that the review group's proposals for early announcement of recruitment for GP training will encourage applications in that field, which has traditionally been under-subscribed.

The hon. Member for Gosport (Peter Viggers) asked about double cohorts and why we could not guarantee everybody a place. May I give him a snapshot of the situation? At present, about 3,000 senior house officers are training in surgical specialties, feeding into about 500 specialist training opportunities for surgery. It is the case, as it always has been, that not everybody can be a consultant surgeon. The difference is that under the old system people hung around trying to progress their careers, but could not obtain opportunities to do so.

Mr. Lansley: Will the Minister give way?

Andy Burnham: I have very little time and I want to do justice to the Members who spoke in the debate, if the hon. Gentleman will forgive me.

Like other Members, the hon. Member for Gosport spoke about the double cohort—[Hon. Members: "Give way."] When I have answered the hon. Gentleman's point I will give way. There has never been any restriction on applications for sought-after training posts—it is not a feature of the new system. Indeed, I

am sure that the hon. Gentleman would be the first to agree that it would be wrong if the Government imposed restrictions on people in staff grades applying for those posts, so I am not sure that he was raising a valid point.

Mr. Lansley: Our motion calls for SHOs who are not able to obtain entry to specialist training this year to have opportunities to do so next year and the year after. Will the Minister confirm that the Government will ensure that that is the case?

Andy Burnham: I was coming to that point, but first I wanted to do justice to the excellent and thoughtful speech made by my hon. Friend the Member for Stafford (Mr. Kidney), as well as to other points that were raised. The shadow Secretary of State makes an important point—that we must do what we can to ensure that help and support is available for doctors displaced this year. Of course, they will be able to apply in future rounds in future years, even if they are applying from a non-training or staff grade post.

There is much more we can do this year. We are working with the service to maximise the number of job opportunities available in and leading up to the end of the 2007 recruitment round. We will invite any displaced doctors to register on NHS Jobs and NHS Professionals so that they can quickly and efficiently be matched to the vacancies that will continue to emerge, to training posts and to locum appointments, as was always the case. Posts will become available in any normal year.

We will work with the postgraduate deaneries to maximise the number of training opportunities available within the overall number of job opportunities. In particular, we will undertake urgent work with the medical royal colleges and the service to establish the need for additional training posts. We will ensure that doctors who take up jobs in service grade posts continue to have support to ensure that the training and development opportunities in those posts are maximised. Those unsuccessful this year will be able to reapply next year. They will also be able to apply for posts that emerge, as they always have, through the course of the year. I am glad that the shadow Secretary of State raised that issue because I am pleased to put that point on the record.

I fear that I cannot do justice to all the sensible points that were made in the debate in the time that I have left. I conclude by saying that we recognise the anxiety that this year's round has caused. We have not sought to dismiss it; we have sought to engage with it and come up with solutions to give people real answers to the difficulties in which they find themselves. Implementing quickly the recommendations of the review group will further help the position that people find themselves in and, crucially, will give support to people who have been displaced by the process and will help to enable them to progress their careers as they had hoped to do.

I am grateful to colleagues for their contributions to the debate. I hope that we can agree a measure of consensus that will provide a good, workable training system for the NHS that will stand us in good stead for many years to come.

Question put, That the original words stand part of the Question:—

The House proceeded to a Division.

Mr. Deputy Speaker: I ask the Serjeant at Arms to investigate the delay in the Aye Lobby.

The House having divided: Ayes 213, Noes 284.

Division No. 97] [7.1 pm

AYES

Afriyie, Adam
Ainsworth, Mr. Peter
Amess, Mr. David
Ancram, rh Mr. Michael
Arbuthnot, rh Mr. James
Atkinson, Mr. Peter
Baker, Norman
Baldry, Tony
Barker, Gregory
Baron, Mr. John
Barrett, John
Beith, rh Mr. Alan
Bellingham, Mr. Henry
Benyon, Mr. Richard
Bercow, John
Beresford, Sir Paul
Binley, Mr. Brian
Boswell, Mr. Tim
Brake, Tom
Brokenshire, James
Browne, Mr. Jeremy
Browning, Angela
Bruce, rh Malcolm
Burt, Alistair
Burt, Lorely
Cable, Dr. Vincent
Campbell, rh Sir Menzies
Carmichael, Mr. Alistair
Carswell, Mr. Douglas
Cash, Mr. William
Chope, Mr. Christopher
Clappison, Mr. James
Clarke, rh Mr. Kenneth
Clifton-Brown, Mr. Geoffrey
Cox, Mr. Geoffrey
Crabb, Mr. Stephen
Curry, rh Mr. David
Davey, Mr. Edward
Davies, David T.C. *(Monmouth)*
Davies, Philip
Davis, rh David *(Haltemprice and Howden)*
Djanogly, Mr. Jonathan
Dorrell, rh Mr. Stephen
Dorries, Mrs. Nadine
Duddridge, James
Duncan, Alan
Duncan Smith, rh Mr. Iain
Dunne, Mr. Philip
Ellwood, Mr. Tobias
Evans, Mr. Nigel
Evennett, Mr. David
Fabricant, Michael
Field, Mr. Mark
Foster, Mr. Don
Fox, Dr. Liam
Francois, Mr. Mark
Fraser, Mr. Christopher
Gale, Mr. Roger
Garnier, Mr. Edward
Gauke, Mr. David
George, Andrew
Gibb, Mr. Nick
Gidley, Sandra
Goldsworthy, Julia
Gove, Michael
Gray, Mr. James
Green, Damian
Greening, Justine
Greenway, Mr. John
Grieve, Mr. Dominic
Gummer, rh Mr. John
Hague, rh Mr. William
Hammond, Mr. Philip
Hammond, Stephen
Hancock, Mr. Mike
Harper, Mr. Mark
Harris, Dr. Evan
Harvey, Nick
Hayes, Mr. John
Heald, Mr. Oliver
Heath, Mr. David
Heathcoat-Amory, rh Mr. David
Hemming, John
Hendry, Charles
Herbert, Nick
Hoban, Mr. Mark
Hogg, rh Mr. Douglas
Hollobone, Mr. Philip
Holloway, Mr. Adam
Holmes, Paul
Horam, Mr. John
Horwood, Martin
Hosie, Stewart
Howard, rh Mr. Michael
Howarth, David
Howarth, Mr. Gerald
Hughes, Simon
Huhne, Chris
Hunt, Mr. Jeremy
Hunter, Mark
Hurd, Mr. Nick
Jack, rh Mr. Michael
Jackson, Mr. Stewart
Jenkin, Mr. Bernard
Johnson, Mr. Boris
Jones, Mr. David
Kawczynski, Daniel
Keetch, Mr. Paul
Key, Robert
Kirkbride, Miss Julie
Knight, rh Mr. Greg
Kramer, Susan
Lait, Mrs. Jacqui
Lamb, Norman
Lansley, Mr. Andrew
Laws, Mr. David
Leech, Mr. John

Leigh, Mr. Edward
Letwin, rh Mr. Oliver
Lewis, Dr. Julian
Liddell-Grainger, Mr. Ian
Lidington, Mr. David
Lilley, rh Mr. Peter
Llwyd, Mr. Elfyn
Loughton, Tim
Luff, Peter
Mackay, rh Mr. Andrew
Maclean, rh David
Main, Anne
Malins, Mr. Humfrey
Maples, Mr. John
Mates, rh Mr. Michael
Maude, rh Mr. Francis
May, rh Mrs. Theresa
McIntosh, Miss Anne
McLoughlin, rh Mr. Patrick
Mercer, Patrick
Miller, Mrs. Maria
Milton, Anne
Mitchell, Mr. Andrew
Moss, Mr. Malcolm
Mulholland, Greg
Mundell, David
Murrison, Dr. Andrew
Neill, Robert
O'Brien, Mr. Stephen
Osten, Mr. Mark
Ottaway, Richard
Paice, Mr. James
Pelling, Mr. Andrew
Penning, Mike
Penrose, John
Pickles, Mr. Eric
Prisk, Mr. Mark
Pritchard, Mark
Pugh, Dr. John
Randall, Mr. John
Redwood, rh Mr. John
Robathan, Mr. Andrew
Robertson, Hugh
Rogerson, Mr. Dan
Rosindell, Andrew
Rowen, Paul
Ruffley, Mr. David
Russell, Bob
Sanders, Mr. Adrian
Scott, Mr. Lee
Shapps, Grant
Shepherd, Mr. Richard
Simmonds, Mark
Simpson, Mr. Keith
Smith, Sir Robert
Soames, Mr. Nicholas
Spelman, Mrs. Caroline
Spicer, Sir Michael
Spink, Bob
Spring, Mr. Richard
Steen, Mr. Anthony
Stunell, Andrew
Swayne, Mr. Desmond
Swire, Mr. Hugo
Syms, Mr. Robert
Tapsell, Sir Peter
Taylor, Mr. Ian
Taylor, Matthew
Taylor, Dr. Richard
Teather, Sarah
Tyrie, Mr. Andrew
Vaizey, Mr. Edward
Vara, Mr. Shailesh
Viggers, Peter
Villiers, Mrs. Theresa
Walker, Mr. Charles
Wallace, Mr. Ben
Waterson, Mr. Nigel
Webb, Steve
Weir, Mr. Mike
Whittingdale, Mr. John
Widdecombe, rh Miss Ann
Wiggin, Bill
Willetts, Mr. David
Williams, Hywel
Williams, Mr. Roger
Williams, Stephen
Willis, Mr. Phil
Willott, Jenny
Wilson, Mr. Rob
Winterton, Ann
Winterton, Sir Nicholas
Wishart, Pete
Wright, Jeremy
Young, rh Sir George
Younger-Ross, Richard

Tellers for the Ayes:
Mr. Mark Lancaster and Mr. Robert Goodwill

NOES

Abbott, Ms Diane
Ainger, Nick
Ainsworth, rh Mr. Bob
Allen, Mr. Graham
Anderson, Janet
Atkins, Charlotte
Austin, Mr. Ian
Bailey, Mr. Adrian
Baird, Vera
Balls, Ed
Barlow, Ms Celia
Barron, rh Mr. Kevin
Bayley, Hugh
Beckett, rh Margaret
Begg, Miss Anne
Benton, Mr. Joe
Berry, Roger
Betts, Mr. Clive
Blackman, Liz
Blears, rh Hazel
Blizzard, Mr. Bob
Blunkett, rh Mr. David
Borrow, Mr. David S.
Brennan, Kevin
Brown, Lyn
Brown, Mr. Russell
Browne, rh Des
Bryant, Chris
Buck, Ms Karen
Burden, Richard
Burgon, Colin
Burnham, Andy
Butler, Ms Dawn
Byers, rh Mr. Stephen
Byrne, Mr. Liam
Caborn, rh Mr. Richard
Campbell, Mr. Alan
Campbell, Mr. Ronnie
Caton, Mr. Martin
Cawsey, Mr. Ian
Challen, Colin
Chapman, Ben
Chaytor, Mr. David
Clark, Ms Katy
Clarke, rh Mr. Tom
Clelland, Mr. David
Coaker, Mr. Vernon
Coffey, Ann
Cohen, Harry
Connarty, Michael
Cook, Frank
Cooper, Yvette
Corbyn, Jeremy
Crausby, Mr. David
Creagh, Mary
Cruddas, Jon
Cryer, Mrs. Ann
Cummings, John
Cunningham, Mr. Jim
Darling, rh Mr. Alistair
Davidson, Mr. Ian
Dean, Mrs. Janet
Devine, Mr. Jim
Dhanda, Mr. Parmjit
Dismore, Mr. Andrew
Dobbin, Jim
Donohoe, Mr. Brian H.
Doran, Mr. Frank
Dowd, Jim
Drew, Mr. David
Eagle, Angela
Efford, Clive
Ellman, Mrs. Louise
Engel, Natascha
Ennis, Jeff
Farrelly, Paul
Field, rh Mr. Frank
Fisher, Mark
Fitzpatrick, Jim
Flello, Mr. Robert
Flint, Caroline
Follett, Barbara
Foster, Mr. Michael *(Worcester)*
Foster, Michael Jabez *(Hastings and Rye)*
Francis, Dr. Hywel
Gapes, Mike
Gardiner, Barry
George, rh Mr. Bruce
Gerrard, Mr. Neil
Gibson, Dr. Ian
Gilroy, Linda
Godsiff, Mr. Roger
Goodman, Helen
Griffiths, Nigel
Grogan, Mr. John
Gwynne, Andrew
Hain, rh Mr. Peter
Hall, Mr. Mike
Hall, Patrick
Hamilton, Mr. David
Hanson, rh Mr. David
Harman, rh Ms Harriet
Harris, Mr. Tom
Havard, Mr. Dai
Healey, John
Hendrick, Mr. Mark
Heppell, Mr. John
Hesford, Stephen
Hewitt, rh Ms Patricia
Hill, rh Keith
Hillier, Meg
Hodge, rh Margaret
Hodgson, Mrs. Sharon
Hood, Mr. Jimmy
Hopkins, Kelvin
Howarth, rh Mr. George
Hoyle, Mr. Lindsay
Hughes, rh Beverley
Humble, Mrs. Joan
Iddon, Dr. Brian
Illsley, Mr. Eric
Ingram, rh Mr. Adam
Irranca-Davies, Huw
Jackson, Glenda
James, Mrs. Siân C.
Jenkins, Mr. Brian
Johnson, rh Alan
Johnson, Ms Diana R.
Jones, Helen
Jones, Mr. Kevan
Jones, Lynne
Jones, Mr. Martyn
Jowell, rh Tessa
Joyce, Mr. Eric
Kaufman, rh Sir Gerald
Keeble, Ms Sally
Keeley, Barbara
Keen, Alan
Keen, Ann
Kelly, rh Ruth
Kemp, Mr. Fraser
Khan, Mr. Sadiq
Kidney, Mr. David
Kilfoyle, Mr. Peter
Knight, Jim
Kumar, Dr. Ashok
Ladyman, Dr. Stephen
Lammy, Mr. David
Laxton, Mr. Bob
Lazarowicz, Mark
Lepper, David
Levitt, Tom
Lewis, Mr. Ivan
Linton, Martin
Lloyd, Tony
Mackinlay, Andrew
MacShane, rh Mr. Denis
Macteggart, Fiona
Mahmood, Mr. Khalid
Malik, Mr. Shahid
Mallaber, Judy
Mann, John
Marris, Rob
Mareden, Mr. Gordon
Marshall, Mr. David
Marshall-Andrews, Mr. Robert
Martlew, Mr. Eric
McAvoy, rh Mr. Thomas
McCabe, Steve
McCafferty, Chris
McCarthy, Kerry
McCarthy-Fry, Sarah
McCartney, rh Mr. Ian
McDonagh, Siobhain
McDonnell, John
McFadden, Mr. Pat
McFall, rh John
McGovern, Mr. Jim
McGuire, Mrs. Anne
Mclsaac, Shona

McKechin, Ann
McKenna, Rosemary
McNulty, Mr. Tony
Meacher, rh Mr. Michael
Merron, Gillian
Michael, rh Alun
Milburn, rh Mr. Alan
Miliband, rh David
Miliband, Edward
Miller, Andrew
Mitchell, Mr. Austin
Moffatt, Laura
Mole, Chris
Moon, Mrs. Madeleine
Morden, Jessica
Morley, rh Mr. Elliot
Mudie, Mr. George
Mullin, Mr. Chris
Munn, Meg
Murphy, Mr. Jim
Murphy, rh Mr. Paul
Naysmith, Dr. Doug
Norris, Dan
O'Brien, Mr. Mike
Olner, Mr. Bill
Owen, Albert
Palmer, Dr. Nick
Plaskitt, Mr. James
Pope, Mr. Greg
Pound, Stephen
Prentice, Bridget
Prentice, Mr. Gordon
Prosser, Gwyn
Purchase, Mr. Ken
Purnell, James
Rammell, Bill
Raynsford, rh Mr. Nick
Reed, Mr. Jamie
Reid, rh John
Robertson, John
Robinson, Mr. Geoffrey
Rooney, Mr. Terry
Ruddock, Joan
Russell, Christine
Ryan, Joan
Salter, Martin
Seabeck, Alison
Shaw, Jonathan
Sheerman, Mr. Barry
Sheridan, Jim
Simon, Mr. Siôn
Singh, Mr. Marsha
Skinner, Mr. Dennis
Slaughter, Mr. Andy
Smith, rh Mr. Andrew
Smith, Angela E. *(Basildon)*
Smith, Geraldine
Smith, rh Jacqui
Smith, John
Snelgrove, Anne
Soulsby, Sir Peter
Southworth, Helen
Spellar, rh Mr. John
Starkey, Dr. Phyllis
Stewart, Ian
Strang, rh Dr. Gavin
Stringer, Graham
Stuart, Ms Gisela
Tami, Mark
Taylor, Ms Dari
Taylor, David
Thomas, Mr. Gareth
Thomberry, Emily
Timms, rh Mr. Stephen
Tipping, Paddy
Todd, Mr. Mark
Touhig, rh Mr. Don
Trickett, Jon
Turner, Dr. Desmond
Turner, Mr. Neil
Twigg, Derek
Ussher, Kitty
Vaz, rh Keith
Walley, Joan
Waltho, Lynda
Ward, Claire
Wareing, Mr. Robert N.
Watson, Mr. Tom
Watts, Mr. Dave
Whitehead, Dr. Alan
Wicks, Malcolm
Williams, rh Mr. Alan
Williams, Mrs. Betty
Wills, Mr. Michael
Winnick, Mr. David
Winterton, rh Ms Rosie
Wood, Mike
Woodward, Mr. Shaun
Woolas, Mr. Phil
Wright, Mr. Anthony
Wright, David
Wright, Mr. Iain
Wright, Dr. Tony
Wyatt, Derek

Tellers for the Noes:
Tony Cunningham and Mr. Frank Roy

Question accordingly negatived.

Question, That the proposed words be there added, *put forthwith pursuant to Standing Order No. 31 (Questions on amendments), and agreed to.*

MR. DEPUTY SPEAKER *forthwith declared the main Question, as amended, to be agreed to.*

Resolved,

That this House recognises the international reputation for excellence of medical training in the UK; acknowledges the need to modernise medical careers to ensure all doctors are properly trained to nationally recognised standards, including a fairer and more transparent process for applying for specialist training; notes that Modernising Medical Careers (MMC) will deliver training to a consistently high standard which, combined with the expansion of the number of doctors, will provide high quality safe care by appropriate skilled medical staff; notes the wide consultation that took place on MMC and the strong support for the need to improve doctors' training amongst doctors' representatives including the medical royal colleges and the British Medical Association; welcomes the external review that is already being conducted into how MMC has worked to date and the changes made as a result; and supports the longer term review recently announced to ensure MMC works well in the future.

Local Government

Mr. Deputy Speaker (Sir Alan Haselhurst): I must inform the House that Mr. Speaker has selected the amendment in the name of the Prime Minister and that there will be a 10-minute limit on Back-Bench speeches in the debate. Will hon. Members who are not staying for the debate please leave the Chamber quickly and quietly?

7.17 pm

Mrs. Caroline Spelman (Meriden) (Con): I beg to move,

That this House notes that council tax has soared by 92 per cent. across England since 1997, with even higher increases in Wales due to the Government's council tax revaluation; notes with concern proposals in the Chancellor's town hall finances report for regular council tax revaluations, higher council tax bands and new taxes for the collection of household rubbish; observes that frontline services such as weekly rubbish collections, social services and libraries are under increasing pressure; and calls for local people to be given a greater say in the provision of local public services through democratically elected local government rather than unaccountable regional government.

Just over a month has passed since Sir Michael Lyons published his report on local government finance. In the absence of Government time to debate its contents and implications for local government, I am pleased that we have that opportunity today.

I agree with this much of the Government amendment: there has been a

"transformation in local government since 1997".

I put that down to the rise in the number of Conservative councillors from 4,550 in 1997 to 8,529 in 2007 and to the rise in the number of Conservative-controlled councils from just 24 in 1997 to 167 today. Had the amendment finished there, I would have been tempted to support it.

Dr. Phyllis Starkey (Milton Keynes, South-West) (Lab): I note that the motion condemns changes to rubbish collections. However, no doubt the hon. Lady is aware that 61 Conservative-controlled councils have introduced fortnightly rubbish collections, presumably as a worthy attempt to increase recycling. Is she condemning them?

Mrs. Spelman: I will come to that subject. However, I should share with the hon. Lady the fact that, unfortunately, we need to be careful about the information that the Government publish on that subject. A parliamentary answer that I received listing the councils that had moved to fortnightly collections cited a number of councils that have not done that, including King's Lynn and West Norfolk borough council and Ashford borough council, which have no plans to do so. She might like to talk to Government Departments about the accuracy of the information that they provide.

I commend Sir Michael for the tenacity and rigour with which he carried out the review. There are elements of the report with which we strongly disagree, which I shall come to shortly, but I shall start with those aspects that we welcome.

We welcome the recommendations for more transparency in the way in which Whitehall funds local government; that is something for which we have long been calling. Likewise, we have long supported giving communities the final say on the type of leadership structure that they have. It makes perfect sense to give local authorities greater involvement in health and well-being—indeed, some councils such as Kent county council already have that greater involvement.

The main focus of Sir Michael's work was the thorny issue of local government finance. One of the first things he did was dismiss local income tax as a viable alternative. For me, the most telling line in the report is the one in which he said that a local income tax

"might mean substantial increases in tax for the working population."

He also set out why a local income tax would not necessarily be a fairer tax: it is because income is not always the sole determinant of wealth. Those are failings that Members of all parties have acknowledged, including the Liberal Democrats.

It is a symptom of how controversial local government finance has become that the Government tried so hard for so long to bury the report. The review took nearly three years, had a wage bill of more than £300,000 and was subject to numerous changes in remit, but the final indignity was that the Chancellor tried to bury its publication on the day of the Budget. He wanted to bury the report because he knew that it would confirm people's worst fears about the tax-raising appetite of the Treasury.

Surely Ministers know that there is real, palpable fury out there about the level of the council tax. No matter what Ministers say publicly, they know that responsibility for a 92 per cent. rise lies firmly at the door of the Treasury. People who paid just £57 each month on a band D property in 1997 are now paying £110. Taxation in any form is never popular, but if council tax was a mild irritation in 1997, it has become a gaping sore today.

Mr. Ian Austin (Dudley, North) (Lab): One of the local authorities controlled by the hon. Lady's party is Dudley metropolitan borough council, which serves part of the area that I represent. Dudley council has received record resources under the Labour Government and this year its settlement is above the average for metropolitan authorities, yet it is still increasing the council tax by 5 per cent. while cutting services. It is closing swimming baths and cutting services for the elderly; it is even cutting school transport for special needs schoolchildren. Is that what the Conservatives mean when they talk about the proceeds of growth? Will she condemn the record of Dudley council, which is receiving record resources and cutting services?

Mrs. Spelman: It was hardly worth giving way for that rather lengthy intervention. If the hon. Gentleman waits, perhaps he will come to understand better just how many burdens have been placed on councils such as Dudley council and how shortfalls in NHS funding have put huge pressure on local councils. I shall address those points further later in my speech.

It defies belief that the Government thought that the 92 per cent. rise in council tax would go unnoticed.

Ironically, council tax is the most visible of all tax bills. It is not deducted automatically at the point of income or added automatically at the point of sale. It is worth noting that if council tax rises were commuted into income tax, it would be equivalent to a 4p rise.

We now know that there are plenty of people who are prepared not to pay, and plenty more who simply cannot pay. The only solution that the Government offer those who cannot pay is an application form for so-called benefits. The application form is 40 pages of intrusive questions that actively deter a proud generation of pensioners who find the term "benefits" an indignity. As Sir Michael Lyons himself says,

"The term benefit has a particular resonance, which may prevent some people from taking up their entitlements."

In the words of Age Concern,

"Council tax benefit is still the most unclaimed benefit of all, with up to 2.2 million older people missing out on up to £1.4bn each year".

I am not cynical, but I do wonder whether it suits the Treasury to have such a low uptake. What a way to treat pensioners. Not only is the Chancellor complicit in the collapse of people's pensions, but a third of the increase in the state pension is now clawed back by the Treasury through increased council tax, yet instead of finding ways of reducing the tax burden, the Government are considering recovering council tax after people have died. A typical pensioner drawn into that macabre "pay later" scheme could leave a debt of as much as £64,000 after 20 years.

Pensioners and people on fixed incomes are not the only ones suffering. Hard-working families all have to budget hard for a council tax bill that escalates every year. In fact, we are now so conditioned to accept inflation-busting rises that the Government congratulate themselves if rises of less than 5 per cent. are introduced.

Mr. Clive Betts (Sheffield, Attercliffe) (Lab): Is the hon. Lady's main complaint that the Government have not changed the council tax benefit system sufficiently since her party introduced it at the beginning of the 1990s? If so, what specific proposals does she have to reform the council tax benefit system to remove all the problems that she is talking about?

Mrs. Spelman: I have been an MP for 10 years, and in all that time the hon. Gentleman's party has been in office. I have heard the Government say repeatedly that they want to improve council tax benefit and I have seen constant hand-wringing, yet I still see no real progress. The Age Concern figures confirm that. Sir Michael Lyons makes a good point: the very word "benefit" is off-putting. The hon. Gentleman's party, which is in government, commissioned that mighty report; it is for Government Ministers to answer the questions that he puts to me.

I am dismayed that the Government's attitude is to portray a 5 per cent. tax increase as an achievement. That tells me that there is real poverty of ambition on the Government's part. An increase of what the Government would term a "mere" 5 per cent. is still a massive hike when we consider that the overall level of council tax has virtually doubled since 1997. Ministers' constant refrain is that it is all the fault of local government, but nobody believes that. If Ministers honestly believe that 92 per cent. rises are simply the result of profligate town halls, they must be in cloud cuckoo land. However, some councils are more prudent than others, and the statistics show that Conservative councils cost people less. On an average band D property, they cost £55 less than Labour councils, and £84 less than Liberal Democrat councils.

The council tax has been abused, wasted and used to fill the Treasury's coffers. This year's Budget confirmed that receipts to the Treasury have risen by 114 per cent. since 1997, bringing the total tax take to £23.5 billion for 2007-08.

Tom Brake (Carshalton and Wallington) (LD): Will the hon. Lady confirm that, before she finishes speaking, she will set out the Conservative alternative to the council tax?

Mrs. Spelman: I had rather hoped that we might get an intelligent defence of Liberal Democrat tax plans from the hon. Gentleman. He clearly was not present on the occasions when we debated council tax and the aspects of it that need to be reformed. If he bides his time, he will find that I make a number of constructive suggestions later in my speech.

The remaining council tax that is not drawn into the Treasury is used to fund the Deputy Prime Minister's largesse towards the unwanted regional agenda, to bankroll an inspection regime that has grown like Topsy since 1997 and to make up the shortfalls from NHS cuts. Is it any surprise that Sir Michael Lyons commented at the launch of his report that

"council tax is not 'broken', but...has been put under too much pressure"?

Against that backdrop, the House will understand why we want to debate the matter.

Dr. Starkey *rose—*

Mrs. Spelman: I accepted an intervention from the hon. Lady at the beginning of my speech and, if she will bide her time, I shall come on to the question of refuse collection.

The report contains a series of additional ways of taxing people that the Government have refused to rule out. The only option ruled out so far is the bed tax on British holiday makers, which will certainly please my hon. Friends the Members for Brentwood and Ongar (Mr. Pickles) and for East Devon (Mr. Swire), who campaigned against the proposal in our seaside resorts. That brings me on to the proposals that the Government have not ruled out, including the call for additional tax bands at the upper end and for changes to the ratio between the bands. In particular, appendix C models changes from the present 3:1 ratio to 5:1 and even 10:1. To put that in layman's terms, on a band D property, the bill would go up by as much as £119. That is the tip of the iceberg. Rebanding cannot take place without revaluation, and revaluation will mean that bills go up. That is exactly what happened in Wales. Despite assurances from Ministers that the revaluation would be revenue-neutral, four times as many homes moved up a band as went down, and the average bill went up by 10 per cent. in the first year.

We fear that that would happen in England. No one is under any illusion about how expensive and intrusive revaluation is. *[Interruption.]* Regardless of whether people own their home or rent it, they will be taxed on home improvements and the quality of their neighbourhood. *[Interruption.]*

Mr. Deputy Speaker: Order. May I tell the Minister for Local Government that his turn will come?

Mrs. Spelman: Thank you, Mr. Deputy Speaker. To make the situation worse, Sir Michael Lyons has recommended not just one revaluation but regular revaluations, so I wonder how many harassed husbands will have the perfect excuse never to do any DIY again. Every detail of people's homes is at risk of being photographed, catalogued and taxed. Anyone not complying with the inspections will face a fine of £500, which is totally unacceptable.

People are left asking where all the money is going. I hear the constant refrain, "How can it cost so much to empty my bins?" The irony is that the Government are heavy-handing local authorities into cutting rubbish collections. Let us be quite clear: the Government have created a situation in which council tax bills have doubled and rubbish collection services have halved. The reality is that council tax pays for a great deal more than refuse collection, but it is illustrative of people's sense of unfairness. Crucially, council tax helps, too, to pay for social care, but it is in social care that the biggest and most frightening crisis is under way.

John Dixon, vice-president of the Association of Directors of Adult Social Services told *Caring Times* earlier this month:

"This isn't a crisis waiting to happen, this is a crisis already here".

The shortfall in social care this year is £1.8 billion. The impact of that shortfall is felt acutely by families caught between meeting the costs of bringing up children and paying the top-up fees for their parents' care. What a cruel position to put people in.

Chris Mole (Ipswich) (Lab): The hon. Lady has described a rising demand for local government services, which have been met in recent years partly by the increased grant from central Government and partly by council tax, which explains some of the numbers to which she referred. How would she meet the costs of additional demand for social care, given that the shadow Chancellor has talked about cutting funding for a range of services and sharing the proceeds of growth?

Mrs. Spelman: Apart from the fact that that shows a remarkable lack of understanding of the way in which many prudent Conservative councils have striven hard to maintain front-line services, notwithstanding central Government grant settlements which, in many cases, are inferior to those of councils controlled by other parties, the hon. Gentleman shows a marked lack of understanding about the kind of moral judgment that I have tried to make. I genuinely believe that the amount of money wasted on the whole unelected regional empire created by the Deputy Prime Minister would be much better spent on front-line services, particularly in adult social care.

In the face of the crisis in local government funding, I used to think that the Government were guilty of standing idly by, but in fact, that is not true. The Government are actively making the situation worse. Two in three councils report that NHS cuts have had a direct impact on social care provision. While councils strain every sinew to make efficiency savings at the Government's request, to the tune of £220 million last year, the Government simply load them with more cost burdens, form filling and money-draining bureaucracy. The latest example is the Government's decision to embark on a round of costly and unpopular restructuring. Have the Government become so detached from reality that they think that restructuring should be a priority? If that is the case, frankly, Ministers ought to get out a bit more. Sir Michael Lyons was right to say:

"Reorganisation is not, in most cases, likely to provide either a theoretical or practical solution to the challenges we face."

That is the view of the man whom the Government commissioned to look into the future of local government. When I was canvassing for the local elections, no one spontaneously asked me for the restructuring of their local council.

Robert Key (Salisbury) (Con): Is my hon. Friend aware that my constituents hope that the Government's crazy proposals to go for a unitary structure of Wiltshire will be proved illegal? What really makes them angry, however, is the fact that there has been no consultation, no referendum, and no boundary review, given that the Boundary Commission did not request the change. It is, in fact, taking democracy away from local people, which is exactly the opposite of our localisation agenda.

Mrs. Spelman: My hon. Friend makes a very good point indeed. He was a Member of Parliament when the Conservatives were in government, so he will remember that in marked contrast, there was a public consultation involving every household, which has not happened under the Government's proposals.

The Secretary of State proposes to restructure local councils, and where that has taken place, I see very few attempts at genuine consultation. Should the Secretary of State not hold referendums? Is that not the most effective way of gauging public opinion, as was demonstrated by the referendums held in Shropshire? May I ask her whether she is confident of the legality of abolishing those councils? If the restructuring is found to be legal, which is a big "if", given the pending legal challenge in Shropshire, has she given any thought to the cost implications for council tax payers? Based on research by leading academics, the additional cost of restructuring could be as much as £345 per council tax-paying household.

Sir Peter Soulsby (Leicester, South) (Lab): The hon. Lady is making a case against the restructuring of local government. If it is indeed as mistaken as she suggests, will she explain why almost half the councils seeking restructuring are Conservative-controlled?

Mrs. Spelman: The hon. Gentleman ignores the point that three years after beginning a review of local government finance, the reviewer concluded that restructuring was an impractical way of dealing with the challenges faced by local government. I suggest that the hon. Gentleman wait for the Secretary of State to respond on the question of why she is at odds with the view of Sir Michael Lyons in his review of the future of local government finance.

Mr. Philip Dunne (Ludlow) (Con): My hon. Friend kindly referred to Shropshire and our pioneering efforts to resist the imposition of a unitary authority on an unwilling people who voted against it.

The Minister for Local Government (Mr. Phil Woolas): It is Conservative councils that are making the proposals.

Mr. Dunne: The Minister may argue that the measure was taken at the request of Conservative councils, but he fails to point out that if those councils do not comply with Government proposals, they have been threatened that they will have to find savings, which will be imposed on them by the Government. Does my hon. Friend agree that Government Ministers will not have any power to single out individual councils to make the cuts that they have identified in that process?

Mrs. Spelman: My hon. Friend is owed an answer by the Government. On previous occasions we have had no answer to the question of where in legislation there is the power to enable the Government to force the recovery of costs on councils that refuse to comply with the Government's model of restructuring.

Even more astonishing to all of us watching the way in which the Government have imposed their will on local authorities is the fact that in Shropshire, of all places, the referendum produced a quantifiable result showing that there was no broad measure of support for restructuring, yet flying in the face of that opposition to restructuring, the Government allowed the unitary bid to proceed. That is difficult for us to understand and accept.

People are being asked to pay more in taxation for less representation, without being properly consulted in the first place. Making that sound appealing must be the ultimate in political alchemy. How on earth does that square with localism? If we are serious about getting decision making closer to the people, surely we should be strengthening local councils, rather than abolishing them. Restructuring is about taking decision-making further away from local communities, just like that other great folly in local government, regionalism.

Is the Secretary of State content with her Department's legacy being one of forcing unwanted and unelected regional government on people against their will, abolishing people's local council against their will, and then charging them a 92 per cent. premium on their council tax bill for the pleasure?

Labour has played fast and loose with local government. The Deputy Prime Minister sold it down the river for the sake of his unelected regional empire, the Environment Secretary spent his time entreating chief executives to join him in abolishing one another's councils, and the Chancellor has spent a decade reducing councils to mere tax collection agencies, rather like a latter-day sheriff of Nottingham. I do not want our country to be governed like that.

Anne Milton (Guildford) (Con): Does my hon. Friend accept that in my constituency, Guildford, the thing that makes people most angry is not only the exorbitant council taxes that they are now paying, but the feeling that they have no impact on what happens in local communities, that decision making is being taken further and further away, and that the Government are dictating to local councils and neatly hiding behind local decision-making when they choose to?

Mrs. Spelman: My hon. Friend is right to highlight the fact that the Government have made the council tax the ultimate stealth tax and they are reaping the result of that decision. Shortly, at the local elections, we shall see the very strong public response to that.

Sir Nicholas Winterton (Macclesfield) (Con): I am in an odd seat tonight, but none the less I am on the Conservative Benches, and I hope that after my intervention my hon. Friend will still think I am a Conservative. Will she indicate whether our party will be prepared to return to individual local authorities the total income from the business rate? Local authorities have a huge responsibility to respond to the needs of local commerce and industry. At present the distribution of the business rate is anything but transparent, and Sir Michael Lyons believes it should be more transparent.

Mrs. Spelman: My hon. Friend has a longer political history than I do, so he will well remember the original reasons why the Conservative Government took the business rate to the centre. Businesses were exposed to increases in rates which made it virtually impossible for them to carry on their businesses. The relationship of trust was damaged by profligate, often Labour, councils. For that reason, a decision was taken to introduce a uniform business rate. The relationship of trust between local government, central Government and the business community still needs to be rebuilt.

That subject was addressed in the Lyons review, but the Government have already made it clear that at present they have no intention of repatriating the business rate to local government. That was their response to their own review. Rebuilding that relationship of trust between local government and business is of the utmost importance, because the business community is one group in our society that faces the dilemma of having taxation levied at the centre without one-for-one representation.

Mr. John Redwood (Wokingham) (Con): I am grateful to my hon. Friend, who is making a powerful case against the waste and unnecessary spending forced on local government by central Government. Will she confirm that there is over £1 billion a year of unnecessary expenditure on conforming with the performance targets and monitoring requirements of central Government, which shows how little they trust their own councils, let alone good Conservative ones? Would not one way of restoring trust be to strip that away so that the money can be returned to taxpayers or put into services? If people have a badly performing Liberal or Labour council, they can get rid of it on 3 May.

Mrs. Spelman: I thank my right hon. Friend for his intervention. He points out clearly that a whole industry of inspection that did not exist before 1997 has been imposed on local government from the centre and has cost council tax payers £1 billion in hard-earned money. That money would be much better spent, as I suggested earlier when the question of social care came up, by being returned to the front line, where

[Mrs. Spelman]

it is much needed. For the avoidance of doubt, we have said on many occasions, and I will repeat it again, that we would scrap the comprehensive performance assessment and best value, because we believe that that money could be better used elsewhere.

I want local government to be the real engine room of local decision making, not a mere agent of Whitehall. I want town halls to have freedom and discretion to spend taxpayers' money in a way that reflects the needs of local communities. That is why we have proposed the Sustainable Communities Bill, a Bill which the Government rather complacently see as unnecessary. Giving local communities the right to decide the spending priorities for their area is necessary. It is also necessary to give planning decisions back to town halls, rather than regional quangos and Whitehall Departments. Crucially, it is necessary to get council tax back down to sustainable levels. When it was first introduced, people were not protesting on the streets and pensioners were not going to prison.

Through their abuse, the Government have made the council tax a stealth tax that is extremely unpopular. It is not an unreasonable aspiration to return the council tax to sustainable levels, and there are significant savings in wasteful bureaucracy that could be directed to the front line. What we need is a change in the culture of government, from one that sees local government as an obstacle to one that sees local government as a solution.

Richard Younger-Ross (Teignbridge) (LD): Will the hon. Lady give way?

Mrs. Spelman: I fear we may have an intervention from a party that does not understand how local government, rather than regional government, is a solution offering the localism that is much needed in this country.

Richard Younger-Ross: I know all about local government. My Teignbridge district council, led by the Liberal Democrats, has managed only a 2 per cent. council tax rise during the past four years compared with the Tory's 32 per cent. over the previous years. The hon. Lady has just said that she wants to see the council tax cut to a reasonable level. We would all agree with that. Where will the money come from?

Mrs. Spelman: The hon. Gentleman clearly has not been listening to the debate because I have explained that on at least three occasions, and most explicitly I quantified the savings that would accrue from scrapping the comprehensive performance assessment and best value. That currently costs taxpayers £1 billion a year—£1 billion that could be used much more effectively and is urgently needed in areas such as adult social care.

It is clear to me that after 10 years of the Government eroding local decision making and fleecing council tax payers, the only way of creating that change in local government is through a change in national Government. That is why I invite voters to use 3 May to send precisely that signal.

7.51 pm

The Secretary of State for Communities and Local Government (Ruth Kelly): I beg to move, To leave out from "House" to the end of the Question, and to add instead thereof:

"notes the transformation in local government since 1997 and the dramatic improvements in performance across a wide range of front-line services; recognises the achievements of local authorities and their staff with a record number of authorities awarded three or four stars for their performance by the Audit Commission in 2006; contrasts this with the under-investment and poor morale that the Government inherited in 1997; applauds the Government's radical and devolutionary local government White Paper as the next stage in the reform of local public services, strengthening local leadership and partnership working and empowering local communities; believes that the measures set out in the Local Government and Public Involvement in Health Bill will strongly promote sustainable communities, improving local environmental quality and the quality of life of local residents; congratulates the Government on the way in which it is providing stable funding for local government, increasing overall grants to councils by 39 per cent. in real terms since 1997 with the average council tax increase in England at 4.2 per cent. for 2007-08; and therefore supports the Government in implementing the White Paper and the Bill."

Life in communities across England has improved enormously over the last 10 years. There are more jobs, our streets are cleaner and greener, and vital public services have improved. Those are real achievements, and the Government are proud of them. Local government should be proud of the role that it has played, too, leading the way in many areas. So I welcome today's debate on the future of local government.

Mr. Stewart Jackson (Peterborough) (Con): Will the Secretary of State give way?

Ruth Kelly: In a moment.

But I am surprised that the Tories have launched this debate with so little to say. I had hoped that the hon. Member for Meriden (Mrs. Spelman) would take this opportunity to enlighten the House on the Conservative vision for the future of local government. Sadly, we are none the wiser on several key issues. I should like to ask three simple yet vital questions.

First, what exactly is the Opposition's policy on council tax? Keep it? Scrap it? Reform it? We are none the wiser. Secondly, the Opposition claim to be in favour of devolution. So why did the hon. Lady, her colleagues and the Front-Bench team direct all Conservative councillors to oppose any restructuring, no matter what the council tax benefits to people who live in those areas? Should not those decisions be left to local councillors themselves?

Mr. Jackson: Will the Secretary of State give way?

Ruth Kelly: In one moment.

Thirdly, the hon. Lady's party claims to want to give people more control over what happens in their local areas, so why does it not support the Government's devolutionary local government Bill? The hon. Lady seems to suggest that the answer to local government finance lies in scrapping regional assemblies, which have an administration cost of £21 million a year, and scrapping the comprehensive performance assessment, which is being replaced in the local government Bill. I

am afraid that without the answers to the questions that I have set, the Opposition simply do not have a clear vision for the future, and in the absence of that, we should judge them on their past and present record, which I shall come to in a moment.

Chris Mole: Will my right hon. Friend ask the hon. Member for Meriden (Mrs. Spelman) a fourth question, which is: in a debate where we should be celebrating local democracy and local decision making, did she really just say that the public should vote in a national referendum on the performance of the Government in local elections? That is what I heard her say, and that to me is a complete contradiction of the whole essence of local democracy and its purpose.

Ruth Kelly: My hon. Friend, who has a strong track record in these areas, makes an absolutely vital point. The Opposition need to decide whether or not they trust local councils.

But we should look for a moment at what the Opposition did to local government when they were in power. Perhaps Conservative Members would like to intervene on that point.

Mr. Dunne: I should like to intervene on the question of trusting the people and believing that individuals have a right to say how they want their local government to be run. Where they take a ballot, the Government completely ignore it. Does the Secretary of State believe in local democracy or not?

Ruth Kelly: I know that the hon. Gentleman is very concerned about the issues in Shropshire, but I remind him that it is the Tory-controlled council there that has proposed to Government that it should be able to run a unitary council. It is the Tory-controlled council in Shrewsbury that has decided that it will not go down that route. Perhaps it should pick up the phone and call Dave, rather than have these arguments in the House. Somewhere, someone needs to sort these things out.

The Tories' record on local government when they were in power speaks for itself. Yesterday, the right hon. Member for Witney (Mr. Cameron) acknowledged that the 1980s had brought centralisation of power and control. But he did not take the opportunity to mention the under-investment, the neglect, or the sheer arrogance that characterised the Tory years. He certainly did not mention the devastating impact on all our communities. The Opposition may not care to remember, but millions of people throughout the country do. They remember the years of diktat and demoralisation. They remember the funding cuts. Even in their last four years, the Tory Government slashed funding by 7 per cent. in real terms. Millions of people remember schools with leaking roofs and outside toilets. They remember the contempt for local democracy. They remember Nicholas Ridley's maxim on councils: "The more they squeal, the more I know I'm right." They remember Tory Ministers' disdain for the local government work force. They remember the thousands of committed workers who had to fight for their pensions and holidays as a result of compulsory competitive tendering. We all remember the low point of the poll tax, with councils and Government locked in bitter opposition and people rioting on the streets. That is the history. Those are the facts of what the Conservative party did to local government when it was in power.

Mr. James Gray (North Wiltshire) (Con): The Secretary of State makes a powerful point about how the people hate the Conservative party in local government. If that is the case, why is it that the Conservatives now control twice as many councils as all the other parties put together and have twice as many councillors?

Ruth Kelly: I remind the hon. Gentleman that according to the figures of the hon. Member for Meriden, the Conservative party now controls 167 councils out of a total of more than 450. I suggest that local people sometimes have some common sense.

Mr. David Curry (Skipton and Ripon) (Con): If it is true that the general public believe that the Conservative years were so catastrophic and the Labour years so uplifting, how many gains does the right hon. Lady expect to make for Labour councils in 10 days' time?

Ruth Kelly: May I just remind the right hon. Gentleman, whom I hold in great admiration, that in areas such as Manchester and Sheffield there is still not one single Conservative council, for the very good reason that Labour has revitalised the towns and cities in the north in a way that has never been managed before.

The right hon. Member for Witney tries to convince us that things have changed. But we need only look down the river to Hammersmith and Fulham to see the Thatcherite flame still burning bright today. The local Conservatives are proud of their first budget; proud of cutting essential services to support a tax cut; proud of making meals on wheels £200 a year more expensive for some of society's poorest and most vulnerable people; proud of making it harder for the elderly and sick to get home help.

Mr. Eric Pickles (Brentwood and Ongar) (Con) *rose—*

Ruth Kelly: Before I give way to the hon. Gentleman I just want to ask the hon. Member for Meriden whether she supports what the local Tories are doing in Hammersmith and Fulham. I give way to the hon. Gentleman after a resounding silence from the hon. Lady.

Mr. Pickles: I actually went to that council meeting and I have to tell the right hon. Lady that the Labour group did not vote against that budget cut. I also have to tell the right hon. Lady that I heard the Labour leader of Hammersmith and Fulham say that they would have produced a lower council tax and they would have cut deeper.

Ruth Kelly: If the hon. Gentleman is right, why is it that the Labour party in Hammersmith and Fulham is reporting the Tory-controlled council to the Audit Commission for the changes that it is making? I take it from the hon. Gentleman's response and from the resounding silence from the hon. Lady that this is the Tory future vision for local government—charges and cuts.

Mr. Andy Slaughter (Ealing, Acton and Shepherd's Bush) (Lab) *rose—*

Ruth Kelly: I give way to my hon. Friend, who has some real experience of life in Hammersmith and Fulham.

Hon. Members: Tory gain!

Mr. Slaughter: One of the reasons why it was a Tory gain might be that in their manifesto last year the Conservatives said that a Conservative council would not reintroduce home care charging, yet last week they proposed an £11 a week charge for the most vulnerable people who need home help. In other words: "Say something when you want to be elected, and when you get elected do exactly the opposite." Perhaps that is what we can expect on 3 May.

Ruth Kelly: I thank my hon. Friend—*[Interruption.]*

Mr. Deputy Speaker: Order. I want Opposition Front Bench interventions only if they are proper in nature, not sedentary.

Ruth Kelly: Thank you, Mr. Deputy Speaker. I must make some progress with my speech.

It is clear that the Opposition do not like to talk about their record in power or when they were last in government. I can tell the House that we are proud of our record. In 10 years, Labour has transformed local government. We inherited services that were run-down, demoralised and starved of cash. Since 1997, we have increased funding to local councils by 39 per cent. in real terms. Our massive investment, together with the commitment of local government workers, has turned things around. Today, local government is not just up to the job: in many areas, it is leading public service reform. It is delivering results on the issues that really matter. Rates of recycling have more than tripled in the past eight years, antisocial behaviour is falling, 3,500 neighbourhood wardens are helping to cut crime on our estates, and the streets are getting cleaner. The Audit Commission shows councils improving year in, year out.

Mr. Ian Austin: I remind my right hon. Friend of the appalling failure of the hon. Member for Meriden (Mrs. Spelman) to condemn the activities of Dudley council, which, despite having received an above-average settlement this year, is increasing council tax by 5 per cent., cutting services for the elderly and special needs children, and even closing swimming baths. Will my right hon. Friend, on behalf of the House, condemn what Dudley's Conservative-controlled council is doing? Will she look at her diary to try to find an urgent opportunity to come to Dudley and see for herself the reality of Conservatives in power in Britain today?

Ruth Kelly: I condemn what the Conservatives are doing in Dudley and think that it is a disgrace that the hon. Member for Meriden has not condemned them. I will certainly look for an early opportunity to visit my hon. Friend's constituency.

Dr. Starkey: In relation to my right hon. Friend's remarks about recycling, can she try to explain how the Conservatives square the circle whereby they wish to be environmentally friendly in encouraging recycling, yet, in their motion, cite weekly rubbish collections as a bad thing although that can be the most sensible way of encouraging people to recycle more and to have lower amounts of residual waste?

Ruth Kelly: My hon. Friend makes an excellent point. I do not think that the hon. Member for Meriden can square the circle. On the one hand she talks about devolving real power to local councils and local people; on the other, she still seems to believe in central diktat from Whitehall. She cannot have it both ways.

Mr. Stewart Jackson: Will the Secretary of State give way?

Ruth Kelly: I will make some progress.

Under this Government, we have had 10 years of local government going from strength to strength. That has paved the way for devolution to the town hall and from the town hall. Those are the principles behind the ambitious reforms set out in the White Paper that I published last year and in the Bill that is currently before the House. Our proposals are the culmination of many months' work and extensive consultation.

Now that local government has raised its game, the next stage is to give it greater freedom, greater discretion about how it meets its goals, and the opportunity to build places that people are proud to call their home. It is time for local government to empower its citizens and to give them a greater say over the services they want and how they are delivered. This is what our proposals achieve. That is why they have cross-party support in the Tory-led Local Government Association.

Let me remind the House of some of the measures that we are introducing. We are introducing the community call for action. Where people have concerns about a local issue, the call for action will help them to get a response from their council. It could be graffiti; it could be youth facilities: whatever the issue, local people will have a new way of getting things done. We are freeing local government to get on with the job by slashing red tape. We are strengthening local area agreements, which set out what councils and key partners will deliver for local people, and how. I believe that in the future they will be one of the great success stories of local government. We are trusting councils to understand the needs of local people, and giving them greater freedom to meet them.

Mr. Stewart Jackson *rose—*

Mr. Mark Francois (Rayleigh) (Con): Will the Secretary of State give way?

Ruth Kelly: Not at the moment.

Indeed, last week the hon. Member for Brentwood and Ongar (Mr. Pickles) described local area agreements as "the future". I welcome his support. Does the hon. Member for Meriden agree with her hon. Friend, or does she still believe in the central diktat of the olden days?

The proposals in the White Paper and the Bill will make a real difference. They will help local government

to take on the challenges of the 21st century. If the Conservatives support localism, as they say, why have they consistently opposed our Bill? Is it because they prefer rhetoric and photo shoots to the tough policy decisions that government is all about?

Mr. Stewart Jackson *rose—*

Ruth Kelly: I give way to the hon. Gentleman.

Hon. Members: Hooray!

Mr. Jackson: I thank the right hon. Lady for her generosity. I am a patient man.

The hon. Member for Ipswich (Chris Mole) made the sensible point that local elections are about local people making a local choice. If everything is so wonderful in the land of milk and honey under this Labour Government, why is the Labour party failing to contest 40 per cent. of all the council seats at the elections on 3 May? Is it because it has not got a record worth defending in those seats?

Ruth Kelly: I do not recognise that figure, but I would ask the hon. Gentleman why the Conservatives have made no inroads whatsoever into any of the cities in the north.

I saw that the right hon. Member for Witney was in Dartford last week gathering rubbish; I read the report of his performance in *The Times*. The council leader explained how that event was set up:

"I can tell you 100 per cent. that the rubbish was on that site and was not brought in. In fact, we left it there a day longer than it should have been because we knew Cameron was coming."

That sums up the right hon. Gentleman's contribution to local services.

Barbara Keeley (Worsley) (Lab): Does my right hon. Friend agree that part of the difficulty that the Conservatives have in getting people elected in the north, particularly in cities such as Manchester, might be the example of Tory-led Trafford council? Perhaps it is time to condemn that council, which is not prudent. It has not only increased its council tax by the largest amount in Greater Manchester—4.9 per cent.—but is making its citizens pay the council tax every month on days earlier than they are used to paying it, and has wasted money on the new council logo and £400,000 on consultants at the same time as closing two day care centres and an elderly people's home.

Ruth Kelly: I certainly condemn the Tory councillors on Trafford council. It is worth reminding the House that those in Labour-controlled councils are seeing their council tax go up by much less than those in Tory-controlled councils throughout the country.

I must turn to the interest that the hon. Member for Meriden expressed in our council tax policy, as she made so much of the Lyons report in her speech. That gives me a chance to set the record straight. We have no plans to revalue properties in this Parliament. We have no plans to introduce new higher and lower council tax bands in this Parliament. We have no plans to replace bands altogether with a system based on the individual value of each home. The Tory policy on council tax seems to consist of tabling endless parliamentary questions about patios and bathrooms while dreaming up stories to scare people about spies in the sky and inspectors who are going to kick the door down. If one were to believe them, one would think that every home has a helicopter hovering above it taking pictures of patios and every bed has a home inspector lurking beneath it. One of my favourite parliamentary questions is the one tabled by the hon. Member for Meriden that asks what is the Valuation Office Agency's definition of a bathroom and whether a room with a shower but not a bath is classified as a bathroom.

People could be forgiven for having expected the hon. Member for Meriden to set out the Conservatives' policy on council tax today: would they keep it, would they scrap it, or would they reform it?

Mr. Redwood: The Secretary of State is struggling, so I shall help her. Does she agree that any council candidate who supports a local income tax and implies that it will be cheaper is guilty of two sins of deception? The first is that council elections do not settle the introduction of a local income tax. The second is that it will not be cheaper.

Ruth Kelly: On that point, we can agree.

Mrs. Spelman *rose—*

Ruth Kelly: I shall give way to the hon. Lady, who is obviously keen to set the record straight on bathrooms.

Mrs. Spelman: On a point of order, Madam Deputy Speaker. Is it in order for the Secretary of State to mock the device of the parliamentary question that is open to hon. Members to elicit factual information from the Government—*[Interruption.]*

Madam Deputy Speaker (Sylvia Heal): Order. I cannot hear the hon. Member's point of order.

Mrs. Spelman: Is it in order for the Secretary of State to mock the legitimate use of the parliamentary question as a method of enticing from the Government vital information about their tax plans, perhaps not in this Parliament, but immediately after a general election?

Madam Deputy Speaker: Having heard the hon. Lady's comments, I have to tell her that that is not a point of order for the Chair.

Ruth Kelly: I would not have drawn the House's attention to the hundreds of parliamentary questions that the hon. Lady tables if she had anything else to say about the council tax, but I am afraid that she has not. I waited for tonight's debate with great anticipation, but yet again I am none the wiser.

Martin Horwood (Cheltenham) (LD): Since the Secretary of State is pressing the other council tax party for answers on council tax revaluation among other things, will she say whether she agrees with Sir Michael Lyons that

"an out-of-date tax base will mean that the credibility of council tax as a property tax will gradually be eroded"?

[Martin Horwood]

He says that he understands the Government's reasons for delaying the decision until after the general election. What are they?

Ruth Kelly: The hon. Gentleman could not have expected me to be any clearer than I have been. We have no plans for revaluation in this Parliament. Michael Lyons is welcome to his view—after all, he prepared an independent report for the Government—but we will not revalue in this Parliament.

Local government plays a vital role in our communities. The Labour party has a clear, ambitious and workable vision for councils to thrive in future and a strong record on which to build. Political parties will ultimately be judged on results, not rhetoric, and on policies, not posturing. The warm words of Conservative Members count for nothing with those who remember the cold comfort that a Tory Government brought to councils.

Perhaps that is why the Conservative party is so poorly represented not only in major cities such as Liverpool, Manchester and Newcastle but in Scotland and much of Wales. If the Conservative party is serious about localism, it needs to match its words with action. If it is serious about making local services more responsive, Conservative councillors need to show it. If Conservative Members want to make a genuine difference, surely it is time they stopped scaremongering and supported the Local Government and Public Involvement in Health Bill. I invite them to do that now. There is no response.

Mrs. Spelman: The Secretary of State has ignored a major issue in the Bill about which we have had no comfort from the Government. She is willing to grant herself the power to direct councils to restructure. That is a draconian power, to which we strongly object. She knows that that forms the basis of strong opposition to the measure.

Ruth Kelly: The hon. Lady considers that to be an incredibly important issue—so important that she did not raise it in her speech. She did not note the fact that the Tory-controlled Local Government Association understands the reason for the power, which is temporary, so that if local councils make unitary proposals, we can ensure that they are workable and coherent across the piece. If the inclusion of the power was the reason for her lack of support for the Bill, perhaps she will change her mind. I made a commitment at the time to table an amendment to restrict the power of restructuring and, together with the Local Government Association, we have now made clear our intention.

Soon, many people throughout the country will have a clear choice. For those who believe in investment over cuts, a clear vision for Britain's communities and a party that puts its money where its mouth is, there is only one choice—Labour on 3 May.

8.14 pm

Andrew Stunell (Hazel Grove) (LD): Liberal Democrats greatly welcome the time that has been set aside for the subject of the debate. If we want a healthy democracy and a responsive and participative society, with effective and efficient services, we must have strong democratic institutions at every level, especially in local government. There could hardly be a better time to debate the future of local democracy and local government than 10 days before the biggest round of local government elections in England for four years, and on the eve of some historic local government elections in Scotland, for which a proportional voting system will be used for the first time.

This evening we have a chance to examine the competing plans of the political parties for strengthening and enhancing democracy and for better participation in our society. It is an opportunity to consider parties' plans for delivering effective local services and improving the well-being of our local communities.

It was therefore a genuine disappointment to be presented with the Conservative motion. The shadow Minister, the hon. Member for Meriden (Mrs. Spelman), did her best, but even her best could not disguise the fact that the motion contains only half an analysis of the problem, no diagnosis and no effective remedies. For long sections of her speech I thought that she was reading a succession of Conservative election leaflets. She paid little attention to the severe and serious problems that we should be addressing when we discuss the future of local government.

The Conservatives' first motion today took up only 18 lines on the Order Paper, and their second only nine lines. It is a pity that they did not find another few lines to add to their second motion to give us a clue, a faint hint or even the ghost of an inkling of what they believe should be done to ensure a secure future for local government.

Paul Farrelly (Newcastle-under-Lyme) (Lab): It is interesting that Liberal Democrat Front Benchers oppose the Conservatives. In my constituency, the Liberal Democrats are in power on the council for the second time. The first time, they went into coalition with us when we temporarily lost control in 2002. Now, strangely enough, they are in coalition with the Conservatives after we temporarily lost power last year. Where do the Liberal Democrats stand?

Andrew Stunell: The Liberal Democrats stand on our policies of fair local government services properly provided and service to the community. I am proud to say that we implement them in every part of local government where we have the power and opportunity to do that.

The hon. Member for Meriden, despite her best efforts, could not say what the Conservatives intended to do and we are therefore left with having to examine the Conservative party's record. That raises an important question. How on earth have the Conservatives got the cheek to table a motion on the future of local government given the huge part that they played in bringing it to its current plight? The hon. Lady is right that local government is over-centralised and prescriptive. In many ways, local government services and local democracy are diminished compared with 10 years ago, and especially 20 years ago. What exactly does she plan to do about that? What does she believe is wrong now?

We heard some of the things that the hon. Lady believes are wrong. Some were amusing. Apparently, revaluation is wrong. Let us consider what will happen in this place after the next general election. We believe that we know what the Labour party will do—it will

revalue and change the council tax; we know what the Liberal Democrats will do—introduce a local income tax; but we have not the slightest idea what the Conservatives will introduce. They are against revaluation and rolling revaluation; they are against changing the bands; they want council tax to be cut; they want local government and local democracy to walk on water. The hon. Lady has evidently forgotten that the Conservatives were responsible for the Act of Parliament that introduced council tax, after they had abolished—after introducing—the failed poll tax. That very Act includes the provision for revaluation that she seems to be so against.

Mr. Geoffrey Clifton-Brown (Cotswold) (Con) *rose—*

Mr. Dunne *rose—*

Andrew Stunell: I am a bit surprised that the hon. Lady did not make the entirely different point that she rather doubted whether the Government could find enough inspectors to carry out all these revaluations of which she speaks. I have observed that a number of Conservative Members want to intervene. Who shall we take? I will take the hon. Gentleman at the back of the Chamber.

Mr. Clifton-Brown: The hon. Gentleman has made it quite clear that it is his party's policy to have a local income tax. The flaw with it, apart from the cost, is that it needs a redistributive mechanism, because the tax base is not conveniently where one wants the funds to be distributed. What discussion has he had with the Inland Revenue and what does he believe the compliance cost of a local income tax would be? What confidence does he have in the Inland Revenue in respect of the redistributive element in the light of the mess that it made of the working families tax credit?

Andrew Stunell: I am not sure whether the hon. Gentleman got right the way down the Conservative briefing on that point, but he certainly asked a number of interesting questions—*[Interruption.]* Let us be absolutely clear. The nature of the questions strongly suggests to me that he has not taken the opportunity of reading what Sir Michael Lyons said about local income tax: it is a thoroughly practical tax with many advantages, but will take some time to introduce. It is rather like the reform of the council tax that the Labour Government are talking about and very different from the fossilised, "stay as you are" solution that the hon. Gentleman's party is currently recommending.

Let us deal with the issues that the hon. Member for Meriden said were at the heart of the problems facing local government. Unitary authorities seem to be the problem. Well, the Conservatives thought of unitaries first. They introduced them in Wales and Scotland and they have introduced them in Avon and Berkshire. Indeed, four Conservative county councils are currently bidding for unitary status. Unitaries have their place, especially where there is clear local support and validation. I fully understand that—*[Interruption.]* I am expecting an intervention any second from the hon. Member for Ludlow (Mr. Dunne) to the effect that what I am saying does not apply in Shropshire. Let people sort out their grief locally, as those matters should be decided at local level.

Paul Farrelly *rose—*

Mr. Dunne *rose—*

Andrew Stunell: I shall take the intervention of the hon. Member for Newcastle-under-Lyme (Paul Farrelly) first.

Paul Farrelly: The hon. Gentleman seems about to move on to forms of local government, but I have not quite finished with council tax. I am not sure what gimmick the Liberal Democrats will propose from year to year. They have a policy one year, and if it does not work they change it. I remember that one year in Newcastle-under-Lyme the Liberal Democrats promised everyone £100 back from their council tax bills. The cheque was inconveniently dated 1 April. How can anyone believe what the Liberal Democrats say from one election to another when they flip-flop as it suits them between Tory and Labour?

Andrew Stunell: That has obviously come from the Labour party briefing and is, of course, completely mistaken. We have supported local income tax to my certain knowledge for 22 years and the policy may go back even further than that. What we definitely need for our local democratic institutions to function properly is a secure source of locally determined income. The flaw in the existing council tax and, to an even greater extent, in the fossilisation of it proposed by the Conservatives is that such a secure source would be restricted. Indeed, they would mean a cutting back of the opportunities for local democracy to flourish. I believe that I promised the hon. Member for Ludlow that I would give way to him.

Mr. Dunne: The hon. Gentleman seeks to characterise the past 10 years of Conservative action over council tax, so I draw to his attention the fact that residents in South Shropshire, which has been Liberal Democrat-administered for the past four years and partially so for the whole of that period, have had to suffer the second largest increase in council tax in the country—beaten only, I believe, by Kingston upon Thames, which is another Liberal Democrat-controlled council. The reason why the hon. Gentleman wishes to deflect attention from council tax to local income tax is that Liberal Democrats cannot manage council tax efficiently for their residents.

Andrew Stunell: If the hon. Gentleman looked at the record of Liverpool city council or, indeed, that of my colleagues in Islington in north London, he would see a very different picture. He should take a look at the percentage increases as compared with cash increases. I would not mind betting that the council tax in South Shropshire is currently lower than it is in some of the flagship authorities that the hon. Gentleman is so proud of.

Mrs. Spelman: The original legislation that brought in the council tax made provision for revaluations, but under certain circumstances where there was a disparity between regional house prices and the ratios prescribed between the different regions of the country. The fact remains that the ratio between the regions is the same today as it was when council tax was introduced, so there is no need at present for a revaluation.

Andrew Stunell: I find the hon. Lady's argument rather tenuous. If that is the case and it is the core of what she is arguing, it is surprising that she did not make the point in her speech. If she is arguing that we need some sort of regional variation to council tax plans based on property prices, she could well have said it in her speech and perhaps we could have examined the proposition.

Martin Horwood: Does my hon. Friend agree that the Conservatives are demonstrating that they have not really read the Lyons report at all, which is quite clear that revaluation should have taken place? Sir Michael Lyons also clearly said:

"I am satisfied that a local income tax could be feasible in England and could viably replace all or part of council tax"

and that it would be more progressive and more popular.

Andrew Stunell: I certainly agree with Sir Michael on that, if not on every other proposition that he has put forward, and I am very grateful to my hon. Friend for drawing that to the House's attention.

A number of other factors handicap local democracy and local councils and it is interesting to reflect on things that the hon. Member for Meriden did not mention. She did not mention capping. Of course, the Conservatives thought of it first. She did not mention the arbitrary abolition of local authorities, because the Conservatives did that as well. She did not mention explicitly charges for council services, though she did mention rubbish collections. What she did mention was the pressure on social care for local authorities. Of course, she is right about that, but what she did not say was that it was her Government who introduced charging for social care at local level in the first place. That charging is creating some of the difficulties that have already been illustrated in the debate. I make the point in passing that if we had the same policy for free nursing care south of the border as they do north of the border there would be a very different set of pressures on people.

The hon. Lady is right that there has been excessive centralisation, but it was certainly triggered and, in some ways, masterminded by the Government whom she supported. I remember as a member of a county council 20 years ago how responsibility for the police, magistrates and probation were taken away and how the district council had buses confiscated. That was centralisation of a different order indeed.

I see the hon. Member for Mole Valley (Sir Paul Beresford) in his place. He has probably forgotten—indeed, he probably never registered the fact in the first place—that he and I were in the same room together in the dim and distant past, sitting on the so-called Consultative Council for Local Government Finance. It was not very consultative. The hon. Gentleman was one of the Ministers sitting on one side of the room; I was one of the local government representatives sitting on the other. I had been on a deputation to see the hon. Gentleman to discuss council funding and to seek help from the then Department of the Environment. Going as a representative of a local authority to ask for better treatment from a Government Department certainly gives one a worm's eye view of how democracy works in this country. That was not a devolutionary experience.

The hon. Member for Meriden is asking us to believe that something has happened, that the hon. Member for Mole Valley has had an event on the way to Damascus, and that St. Paul is now going to be lowered in a basket from the Marsham street towers to get away from all those centralists.

Mr. Clifton-Brown: The hon. Gentleman seems to be railing against centralisation rather than local decision making. Will he explain his party's policy towards regional government? If he does not like regional government, does he acknowledge that it is being used as an excuse to rescue the Liberal Democrats from badly run Liberal councils?

Andrew Stunell: What I like about the hon. Gentleman is his capacity to read his Tory brief. What I do not like is his incapacity to understand Liberal Democrat policy, which is to take powers from central Government Departments and bring them back to the regions and local authorities, where they can better be exercised. I am astonished that he has not grasped that. Given that he has not grasped it, I wonder how he can support those on his Front Bench who say that they want more devolution. He does not seem to understand what devolution is or how it works.

Mr. Francois *rose—*

Paul Farrelly *rose—*

Andrew Stunell: Let me take these interventions from alternate sides. I give way to the hon. Member for Newcastle-under-Lyme (Paul Farrelly).

Paul Farrelly: I can assure the hon. Gentleman that this is all my own work, because the one omission from my brief is that there is no mention of the Liberal Democrats. I hope that the Secretary of State will look into that for next time. I am still grappling with all that I have heard about the proposed local income tax. The hon. Gentleman and I come from the west midlands, which is a region. Will he please tell me what the upper percentage limit for local income tax would be in that region? If he cannot give an answer, presumably it is because the Liberal Democrats have not worked it out yet, or because there will be no upper limit.

Andrew Stunell: We supplied figures to Sir Michael Lyons. Assuming that the income tax rate includes the upper income tax band, it would be 4.5 per cent. I hope that that satisfies the hon. Gentleman. A great deal of practical detail and information is available on that subject.

Mr. Francois: Will the hon. Gentleman give way?

Andrew Stunell: It is probably time for me to make some progress, if I may. [HON. MEMBERS: "Give way!"] Well, okay, let us take another one.

Mr. Francois: I am grateful to the hon. Gentleman for his courtesy. He will know that the Secretary of State's policy is to impose large numbers of houses on local

authorities through national and regional housing targets, irrespective of whether they have sufficient infrastructure to accommodate them. She is doing that even though she frequently objects to planning applications in her own constituency. What is the Liberal Democrats' policy on regional housing targets? Are they in favour of them, even when local authorities resist?

Andrew Stunell: We clearly need more homes, and there needs to be a way of allocating them. We have said clearly that there needs to be a partnership in that decision-making process. It is just as absurd to have regions attempting to impose more houses on their local authorities as it is to have regions restricting local authorities that want to see growth, yet both of those situations exist—

Mr. Francois: So is that a yes or a no?

Stephen Pound (Ealing, North) (Lab): It is building on the fence.

Madam Deputy Speaker: Order. May we please follow the rules of parliamentary debate? We are getting far too many comments from a sedentary position.

Andrew Stunell: Thank you, Madam Deputy Speaker. I am more than happy to explore the intricacies of housing policy and national allocations, but I suspect that we are probably straying from the broad themes of the debate. It is certainly the Liberal Democrat view that decisions should be taken at the lowest practical level, and that relates to planning decisions just as much as to financial and service decisions on health care, highways and public transport. Any diligent listener to our debates in this place should be well aware of that.

It is disappointing that, when the official Opposition create an opportunity to talk about the future of local government, they fail to take it. The motion has offered us nine lines of nothing to debate, and it is hard to believe that their conversion, as announced from their Front Bench, is genuine. I looked for a local government policy in the Conservative party's previous manifesto, which I understand was drawn up under the supervision of their current leader, the right hon. Member for Witney (Mr. Cameron). I found a policy with a hard figure on it: a £500 council tax rebate for pensioners over the age of 65. No doubt that seemed an attractive vote-winner somewhat analogous to the £100 that has been mentioned. What it is, however, is another step in centralising local government finance and reducing the independence of local government, which is exactly the opposite direction to that mentioned by the hon. Member for Meriden. Perhaps that is a good reason for not mentioning any policies whatever: the only one that seems to be extant goes in the opposite direction to the philosophy outlined.

In the years since the Conservatives left power, the Government have taken many steps in the wrong direction. During the passage of the Local Government and Public Involvement in Health Bill and at other times, my party has spelled out its concerns. As a Liberal Democrat, I am proud that we could table an amendment that set out clearly our prescription for the difficulties faced by local government. First, we need a proper proportional voting system for the election of local councillors, which will ensure much more representative and responsible local government. Secondly, we want a secure financial base for local government, which means returning the business rate to local control and introducing local income tax. Thirdly, we want a partnership of equals between local and national Government. I am only sorry that we will not have the opportunity to test those propositions in the Lobby tonight.

Liberal Democrats in local government have a proud record of service to their local communities in every part of the country, from the deepest rural areas to suburban and inner-city areas. The people of our country are happy and ready to support Liberal Democrats in those situations, but until the House has the guts and determination to change the balance of power fundamentally between local and central Government, Whitehall and town hall, our country and our democracy will lose out.

Several hon. Members *rose—*

Madam Deputy Speaker: Order. I remind right hon. and hon. Members that Mr. Speaker has placed a 10-minute limit on Back-Bench speeches. In view of the time and the number of Members hoping to catch my eye, however, Members might want to reduce their contributions voluntarily.

8.37 pm

Mr. Michael Wills (North Swindon) (Lab): Whenever the future of local government is debated, it inevitably becomes a discussion about the need for greater localism. Few Members would dispute that when localism means greater local management and devolving more power to front-line management, it is highly desirable. Local accountability and control, however, raise more difficult questions. I will discuss that in relation to my constituency in Swindon.

Funding lies at the heart of accountability, and as long as national Government are responsible for allocating some proportion of local authority funding, local accountability and control will be limited. National Government remain accountable to national taxpayers for the money that they spend, and therefore need to retain some measure of control over how effectively it is spent. It is important that local authorities are not required to raise all the funds that they need locally, because the uneven distribution of resources across the country would inevitably result in an inequitable meeting of needs. Moreover, in my experience in Swindon, the Government's ring-fencing of funding to ensure that the greatest needs are met first, whatever the competence or bias of the local authority, has protected some of the most vulnerable people.

In my constituency, the Conservative council has demonstrated repeatedly that the poorest and most vulnerable people in the borough are not among its priorities. Cuts made by the council have always tended to fall most heavily on the most vulnerable. For example, it has butchered the Parks advice service, which served the most disadvantaged people in Swindon. Its grandiose launch of a vision for Swindon in 2010 contained 50 promises, not one of which mentioned tackling poverty, deprivation or disadvantage. Despite the fact

[Mr. Michael Wills]

that Seven Fields primary school, in the most disadvantaged ward in my constituency, was falling down, it took months of public campaigning to persuade Swindon borough council—even after it had received unprecedented capital funding from the Government that would more than cover the cost—that it should allocate funding to rebuild it.

What matters to the individuals who depend on public services is not an ideological fixation with localism, however it is defined, but the construction of the most appropriate partnership between local authorities and national Government to ensure that need is met equitably everywhere. Of course, such partnerships will vary according to the circumstances of each local authority, and earned autonomy has its place alongside direct intervention from the centre, but advocating pluralist partnership of this kind does not constitute an argument for the status quo.

We have heard a few stray remarks from Members on both sides of the House about the importance of transparency in the relationship between local government and national Government, and I associate myself with those remarks. The current relationship needs to change. It is not that I think transferring power from one bunch of politicians to another bunch of politicians will necessarily improve the position. The key at all levels of power is accountability, and at both local and national level politicians clearly need to become more accountable. My primary concern is that the relationship is opaque and does not encourage leadership at local level. The experience of Swindon exemplifies that. A recognition of the role of partnership and of the part played by other partners is a crucial requirement for all leadership, but Swindon borough council is currently failing in that regard.

Since it became a unitary authority in 1997, the council has struggled to deliver the services that Swindonians deserve. The problem is simply that it is too small to be a unitary authority and has struggled to find the capacity that would enable it to do all that it needs to do. That, coupled with a cynical division of resources by Wiltshire county council in 1997, left the Labour group, which ran the council until 2001, struggling. It failed to deliver what was necessary, as its members recognise.

When the Conservatives took over in 2001, the electorate expected them to do better; but the electorate were disappointed because they were not able to do any better. Social services continued to receive zero stars and the local education authority remained in special measures. Today, however, Swindon borough council is improving. I pay tribute to the officers—now ably led by a new chief executive—for all the work that they have done, but the crucial turning point was intervention by the Government. The Department for Education and Skills drove through a new structure for education, and the Office of the Deputy Prime Minister, as it then was, worked tirelessly to teach Swindon borough council how to transform the delivery of services. Thousands of pounds were spent on teaching Conservative councillors how to do their jobs properly. Since 2001, funding from national Government has increased by well over 30 per cent., supplemented by one-off additional funding such as £1 million for building capacity. National Government have enabled the borough council to take part in a local area agreement that is innovative and will make a huge difference to the people whom I represent.

Of course, councillors from all parties deserve credit for their willingness to embrace the agenda for change, and I pay tribute to the current Conservative leader for his determination to improve the town. The fact remains, however, that the improvements would not have been possible without all that funding and support from the Government, and—crucially—we have never heard a word of acknowledgement or thanks from any Conservative councillor. Reading Conservative councillors' election literature, one would think that they had personally raised the money to build all the new schools for which they are now claiming credit, not to mention the libraries and other community services on the basis of which they are trying to persuade people to vote for them. That is no way to provide decisive and visionary leadership. Any consistently visionary and successful local leadership must be based on coherent and consistent policy positions, which is not the case in Swindon.

Swindon is a growth area, and it is expected that 35,000 new houses will be built there. Privately, Swindon borough council wants that to happen, subject to the provision of proper infrastructure; publicly, it says that it is a threat being imposed on them. To say one thing privately and another publicly—to say one thing in Swindon and a different thing in London—does not provide leadership for the people of Swindon; nor does it provide any basis for the relationship between all the strategic partners who need to work together to secure Swindon's future.

All partnerships depend on trust. Trust and partnership cannot exist together when one partner persists in saying contradictory things to different audiences depending on a narrow and sectarian view of what they think will maximise their vote. We must have greater clarity about mutual responsibilities. If there is greater clarity about the relationship between local and central Government, that will stop this kind of dodging and diving and encourage local authorities to show more leadership.

I shall now heed your strictures, Madam Deputy Speaker, by concluding. I hope that in his reply my hon. Friend the Minister will take note of the need to provide greater transparency, so that all the partners in delivering services to people who depend on them will acknowledge their role in a mutually supportive partnership.

8.45 pm

Sir Paul Beresford (Mole Valley) (Con): I shall be succinct. I wish to make only two points, which I am delighted that the Minister is present to hear as they are aimed predominantly at him.

First, I recommend that the Minister change the system of listening to local government following the distribution process. My right hon. Friend the Member for Skipton and Ripon (Mr. Curry) and I regularly did that, and the hon. Member for Hazel Grove (Andrew Stunell) mentioned it. Some councils have good causes and it is possible to change things to help them. In respect of others, revealing information can be

discovered, especially if one does a bit of work beforehand. I found a few Labour councils to be difficult in terms of some of the positions that they took, and I found that some Liberal Democrats' positions were extraordinary.

I cannot remember if it was the Liberal Democrat group that came with the Minister for Hazel Grove, or rather the hon. Member for Hazel Grove—that might have been a Freudian slip, although I hope that we never have a Minister from the Liberal party. The Liberal Democrat council members came after having worked all night—or so I was told—on a project, and they were determined to put their case, which they did. We listened carefully to them. Their case was demonstrated with graphs, until it was pointed out by me and one or two of the officials that if the axis of the graphs were changed slightly exactly the reverse argument to that they were making applied. That is an entertainment that I suggest the Minister tries. He will find that the position of the hon. Member for Hazel Grove is often pretty fraudulent.

Andrew Stunell: I am happy to report that that group was an all-party deputation from the authority.

Sir Paul Beresford: What a shame—I could have gone on a little further, but I do not have the time.

My second point is that the Secretary of State and Ministers have in the past gone on at some length about the fact that they were removing some of the ties and burdens on local government. That was a little fraudulent because the burdens referred to had been imposed on local government by this Government. It is a bit like someone having an arm handcuffed to a wall for a number of years and then the people responsible saying, "We are now going to release you," and then asking him whether he feels better—when at the same time another Department has nailed his other arm to the wall.

Some of the effects can be followed. The best value system was introduced—that title is a misnomer if ever there was one—as was the comparative performance assessment, which brought with it myriads of targets and books of prescriptive guidance, and other Departments joined in. The best example I can give involves Mole Valley district council. It is a tiny council with a budget of £10 million. The last comparative performance assessment cost it £250,000, plus weeks of getting ready and dealings with auditors and so forth. The Audit Commission has been mentioned—I understand that it is five times greater than when we left power and Labour came to office—and it is merely hounding local government. When that £250,000 was geared—it is geared, as it moves on to council tax—it added £1 million to local tax for that little council with a budget of £10 million. That is outrageous. The Minister has said—and the Secretary of State has said it too—"Well, we are taking it away," but other things have been added, not only by his Department but by other Departments.

The Secretary of State spoke with some glee about the local area agreement. It has been hyped as a new way of streamlining funding and reporting. I invited the Minister to come with me to a certain well-known Conservative council that he likes very much and that endears local government to him, and to listen to it independently on what this means to it. It means excess bureaucracy and time-consuming work. There are hundreds of pages of prescriptive guidance on process, on format—on all the agreements. It means minute scrutiny.

I rang the council and spoke to the chief executive and some of his senior staff to ask whether the situation got better after my attempts to get the Minister to take notice and to reduce bureaucracy. The chief executive said, "No, it's worse. There are more mandatory indicators, all of which are based on national priorities and all of which effectively remove the so-called local aspects. Moreover, there are more than just the six-monthly reviews."

The chief executive also said that he was looking forward to September, when the local government section of the Department will descend on him and his council. Little boys and girls just out of university and with no real understanding of life will descend on the council to tick it off and to tick various boxes. Rather than looking at actual outputs, they will be looking at process. That will cost the council a lot of money, and the situation will then be exacerbated by the gearing. An horrendous amount of time will be wasted, the costs will be ghastly and the gearing will exaggerate the process. If the Minister actually believed what he has been saying and got off local government's back, there would be a reduction in costs and a reverse gearing effect on council tax.

8.51 pm

Alison Seabeck (Plymouth, Devonport) (Lab): This has already proved to be a highly emotive debate, which is indicative of just how important local government is to Members. Sadly, it has also been very predictable. It has clearly been a simple mechanism to enable the Opposition to run scaremongering stories, in the final week of the local election campaign, that have no foundation in fact. As chair of the all-party group on local government, that saddens me enormously. I would therefore like to focus on the positive aspects of the all-party group's work and on some specifics of the future of local government.

The all-party group, supported by the Local Government Information Unit, is reviewing the possibility of enhancing the role of the councillor and of encouraging more people from diverse backgrounds to step up to the plate and seek election, thereby bringing with them a wealth of experience. We hope to feed our findings into the Roberts review being undertaken for the Department for Communities and Local Government. The future of local government depends in part on the quality of the people whom we attract as councillors. The stream of negativity from the Opposition today is hardly a good advert for the job.

The all-party group heard from a range of witnesses—from councillors from all the main parties, from experts such as Professor Steve Leach, from Paul Wheeler of the political skills forum, from Dr. Stuart Wilks-Heeg of the university of Liverpool, and from those representing minority groupings. We also asked the media to participate. There is an enormous amount of enthusiasm from elected representatives who have submitted evidence on the role that they have undertaken, and for the innovative work going on within existing parameters to engage the public more

[Alison Seabeck]

widely, and to assist them in understanding the service that their council and councillors can offer.

Interestingly and in contrast with today's debate, the all-party group meetings have been productive. It has been largely agreed on a cross-party basis that some of the problems flagged up tonight can be resolved only if we move forward in a more consensual and positive way. The view has also been expressed that the best authorities already make good use of existing powers to reach out to their residents and electorates. There is some excellent practice out there, and the Government's beacon council scheme certainly does an excellent job in highlighting best practice and disseminating information more widely.

A number of Members have, through various early-day motions and private Members' Bills, supported the extension of local authority power and the wider empowerment of individuals in their relationship with their local council. The Local Government and Participation in Health Bill takes forward most of the key strands of the ideas being put forward and further enhances arrangements through local area agreements, for example, without some of the drawbacks of the measures proposed by others. The Opposition pamphlet setting out their position on sustainable communities raised concerns from experienced Members in all parts of the House. It suggested that local authorities should be given greater powers to set targets and to establish programmes directed at local needs, but quite how that fits in with proposals that would require Whitehall to deliver an action plan to achieve them I cannot imagine. Full cognisance does not appear to have been taken of the fact that local decision making means decision making within the locality.

It is unclear how the Opposition's proposals would be achieved—how the mechanisms and the administration of their proposed scheme would be handled. Given their dislike for all things regional—and, by default, for regional offices—would they move this power and responsibility towards the centre? They have come up with few genuine proposals for the future of local government that stand up to scrutiny, and we have heard nothing new from them today. However, the Local Government and Public Involvement in Health Bill has managed to obtain broad support, and its passage through Committee was notable for the positive and often consensual debates that were held.

That approach has been mirrored elsewhere. Lord Bruce-Lockhart, the Conservative chairman of the Local Government Association, welcomed the White Paper that preceded the Bill, saying that it reflected the growing confidence in, and competence of, local government, as well as the belief that the best way to deliver the best services to local people is at a local level. Front-line services should be focused on the needs of those who use them. Lord Bruce-Lockhart also acknowledged that the proposals would help to free up elected councillors to put local people first in the delivery of the right services at the right time and in the right place. Many of the witnesses to the all-party group have supported the view that the Local Government and Public Involvement in Health Bill is a real step in the right direction and that the challenge is there for authorities and individual councillors to grasp the opportunities presented to them.

The Leader of the Opposition talks about taking responsibility and the avoidance of Government interference in other areas. He should, therefore, support what the Government are trying to achieve with local government. The Government want to release some of the central controls and to enable far greater control over decision making to be devolved to councillors and citizens.

In his report, Sir Michael Lyons reaffirms the importance of local decision making and sees a positive future role for local government in fostering a new public confidence in our local governance arrangements. It is an incredibly detailed and thorough piece of work, as one would expect from Sir Michael. Although he dwells at length on a number of matters outside the question of taxation, Sir Michael does tackle the thorny issue of trying to find a solution to the perennial problem of local taxation.

It would be in all our interests to resolve that problem once and for all and to accept that, at least in part, local taxation needs to be property based. No tax is popular, but every party in this House that aspires to being in government should want that problem sorted out in a way that at least enables local government to operate on a sound footing, plan long term and offer clarity to the taxpayer. The approach that I have suggested would also promote a greater sense of fairness and justice than currently exists.

The Opposition have tried to imply that the Government want to introduce a waste tax in addition to the council tax, but that is merely further scaremongering. That proposal was simply one of the many options put forward by Sir Michael Lyons for consideration. Local authorities of all parties are looking at mechanisms that would enable the better management of waste. Some are using sticks and others carrots: for example, Conservative Barnet council has been targeting residents in respect of waste, and fining them. Which council can say that it would not want to use such a power in the future?

When I sit through our debates on local government, I am always saddened to hear the unremittingly negative comments from the Opposition. They have yet to come to this House and offer any serious positive proposals that will help local government move forward. Hon. Members on the Opposition Front Bench could take lessons from those of their colleagues on the Back Benches who attend the all-party group. They contribute in a positive way, and understand the important contribution that local government and local councillors make to their communities.

It may be that the Opposition's attitude to local government is still shaped by the 1980s and early 1990s, when local government was seen as a nuisance. It was the subject of swingeing cuts that caused morale among councillors to plummet, but the mood now is very different. Yes, councillors have been subject to inspection—but what a difference that has made. There has been an impressive turnaround in the number of authorities ranked as good or excellent—

Mr. Pickles: Will the hon. Lady give way?

Alison Seabeck: Yes, briefly.

Mr. Pickles: I thank the hon. Lady. I am the deputy chairman of the all-party group, and she has gone out of her way to thank me for my contribution. Will she therefore withdraw her remarks about the Opposition Front Bench? Or would she prefer to withdraw what she said about my contribution? She has to do one or the other.

Alison Seabeck: I shall be gracious to the hon. Gentleman, as his participation in the all-party group has been generally positive. In all fairness, I must say that he has made some useful suggestion and has enhanced the discussion.

Local authorities have learned how to be self-critical, and how to seek out best practice elsewhere. They have gone from saying, "What can central Government, or indeed the public, possibly know about running a council? We know what we are doing," to saying, "Perhaps we can learn from others. Could we do a little better? Can you help us to improve our services?"

The Government should be congratulated, as should the councillors and officers who have put so much effort into this transformation. My local authority, Plymouth city council, was close to being placed on special measures while it was under the control of the Conservatives. In order to get elected, they made rash spending pledges that took money away from core services, such as transport and waste disposal. On election, they frittered money away and made no attempt to put the authority on a sound financial footing. They still oppose green transport plans and only this week abstained on the urban strategy.

The Labour administration, led by Tudor Evans, took the bull by the horns, dug deep to understand the true nature of the problems and took difficult decisions, showing real leadership. Plymouth is back on track and it has the lowest council tax in the south-west. Across the country there is clear evidence that local government is at last coming out its shell—under a Labour Government.

9 pm

Mr. David Curry (Skipton and Ripon) (Con): I draw the attention of the House to my entry in the Register of Members' Interests.

After listening to the speeches from the Front Benches, I realise that we are obviously all devolutionists now. However, if we are to be devolutionists there are two preconditions—a fixed idea of the direction of travel for local government on structure and on revenue. Until those two basic frameworks are in place, we cannot have an orderly, sensible and sustained process of devolution.

We are in the middle of a new round of negotiations about unitaries. The Government seem to have stumbled into those negotiations and they need to make up their mind what structures for local government are available—I use that word deliberately. The truth is that we live in a centralised state at the moment and because we are trying to move towards a more relaxed system, devolution—or localism—will by definition be a managed process, so how we manage it is important.

It is a question not just of local government structures but also of the configuration of all the other bodies whose responsibilities touch local government: the regional development agencies, the learning and skills councils, planning bodies and Government offices. The implications of devolution are huge in terms of the whole geometry of regional governance.

The Government have been a bit all over the place. There was a period of enthusiasm for elected mayors, but then it was realised that impregnable Labour cities which it might take us several elections to have a go at in the normal course of events could fall at a single blow in a mayoral election when an outsider entered the race. Then there was the period of enthusiasm for universal unitaries, when the present Secretary of State for Environment, Food and Rural Affairs made a brief stopover at the Office of the Deputy Prime Minister as Minister of Communities and Local Government.

We are now in the period of unitaries à la carte, so I am interested in where the debate on city regions will go. Representing my part of the world, I am a supporter of city regions and can see the logic in planning and skills terms of trying to treat as a whole not only metropolitan areas that abut one another but also the districts that supply that travel-to-work area.

We want to know which direction the next regime will take. We have heard the contributions of the Chancellor's Yorkshire outriders, the Financial Secretary to the Treasury, the hon. Member for Wentworth (John Healey), and the Economic Secretary to the Treasury, the hon. Member for Normanton (Ed Balls)—I suppose they might be described as two of the horsemen of the Apocalypse.

Capacity and accountability are important. The hon. Member for North Swindon (Mr. Wills) said that Swindon did not have the capacity to be a unitary. There is a real dilemma. The Government have insisted that we need more capacity in a number of sectors, so the health service has been reorganised to create more capacity. We were embarked on the creation of more capacity in police services, but the Government have withdrawn from that process. The dilemma is: to what extent do we trade off capacity for accountability? We are all legitimately concerned about the responsiveness of our institutions to the general public and about people's disengagement from the political process. However, if we unremittingly seek capacity as the sole good, the cost will be paid in terms of identity and accountability.

I am sympathetic to the notion of the small unitary, because I want councils whose leaders can be recognised and accosted in the street, as happens in many French areas—it is well known that I have some sympathies for the way the French do these things. We recognise that accountability has a cost, but if we are to move through local authorities to devolve to the citizen, we must make sure that there are accountability structures. Whether we call it civil society or the third sector, the bodies in it may be very admirable but they are not necessarily representative. They are there to pursue a particular aim and we have to make sure that people speak for the wider community and not for particular interests exclusively.

Chris Mole: Far be it for me to suggest that the right hon. Gentleman is again showing up those on the Opposition Front Bench, but I genuinely believe that he puts his finger on one of the dynamics of public service—whether it be in local government or elsewhere—which

[Chris Mole]

is the trade-off between neighbourhoods and local accountability and the strategic capacity, efficiency and effectiveness of organisations. Given his wisdom and expertise in government, I would be really interested if he could give us his thoughts on how we might take the debate forward to ensure that we best resolve the problem without the usual yah-boo that seems to get in the way of addressing some of the challenges in local government.

Mr. Curry: I am grateful to the hon. Gentleman for those remarks. I agree with him about the importance of the issue and I will certainly look for occasions to develop it if we are to put substance on our localism agenda. Meanwhile, if he is kind enough to pay attention to them, I will do my best in my columns.

The second issue that is of concern to us tonight is funding. The present situation is not sustainable. Business rates are frankly off the agenda; I do not see anybody introducing them against opposition. I regret that, because they should be returned to local authorities. The circumstances that led to their nationalisation are past and there is a huge history now of working between business and local authorities. In fact, incorporating mechanisms that safeguard against abuse does not require a PhD. Relatively simple mechanisms can be deployed and I hope that we will move back to recognising that.

Revaluation is also probably off the agenda. I rather regret the fact that the Government backed off that; they have rather backed themselves into a corner in doing so. I note the Secretary of State's little words "in this Parliament" and I look forward to the manifesto that says that if Labour is re-elected, it will reband and revalue in the next Parliament. I suspect that I will scan for some time before I identify that.

The problem with charging is that people now find the council tax so highly objectionable that their tolerance for adding additional charges on top of that is not what it might have been a number of years ago. The council tax is more than ever centre stage, because nobody tonight has mentioned the fact that schools funding now goes directly to the schools. If one abstracts schools funding from the formula, one sees that council tax is getting on for half the revenue of some local authorities. It is a much more high-profile tax than it was. Redistributive business rates and council tax now form a huge element of the tax resources of local authorities.

Of course, we need to explore the implications of the Lyons report. Even though Sir Michael has now gone to his earthly reward—although I am not sure that the BBC should be described as all that earthly—there are some substantial points in his report. The problem is that for years the Government said that they were waiting for Lyons, but he now says, "Sorry, the time is not ripe." It is a pity that we have an outstandingly good intellectual thesis that has not rescued us from some of our immediate dilemmas in the way that some of us hoped it might.

Sir Paul Beresford: I am listening with interest to my right hon. Friend, but does he not agree that the accountability that he mentioned and financing are clearly linked? Because of gearing and the Government's paranoid desire for control, the difficulty with the current system is that neither of those two things are in balance. We cannot have accountability because the Government dictate, and the accountability has gone from the council tax because the gearing has exaggerated the cost of local services.

Mr. Curry: I am sure that that is the case. On top of that, the Government, for reasons that we understand, wish to restrain the increases in council tax. Even if we do not have capping, the threat of capping has done that job and that has been used by both parties. I welcome the movement to two-year funding, and longer-term funding is clearly a sensible way to go.

There is a problem for this Government and there will be a problem for an incoming Government. I would not want my party to come to office and then spend ages agonising over the same fruitless search for the north-west passage, which is the way through local government finance, that has preoccupied so much of this Government's time and no doubt would have preoccupied previous Governments' time. The fact of the matter is that there is no north-west passage—that is the problem. There is no pathway through the ice that is blocking the way. The return of business rates is not a panacea, given that the money is not a new source of funding, but it represents a more devolutionary way of applying the tax that creates more initiative.

We should explore the idea of establishing a neutral agency for the distribution of grant. Such agencies are increasingly coming into fashion in other sectors of the public services. While we should explore the idea, rather than necessarily endorse it, both parties have an interest in finding a settled way to deal with the matter.

Chris Mole: Will the right hon. Gentleman give way?

Mr. Curry: If the hon. Gentleman will excuse me, I have given way twice already and I am trying to finish my speech within my allocation of time.

On structure and finance, local government needs some quality and stability, and at least predictable and defined directions of travel. Until we have that, the cries for devolution and localism will lack substance. If I may come back to my Francophile tendencies, I am bound to note that 3 May falls between the two rounds of the French presidential election. The turnout in the first round of that election was 85 per cent., but I suspect that we would be happy if we got half that turnout in a significant number of the councils being contested throughout the United Kingdom and, perhaps, in Scotland. The truth is that there is not enough at stake to make it worth while for people to turn out. People turn out when there is something at stake because power is the adrenalin of democracy. We need to put more adrenalin in our democracy.

9.11 pm

Mr. Andy Slaughter (Ealing, Acton and Shepherd's Bush) (Lab): During our debate on the future of local government, I thought that it might be helpful to consider a warning from history, albeit recent history. My local authority changed hands from Labour to the Conservatives just a year ago. I have suggested why that might have happened: partly through a deliberate deception—saying one thing and doing another—and

partly owing simply to the absence of information. I do not remember seeing anything at all in the Conservative manifesto, which I have re-read, about the £34 million in cuts that the council is introducing across the board over the next few years. There are a few salutary lessons to be learned by anyone who is thinking about voting Conservative on 3 May, so I will run through one or two of them.

The first thing that one gets is school closures of an especially perverse kind. Hurlingham and Chelsea school, which is a much loved and much improving school in Fulham, was told out of the blue last autumn that it would close. The council then set out to rubbish the school systematically by writing to prospective parents to tell them that they should not send their children there. The head teacher, who is a very mild-mannered man, wrote to the leader of the council last week to say:

"the persistent misrepresentation of data has been a major fact in hiding the real context since your administration came to power".

Despite marches and hundreds of representations, the council persisted with the closure.

Mr. Andrew Pelling (Croydon, Central) (Con): Will the hon. Gentleman give way?

Mr. Slaughter: Not at the moment.

The fact that the council persisted with the closure meant that the matter had to go to the supposedly independent school organisation committee, but the council replaced members of that committee with people who they thought would vote in its favour. However, the council's presentation to the committee was so lamentable that even the people whom it had deliberately put on to the committee could not vote for the proposal. As a result, the proposal should have gone to the independent adjudicator today, but yesterday the council withdrew its proposal for closure. Although it gave no reason for that whatsoever, the reason is clear: there was no basis for the closure except for the fact that the site was valuable and the council wished to sell it off for capital gain. Despite all the hurt and distress that has been caused to children, parents and teachers, the council has made no apology. It has instead said that it will set up an independent commission, which will be an ill-thought-out body with no remit, chaired by a Tory peeress.

Mr. Pickles: When I attended the annual meeting at which the council tax was set, I had the opportunity to speak to several Labour councillors, who blamed the hon. Gentleman for sowing the seed of these problems. Let me ask the hon. Gentleman a simple question: does he think that the Labour group was unwise to suggest that it would have delivered a lower council tax and cut the council budget deeper?

Mr. Slaughter: It is surprising that I know more about what was said at a meeting that I did not attend than the hon. Gentleman does about a meeting that he did attend. The only point that was being made is that it was not necessary to make £34 million-worth of cuts to front-line services in order to achieve a very small council tax cut; efficiency savings could have been made, instead. I can tell him that I do not meet anyone in the borough who does not think that they have had a raw deal.

I visited the council's website the other day, on which nine people had allegedly said that they supported the council tax cut. I queried that, because the letters looked rather staged, and I got this response from the borough's chief executive:

"Of the nine views posted on the 'Share your Views' area on council tax, all but two came from a vox pop done by press office staff on the streets of the borough, so there are no 'original' letters...The first two entries on the site were from emails forwarded to the council from"—

the letter then names the hon. Member for Hammersmith and Fulham (Mr. Hands). The letter continues:

"At the time of posting, there were no other comments received".

So it appears that nobody supports the hon. Gentleman's position in the borough, and I am not surprised.

To return to my brief, the second thing that happens under a Tory council is cuts to the voluntary sector. I have a separate Adjournment debate on that subject on Monday, so I will not dwell on it, but the thick end of £1 million is being cut from voluntary sector organisations, which include one of the best law centres in the country, organisations that support older people who are trying to get back into work, and organisations that provide for the single homeless. Opposition Members have supported many of those organisations in the past, and have sat on their management committees, but now the funding for all those groups is being cut by the Tory council.

Thirdly, I should mention social care. The hon. Member for Meriden (Mrs. Spelman), who spoke for the Opposition, shed crocodile tears on that subject, and I have alluded to the increase in charging that the Conservatives in Hammersmith and Fulham had promised in their manifesto not to introduce. Hammersmith and Fulham Action on Disability, one of the voluntary organisations under threat, said:

"Before the election when seeking votes, Conservative councillors undertook to sustain the no charging policy—but now they have found a way to erode it."

Some 1,400 people described as having moderate care needs are at risk of losing all home care services because of the changing criteria. Kevin Caulfield, the chair of the coalition against charging, said:

"We expect our council to lead on policy and practice that improves the quality of life of older and disabled residents—not introduce policies with poor consultation that will only result in increased poverty and isolation."

The fourth result of a Conservative council is increased charging that far outweighs any cut in taxation. There has been a 25 per cent. increase in meals on wheels charges and there is a £6 charge for refuse sacks for recycling. The borough does not meet its recycling targets, but it will now charge people for the sacks that they need in order to recycle. When challenged on that, the council said that people had been misusing the sacks. They had been keeping them at home and not using them, and the charge was the solution to that problem. The council is looking to increase parking charges by 50 per cent., to £2.40 an hour. It has increased burial charges by 52 per cent. and it has even proposed to charge school governors for the police checks made on them.

[Mr. Slaughter]

The fifth result of a Conservative council is an end to social housing programmes across the borough. There is also a change in housing allocation policies, and families are now being put into one-bedroom flats. As for those who happen to be made homeless, the council has even cut the grant that provides for the storage of people's furniture while they are looking for another property, so that furniture has to go, and there is very little chance of getting it back. Sixthly, there are cuts relating to environmental policy. Almost £1 million has been cut from refuse and street cleaning services. I have mentioned recycling; today I received a letter from someone who had asked the council why they could not recycle their kitchen waste. The council's response was that Government regulations meant that it could not take that waste. The person found that perplexing, as they live only 50 yd from Ealing, which does recycle kitchen waste, but I have already alluded to the honesty with which the local authority acts.

Seventhly, I notice that there is a reference to library services in the Opposition motion, but those services are not free from attack either. The mobile library and the housebound readers' service have gone. The main reference library is being closed, and its specialist book collections are being dispersed and sold off. The council is also phasing out qualified librarians, because it does not think that it needs them at all.

Policing is the eighth thing that suffers. The previous Labour council invested in extra officers and safer neighbourhood teams. The Conservatives have promised—another promise—24/7 neighbourhood teams, but the first thing they have done is cut three additional officers, which represents a 25 per cent. cut, from Hammersmith Broadway, the ward with the highest crime in the borough, which was the scene of a tragic murder only a month ago.

I am not suggesting that all councils are like Hammersmith and Fulham, or that they are all quite as crackpot and doctrinaire in their behaviour. However, I make a plea to anyone who is thinking of voting for a Conservative council in May to heed the lessons of what the Conservatives do in office, rather than what they say they will do when they are trying to get into office. We have heard some erudite speeches about principles, but I suspect that when people go to vote on 3 May they will be most interested in whether their councils can provide reasonable taxation as well as the services that local communities demand. That is not being done—those services have been cynically cut in Hammersmith and Fulham—and it is a lesson that everyone should bear in mind.

9.21 pm

Charles Hendry (Wealden) (Con): The other thing people get with a Conservative council is a council that is re-elected with a bigger majority every time, because people are happy with the services that it provides.

I want to focus on two issues: the raw deal that councils in East Sussex are getting under the Government's funding formula, and the erosion of powers that has prevented local councils from being able to make decisions on some of the most important issues that affect the people who live within their boundaries. First, there is a deep imbalance in funding for councils. I am often told that money is taken from the south-east and is given to Labour's marginal seats in the north, and there is clear evidence of that imbalance. We now have the facts. Of East Sussex councils, Wealden has the highest proportion of elderly people—certainly of the over-80s and over-85s—in the country, and that is partly why we have roughly the third lowest gross domestic product in the country. However, the grant per head that Wealden receives from the Government comes in at £54.03. The maximum level in the country is £133 per head, and even the average is £92 per head. If Wealden were funded at the average level for district councils, it would have a further £5.5 million a year that it could spend on local services or use to reduce council tax. It would increase its grant level by well over half.

Another way of looking at it is to consider the proportion of council spending that has to come from council tax. If we look at the country overall, the average is 46.1 per cent., but the lowest proportion is in Exeter, where it is 21.6 per cent.—I am not sure what Exeter has done to be so special, apart from being a marginal seat—but in Wealden, it is 63 per cent. That is why council tax has been driven up so much: my councils do not receive the same level of grant as other authorities.

Mr. John Horam (Orpington) (Con) *rose—*

Charles Hendry: I trust that my hon. Friend will forgive me if I do not give way, as I am keen that other colleagues should be able to make a contribution.

If we look at the overall picture in East Sussex, the figures become even starker. If councils in East Sussex were funded at the average levels for metropolitan boroughs across the country, the county would have a further £113 million a year to spend on vital local services or to reduce council tax. There is tremendous anger about the fact that we are getting a bad deal, and my right hon. Friend the Member for Skipton and Ripon (Mr. Curry) is absolutely right that it is an issue that must be dealt with. The greatest frustration experienced by my local councillors stems from the fact that, every year, they are required to provide more services to the Government, but are not given the means of paying for them, so they have to find those funds from their own resources.

Secondly, the Government have increasingly eroded local councils' ability to make decisions that they believe are right for local people. Housing was mentioned earlier, and it exemplifies the problem better than anything else. The current system is top-down. There is enormous anger in Wealden that hundreds of houses are imposed on us every year by people who do not know the geography of the area. That happens because of the way in which the process works. The anger is as much against the process as against the number of houses to be built.

First, the Department for Communities and Local Government decides in consultation with the deeply unloved regional assemblies how many houses there should be in each county council area. The county councils then require the district councils to build a certain number. If the district council refuses to build that number, the decisions will be made by Ministers

and their officials in Whitehall. The only thing that local authorities have to do is decide where they will find space for those houses. They cannot decide how many houses there should be, what type of houses they should be or, in many cases, their location.

Even when local authorities say that there should not be more housing without investment in the infrastructure, they discover that they cannot get the funding for that. In Uckfield, for example, we have just one national health service dentist. We are facing the closure of the accident and emergency unit and the maternity unit at the hospital in Haywards Heath, which provides services to the town of Uckfield, yet we are still expected to build hundreds of houses in that town because of the formula.

What we need is a new approach whereby local councillors, elected directly by the people whom they serve, are able to make decisions on how many new houses there should be, where they should be built and what type. It is the Government who will not allow them to make those decisions, and who are forcing them to follow the existing procedures against their will.

I have deliberately kept my comments brief as I know that other colleagues wish to speak in the debate. In her opening comments the Secretary of State said that the Government should be judged on their results, not their rhetoric. We will indeed judge them on their results. They have fiddled the system of funding local authorities, which has made matters infinitely more difficult than they should be. They have undermined local decision-making, and they will be truly judged on 3 May.

9.26 pm

Robert Neill (Bromley and Chislehurst) (Con): I, too, shall try to be brief. The House will note my interest as a member of the London assembly.

I shall deal with two issues. I was grateful to hear the observations of my right hon. Friend the Member for Skipton and Ripon (Mr. Curry) and I agree with every word. In particular, he touched on the issue which neither Lyons nor much of the debate has yet touched on—the need for us to consider the balance not just in funding, but in competencies, between central and local government.

Like my right hon. Friend, I have some knowledge of local government in France. The turnout figure is a point at issue, and that applies at local level as well. It is not insignificant that if one takes the average for all local authorities in the United Kingdom, 60 to 70 per cent. of total budgets come from central Government, whereas in France about 25 per cent. on average comes from central Government and about 45 per cent. is raised locally.

One thing that Lyons got right was to identify a weakness under our current arrangements whereby local authorities are unduly dependent on one single variable source of taxation in the council tax. It is right that there should be a significant element of property taxation in the portfolio, but having identified that, Lyons ducked the issue of what other areas of discretionary spend we could put in the local government armoury. That is my second point.

One of the great frustrations associated with local government is the difficulty of attracting people—

Martin Horwood: Will the hon. Gentleman give way?

Robert Neill: Time is very short. I hope that the hon. Gentleman will forgive me if I make a little progress.

One of the reasons why people do not get involved in local government or vote at local council elections is the belief that local government has very little discretion. That has been made worse under the current financing regime by the extent of ring-fencing. The evidence demonstrates that about 50 per cent. of the funds that come from the centre to local government are ring-fenced. Back in 1997-98 that was 4.5 per cent. Steps could be taken immediately to reduce the amount of ring-fencing, in the same way as we should be reducing, as has already been said, the level of controls and the targets culture, which impose a considerable burden.

I would go further. I take the view, as my right hon. Friend the Member for Skipton and Ripon said, that the time has come when we should consider, with certain safeguards, returning the business rate to local authorities, not least because there is a need to encourage them to broaden their tax base. When I was a local councillor, there was almost some positive competition among London boroughs to encourage business to have more commercial development in the local authority because we gained benefit to our tax base. It would be healthy for us to look at that once again. In the same way, if we follow that localist path, perhaps we must accept that we should think again about capping.

Those are the big points that we need to look at, and a lot more work needs to be done on that. I come now to a specific point—

Martin Horwood: The hon. Gentleman said that Sir Michael Lyons did not suggest any alternatives, but he quite clearly did. At paragraph 7.239 he suggested that local income tax was a perfectly viable alternative.

Robert Neill: We all know what Sir Michael Lyons said on that. I note that the hon. Gentleman did not quote his own spokesman, the hon. Member for Twickenham (Dr. Cable), who said that double income earners, of whom there are a particularly large number in my constituency, will be worse off under that, and that people would start getting hit at about £30,000 plus per annum.

Stephen Pound: The hon. Gentleman has two incomes.

Robert Neill: I give the hon. Gentleman credit for a little more wit from the Labour Benches than we have had from those below the Gangway today. It does not make him right, but at least it is amusing.

I leave the Minister with one specific problem that we find in Bromley. The Minister knows that he has at least achieved one part of the Government's amendment in relation to Bromley—he has brought it stable funding. It has been at the floor in terms of grant settlement for the past six years and it has consistently had the second lowest level of formula grant support in London for the past six years. That is not a stability that we would welcome, but a peculiar circumstance arises from it. Because it is a floor authority but has

[Robert Neill]

considerable demands for capital expenditure for education purposes, it is denied access to the supported capital expenditure revenue element of funding that comes from the Department for Education and Skills. So we are in the peculiar situation that, even if we could borrow under the prudential regime, there would not be any central Government funding to pick up the borrowing costs and we would then have to dip into revenue costs to cover that, which would push us even tighter against our settlement because of being at the floor. I suspect that that is an anomaly, and unless the Minister can come up with some explanation, people in Bromley will feel greatly aggrieved about that.

I have deliberately cut my remarks short. I hope that I have dealt with both a matter of principle and a local issue, and that the Minister will be able to assist on both those points.

9.32 pm

Mr. Andrew Pelling (Croydon, Central) (Con): I will keep my comments short as I know that another Back-Bench Member wishes to speak.

The upcoming local elections represent the 25th anniversary of my holding elective office, most of which time has been in local government. But perhaps the debate has not changed very much during those years. In many ways, I wonder whether the Lyons report will end up adding much more than the Layfield report did in terms of changing local government finance.

In many ways, much of this debate could have been repeated 25 years ago, and I am not sure whether we add much to debate when we get involved in ritual condemnatory remarks about one particular local authority or another. *[Interruption.]* I do wonder whether the hon. Member for Ealing, Acton and Shepherd's Bush (Mr. Slaughter), who speaks so often about Hammersmith and Fulham, ever debates any other subject in the Chamber.

Mr. Slaughter *rose—*

Mr. Pelling: I shall speak for only a very short time.

Such is the diffusion of power away from local government that there is little value in trying to pin blame on one local authority or another in terms of performance, bearing in mind the fact that so few powers are given to local government in any case.

It is welcome that the number of targets for local authorities have been reduced from 1,200 to 200, but that is still far too high a number if we are to believe that there is real discretion for local authorities.

There must come a time for some change in local government finance. With all the nationalisation that has taken place in local government provision, the quick and dirty approach will be to take much of those funding flows that in reality are national expenditures and to leave far more of the overall budget left for local authorities in the control of local authorities so that there will be much greater accountability.

9.35 pm

Sir Peter Soulsby (Leicester, South) (Lab): Thank you, Mr. Speaker, for allowing me to speak, albeit rather briefly, at the end of the debate.

I was not intending to contribute, but three elements of the speech by the hon. Member for Meriden (Mrs. Spelman) prompted me to do so. First, she failed to explain precisely what is Conservative policy with regard to the funding of local government. She told us very eloquently what she and her party are against, but did not explain what they are in favour of or what they want to replace the council tax of which she was so critical.

Secondly, the hon. Lady failed to explain why revaluation would of itself lead to higher council taxes or how the total amount paid could somehow be increased by the process of revaluation. It would of course inevitably lead to some paying more, but, equally, to some paying less.

Thirdly—this element most prompted me to get to my feet—the hon. Lady accused the Government of making local councils mere agents of central Government. As somebody who was a council leader for a considerable proportion of the Thatcher and Major years, that accusation seemed pretty rich coming from the Conservative Benches. During those years as council leaders, my colleagues and I did our best to protect the most vulnerable in our communities from the devastation that the Tories caused to the services that we were providing on their behalf. I was well aware of the reality behind the Conservative commitment to local democracy. The reality was savage cuts in services, massive job losses and the devastation of the morale of members and officers in local government—and, of course, the poll tax.

The Government have much more to do to repair the damage that was done during those years. I wanted them to go further and faster, but I recognise that they have at least begun the process of rebuilding local leadership, of rebuilding the investment in local people, and of re-empowering locally elected representatives. I welcome the steps that have been taken. Local government and the political parties, at local and national level, need to respond to the challenge and to play their part, particularly in encouraging and enabling good-calibre candidates to stand for local government.

We must not forget that local government and local democracy are too important to the well-being of our society to be allowed to wither, and certainly too important to return to the denigration and devastation of the Tory years.

9.38 pm

Mr. Eric Pickles (Brentwood and Ongar) (Con): We have had a good debate that has ranged widely from reorganisation to ring-fencing. We heard a particularly elegant speech by my right hon. Friend the Member for Skipton and Ripon (Mr. Curry) about the balance between capacity and accountability. I seek some clarification from the Minister on the "à la carte" nature of the restructuring.

The Government are conducting a review of local government in several English counties, but I am not clear what authority they have to do that. Last Wednesday in a Westminster Hall debate, I had an opportunity to ask the Under-Secretary of State, the hon. Member for Basildon (Angela E. Smith), that very question. I said:

"I have a simple question. What powers is the Minister relying on to make these deliberations?"

She replied:

"Powers in the Local Government and Public Involvement in Health Bill that is going through Parliament."—[*Official Report, Westminster Hall*, 18 April 2007; Vol. 459, c. 94WH.]

She then suggested that I was well aware of that.

I believed that procedures already existed to change the structure of local government. Indeed, they do. The authority for annual review of local government is set out in the Local Government Act 1992. Section 13 states that the Secretary of State may request the Electoral Commission to undertake a review, which in this context means

"the replacement in any non-metropolitan area, of the two principal tiers of local government in a single-tier".

Section 17(1) states that structural changes can be effected by order of the Secretary of State on the recommendations of the Electoral Commission. In the case that we are considering, no request has been made to the Electoral Commission and, consequently, no recommendation to consider the structural changes.

I am not aware of any other powers that the Secretary of State has to initiate such a massive task. I know that, after the Budget, we passed special resolutions that any change in tax, rates or duties would have immediate effect. I cannot recall the House passing any special resolutions to enable the Secretary of State to introduce the review. I am confident that the Under-Secretary would have mentioned them had that been the case.

We are not considering an academic question, because local authorities have spent hundreds of thousands—perhaps millions—of pounds preparing for the review. They are responsible to their residents, who will look to them for the authority for expending that money. To have lawful authority, both Houses of Parliament and Her Majesty must agree. A draft law and a law in progress is not enough. Will the Minister for Local Government clearly set out the authority so that we can all understand it?

I am delighted to see the Secretary of State in her place. She suggested that she sought to pull back the powers to restructure. I respectfully remind her that the Local Government and Public Involvement in Health Bill has not returned to the House. Is she giving an undertaking to table an amendment on Report?

Ruth Kelly: Yes.

Mr. Pickles: That is fantastic; I would call that a result. We look forward to the measure's return to the Floor of the House. If the information is correct, we may well look out for it.

Alistair Burt (North-East Bedfordshire) (Con): We might indeed.

Mr. Pickles: Yes.

My hon. Friend the Member for Meriden (Mrs. Spelman) made a moving speech about the sub-class of pensioners that is being created and the reduction in take-up of council tax benefit. She also emphasised that two thirds of councils report losses in NHS funding and have to make up the shortfall.

My hon. Friend the Member for Mole Valley (Sir Paul Beresford) spoke with great eloquence about the impact of the comprehensive performance assessment on his small local authority. He also referred to a visit by the hon. Member for Hazel Grove (Andrew Stunell). As a councillor, I also appeared before my hon. Friend and I always found him to be charming and most courteous.

My hon. Friend the Member for Wealden (Charles Hendry) spoke eloquently about the plight of his council and talked movingly of the deprivation in his constituency.

Andrew Stunell *rose—*

Mr. Pickles: I hope that the hon. Gentleman will not say that my hon. Friend the Member for Mole Valley is not a charming person.

Andrew Stunell: I certainly would not say that the hon. Member for Mole Valley was anything other than charming, but did the hon. Member for Brentwood and Ongar (Mr. Pickles) get a result when he visited his charming colleague?

Mr. Pickles: Oh, I did—I always found that my hon. Friend delivered.

My hon. Friend the Member for Croydon, Central (Mr. Pelling) spoke about greater accountability and wondered whether Lyons and Lichfield would end up as the same thing. At least there is a possibility of a BBC documentary about the Lyons report.

The hon. Member for Leicester, South (Sir Peter Soulsby) asked what evidence we had that revaluation would increase the council tax. The answer is Wales, where 33 per cent. of households went up a band and only 8 per cent. went down. He criticised the suggestion that the local authorities have become the agents of Government, but the right hon. Member for Norwich, South (Mr. Clarke) originally made it. If the hon. Gentleman has problems with that, he should take it up with his party.

The hon. Member for Hazel Grove was a little disingenuous. At least his predecessor admitted that the redistribution effect of equalisation—having a slightly higher local income tax in one part of the country to pay for another—could be a problem. The hon. Gentleman appeared to suggest that that was not the case. With only a week to go before the local elections, I thank him for making it clear that the Liberal Democrats oppose offering special help to pensioners. I will ensure that that appears in our last-minute leaflets to make it clear that the Liberal Democrats have abandoned elderly people.

The hon. Member for North Swindon (Mr. Wills) was very kind about Conservative control in his area, suggesting that everything was right in respect of ring-fencing and central control, but his argument was eloquently demolished by my hon. Friend the Member for Bromley and Chislehurst (Robert Neill).

The hon. Member for Plymouth, Devonport (Alison Seabeck) was too nice about me for me to criticise a single thing that she said, but I have to say to the hon. Member for Ealing, Acton and Shepherd's Bush (Mr. Slaughter) that every time he speaks about

[Mr. Pickles]

Hammersmith council I know exactly what the wedding guest felt like in "The Rime of the Ancient Mariner".

The Secretary of State made an interesting point but was rather unkind about Trafford. I took the opportunity to look into all the metropolitan district councils surrounding Trafford—and guess which authority had the lowest council tax? [HON. MEMBERS: "Trafford."] Yes, Trafford, and guess which party controls Trafford? [HON. MEMBERS: "The Conservatives."] Yes, and all the others have levied vastly higher council tax bills.

The Secretary of State went on at some length about all the questions that we have been asking, suggesting that we were scaremongering about a new way of raising council tax and revaluation. Indeed, the Minister for Local Government got rather upset about it all. Yes, we have tabled a number of parliamentary questions and we have taken the opportunity to use freedom of information legislation. We know that the Government are looking into computer-assisted mass appraisal and automated valuation models and that they have spent the best part of £500,000 buying in bulk cameras for their inspectors to have a look at various things.

We also know—the House may be interested in this—that the council tax inspectors in the Valuation Office Agency have been holding high-level talks with local tax inspectors in Hong Kong. That gives a whole new dimension to a Chinese takeaway. The talks included a summit at Hong Kong's new Disney resort on the logistics of holding annual council tax revaluations.

As my hon. Friends will testify, I have always been of a romantic disposition, dreaming in my youth of far distant places. In my early years, I was much taken with the book "Beau Geste", and felt that to see the world, a period of recruitment into the French foreign legion was the thing to do. I see now that I was wrong and that the Valuation Office Agency is the place for exotic travel, taking in Disneyworld and Hong Kong. Admittedly, unlike in the foreign legion, in the Valuation Office Agency one is unlikely to be shot at by Tuaregs or the Vietcong, but there are other discomforts. The air conditioning in some of the five-star hotels can be a little tricky after one has spent the day talking to Mickey Mouse. There is surely no distance that the Government will fail to travel in order to rob pensioners of their savings.

There is one sure test that shows how proud Government supporters are and how much they want to win in May. Are they prepared to be associated with Labour policies? Are they prepared to put their names on the ballot paper? Are they prepared to wear the party's colours? We all know where the Conservative party stands. We are standing in a record number of seats—90 per cent. of all the contests have a Conservative party candidate standing, and it is even higher in some regions. The Liberal Democrats are just treading water, but the Labour party has gone backwards, contesting not far short of half the seats in the election. That is the lowest number of seats contested by any Government party at a local election. It is the clearest indication that no one trusts this Government. Nobody believes that their policies are working and their closest supporters are too ashamed of Labour's record in local government to wear a red rosette.

9.49 pm

The Minister for Local Government (Mr. Phil Woolas): I congratulate the hon. Member for Brentwood and Ongar (Mr. Pickles) on the flourish at the end, which has done for local government policy what George Best did for the soft drinks industry—not much at all. I congratulate him on the flourish, but what is clear from the debate is that the traditional stance of the Conservatives in opposition is not to have a policy. We know that they do not have a policy, because they have not said anything positive in debates over the last two years. We know that it is the job of Her Majesty's loyal Opposition to oppose Government policy, and we expect them to do that, but if I were Her Majesty, I would want my money back, because they have failed to do it effectively.

The Conservatives are not stopping at opposing our policy, however. They are engaging in a rather dangerous and disingenuous campaign of misrepresenting the Government's policy. They are misrepresenting the Government's policy, and they know that they are doing so. The comments made by the Government in debates in Committee on the Local Government and Public Involvement in Health Bill—which my hon. Friend the Member for Plymouth, Devonport (Alison Seabeck) rightly observed was a consensual Bill—have not been passed to the Conservative Front-Bench spokespersons who have been speaking tonight.

On restructuring, the Government asked councils whether they wanted to put forward proposals to move to unitary structures. It has already been pointed out that half the councils that have put forward proposals are controlled by the Conservatives. These are not proposals from the Government. They are the result of a devolutionary approach to restructuring, which stands in stark contrast to the approach taken by the previous Conservative Government, who imposed unitaries on Scotland and Wales without so much as a proper consultation, and who introduced changes following the Banham review, after a helicopter flight by the then Secretary of State, Michael Heseltine, with an Ordnance Survey map and a felt tip pen—his words, not mine. The idea that the Government are putting a gun to the head of councils and threatening to withdraw resources is a scandalous accusation, and it is not true. I understand that there are local elections going on, but I wish that the Conservative party would keep the arguments at local level and not pretend that the proposals are those of the Government.

The power to direct has been agreed with the Conservative-led Local Government Association on a cross-party consensual basis. The commitment has been given to the Committee considering the Local Government and Public Involvement in Health Bill and to the House by the Secretary of State that that will be the case, yet the myth that it is not the case is perpetuated.

The revaluation issue is the entirety of the Conservatives' policy. Again, it is based on what is

frankly a misrepresentation, and they know it. They say that the Government are proposing new powers for inspectors; we are not. The powers of inspection were laid out in 1991 by the then Conservative Government who introduced the council tax. The law does not allow an inspector to enter someone's home without the permission of the householder. There are no plans to change that, and the Conservatives know it.

The Conservatives no longer have a policy to engage in a constructive debate about the future of local government. Instead, they opportunistically attack the Government on the basis of misrepresentations. At least the right hon. Member for Skipton and Ripon (Mr. Curry) took us into a proper policy debate, because he understands local government finance, as I suspect some of his colleagues do not.

I shall apply myself in a moment to some of the serious policy points that have been made, but before I move off my criticism of the Conservatives' attack, their strategy and their tactics, let me issue a warning to them. It is a warning that was sounded by my hon. Friend the Member for Ealing, Acton and Shepherd's Bush (Mr. Slaughter). In the 1980s, the Thatcherite councils in Wandsworth and Westminster were seen as flagships—

Stephen Pound: And Bradford.

Mr. Woolas: And Bradford, as I am being reminded. How could I forget? I tend to keep my criticisms of Bradford less public.

In that period, there were two flagship Thatcherite authorities which the leadership of that Government—particularly under Kenneth Baker, now Lord Baker—used to drive policy changes through the Conservative party. People now face not a flagship but a U-boat, because Hammersmith and Fulham council is the true face of the Conservative party at local level. Let me give some succour to my hon. Friend the Member for Ealing, Acton and Shepherd's Bush: the arguments from Hammersmith and Fulham council and the hon. Member for Hammersmith and Fulham (Mr. Hands) for extra resources cut no ice against the background and the eight policy measures explained to us.

Mr. Redwood: Will the Minister give way?

Mr. Woolas: No, I will not.

The accusation repeated tonight that the Government distribute formula grant on the basis of party political bias is scurrilous and a misrepresentation. It is not backed up by the facts, by the figures provided independently by the House of Commons Library, or by the Local Government Association's policy. I give the warning about the U-boat of the Conservative party at local level, because millions of voters on 3 May will look to Hammersmith and Fulham council for an example of what would happen were they to be taken in by the scaremongering of the Conservative party and its supporters in the press.

At least the hon. Member for Hazel Grove (Andrew Stunell) has a policy that we can debate. I disagree with that policy, because local income taxes, as my hon. Friend the Member for North Swindon (Mr. Wills) said, would require a redistributive amount that would diminish the local discretion sought. The idea of localisation of business rates ignores the reality of the direct support grant, the changes made in the past 10 years and the £1 billion extra provided through the local authority business growth initiative scheme, which is welcomed by councils across the political spectrum.

The Liberal Democrats claim that their policies are original and sound, but the problem, as a predecessor said, is that when they are original they are not sound, and when they are sound they are not original. *[Interruption.]* It might be old but it is still true; at least the hon. Member for Hazel Grove knows the origin of the quote, which is more than can be said for some other Opposition Members, who should know it.

My hon. Friend the Member for Plymouth, Devonport, as chair of the all-party local government group, made a thoughtful speech. She praised the direction of travel through local area agreements and the duties to co-operate in the Local Government and Public Involvement in Health Bill.

My hon. Friend the Member for Leicester, South (Sir Peter Soulsby), who brings huge experience to the debate, said that he welcomed the direction of travel and would like to go further.

The hon. Member for Croydon, Central (Mr. Pelling) spoke on behalf of his council and made some important policy points, as did the hon. Member for Bromley and Chislehurst (Robert Neill). We have debated previously the distribution of grants and how that affects his area.

My hon. Friend the Member for North Swindon brought to our attention some important points about what has been happening in Swindon. I give him the assurance that he requested: the improvement that has taken place in Swindon council has in significant part been as a result of the strategy of council improvement backed up by real money from central Government. I hope to make that point in Swindon next week.

The hon. Member for Mole Valley (Sir Paul Beresford) gave me some good advice on twisting the Liberal Democrat graph, and I shall examine his points. I disagree with him, however, on his criticisms of local area agreements. There is broad and deep consensus on the idea of joining up funding at local level, and of changing the performance regime. The Government have put huge extra resources into local councils, which have seen improvements in services, and are creating a regime of devolution.

Mr. Patrick McLoughlin (West Derbyshire) (Con) *rose in his place and claimed to move,* That the Question be now put.

Question, That the Question be now put, *put and agreed to.*

Question put accordingly, That the original words stand part of the Question:—

The House divided: Ayes 160, Noes 329.

Division No. 098] **[10 pm**

AYES

Afriyie, Adam	Ancram, rh Mr. Michael
Ainsworth, Mr. Peter	Arbuthnot, rh Mr. James
Amess, Mr. David	Atkinson, Mr. Peter

Baldry, Tony
Barker, Gregory
Baron, Mr. John
Bellingham, Mr. Henry
Benyon, Mr. Richard
Bercow, John
Beresford, Sir Paul
Binley, Mr. Brian
Boswell, Mr. Tim
Brokenshire, James
Browning, Angela
Burt, Alistair
Carswell, Mr. Douglas
Cash, Mr. William
Chope, Mr. Christopher
Clappison, Mr. James
Clarke, rh Mr. Kenneth
Clifton-Brown, Mr. Geoffrey
Cox, Mr. Geoffrey
Crabb, Mr. Stephen
Curry, rh Mr. David
Davies, David T.C. *(Monmouth)*
Davies, Philip
Djanogly, Mr. Jonathan
Dorrell, rh Mr. Stephen
Dorries, Mrs. Nadine
Duddridge, James
Duncan, Alan
Duncan Smith, rh Mr. Iain
Dunne, Mr. Philip
Ellwood, Mr. Tobias
Evans, Mr. Nigel
Evennett, Mr. David
Fabricant, Michael
Fallon, Mr. Michael
Field, Mr. Mark
Francois, Mr. Mark
Fraser, Mr. Christopher
Gale, Mr. Roger
Garnier, Mr. Edward
Gauke, Mr. David
Gibb, Mr. Nick
Goodman, Mr. Paul
Gove, Michael
Gray, Mr. James
Green, Damian
Greening, Justine
Greenway, Mr. John
Grieve, Mr. Dominic
Gummer, rh Mr. John
Hague, rh Mr. William
Hammond, Mr. Philip
Hammond, Stephen
Hands, Mr. Greg
Harper, Mr. Mark
Hayes, Mr. John
Heald, Mr. Oliver
Heathcoat-Amory, rh Mr. David
Hendry, Charles
Herbert, Nick
Hermon, Lady
Hoban, Mr. Mark
Hogg, rh Mr. Douglas
Hollobone, Mr. Philip
Holloway, Mr. Adam
Horam, Mr. John
Howard, rh Mr. Michael
Hunt, Mr. Jeremy
Hurd, Mr. Nick
Jack, rh Mr. Michael
Jackson, Mr. Stewart
Jenkin, Mr. Bernard
Johnson, Mr. Boris
Jones, Mr. David
Kawczynski, Daniel
Key, Robert
Kirkbride, Miss Julie
Knight, rh Mr. Greg
Lait, Mrs. Jacqui
Lansley, Mr. Andrew
Leigh, Mr. Edward
Letwin, rh Mr. Oliver
Lewis, Dr. Julian
Liddell-Grainger, Mr. Ian
Lidington, Mr. David
Lilley, rh Mr. Peter
Loughton, Tim
Luff, Peter
Mackay, rh Mr. Andrew
Main, Anne
Malins, Mr. Humfrey
Maples, Mr. John
Mates, rh Mr. Michael
Maude, rh Mr. Francis
May, rh Mrs. Theresa
McIntosh, Miss Anne
McLoughlin, rh Mr. Patrick
Mercer, Patrick
Miller, Mrs. Maria
Milton, Anne
Mitchell, Mr. Andrew
Moss, Mr. Malcolm
Mundell, David
Murrison, Dr. Andrew
Neill, Robert
O'Brien, Mr. Stephen
Ottaway, Richard
Paice, Mr. James
Pelling, Mr. Andrew
Penning, Mike
Pickles, Mr. Eric
Prisk, Mr. Mark
Pritchard, Mark
Randall, Mr. John
Redwood, rh Mr. John
Rifkind, rh Sir Malcolm
Robathan, Mr. Andrew
Robertson, Mr. Laurence
Rosindell, Andrew
Ruffley, Mr. David
Scott, Mr. Lee
Shapps, Grant
Shepherd, Mr. Richard
Simmonds, Mark
Simpson, Mr. Keith
Soames, Mr. Nicholas
Spelman, Mrs. Caroline
Spicer, Sir Michael
Spink, Bob
Spring, Mr. Richard
Steen, Mr. Anthony
Swayne, Mr. Desmond
Swire, Mr. Hugo
Syms, Mr. Robert
Tapsell, Sir Peter
Taylor, Mr. Ian
Taylor, Dr. Richard
Tredinnick, David
Tyrie, Mr. Andrew
Vaizey, Mr. Edward
Vara, Mr. Shailesh
Viggers, Peter
Walker, Mr. Charles
Wallace, Mr. Ben
Waterson, Mr. Nigel
Widdecombe, rh Miss Ann
Wiggin, Bill
Willetts, Mr. David
Wilson, Mr. Rob
Winterton, Ann
Winterton, Sir Nicholas
Wright, Jeremy
Yeo, Mr. Tim
Young, rh Sir George

Tellers for the Ayes:
Mr. Mark Lancaster and Mr. Robert Goodwill

NOES

Abbott, Ms Diane
Ainger, Nick
Ainsworth, rh Mr. Bob
Allen, Mr. Graham
Anderson, Mr. David
Anderson, Janet
Atkins, Charlotte
Austin, Mr. Ian
Bailey, Mr. Adrian
Baird, Vera
Baker, Norman
Balls, Ed
Barlow, Ms Celia
Barron, rh Mr. Kevin
Battle, rh John
Berkeley, Hugh
Best, Miss Anne
Beith, rh Mr. Alan
Benton, Mr. Joe
Berry, Roger
Betts, Mr. Clive
Blackman, Liz
Blears, rh Hazel
Blizzard, Mr. Bob
Borrow, Mr. David S.
Brake, Tom
Brennan, Kevin
Brown, Lyn
Brown, rh Mr. Nicholas
Brown, Mr. Russell
Browne, rh Des
Browne, Mr. Jeremy
Bruce, rh Malcolm
Bryant, Chris
Buck, Ms Karen
Burden, Richard
Burgon, Colin
Burnham, Andy
Burt, Lorely
Butler, Ms Dawn
Byers, rh Mr. Stephen
Byrne, Mr. Liam
Cabom, rh Mr. Richard
Campbell, Mr. Alan
Campbell, Mr. Gregory
Campbell, Mr. Ronnie
Carmichael, Mr. Alistair
Caton, Mr. Martin
Cawsey, Mr. Ian
Challen, Colin
Chapman, Ben
Chaytor, Mr. David
Clark, Ms Katy
Clark, Paul
Clarke, rh Mr. Charles
Clarke, rh Mr. Tom
Clegg, Mr. Nick
Clelland, Mr. David
Coaker, Mr. Vernon
Colley, Ann
Cohen, Harry
Connarty, Michael
Cook, Frank
Cooper, Rosie
Corbyn, Jeremy
Crausby, Mr. David
Creagh, Mary
Cruddas, Jon
Cryer, Mrs. Ann
Cummings, John
Cunningham, Mr. Jim
Cunningham, Tony
Darling, rh Mr. Alistair
Davey, Mr. Edward
Davidson, Mr. Ian
Dean, Mrs. Janet
Devine, Mr. Jim
Dhanda, Mr. Parmjit
Dismore, Mr. Andrew
Dobson, rh Frank
Dodds, Mr. Nigel
Donohoe, Mr. Brian H.
Doran, Mr. Frank
Dowd, Jim
Drew, Mr. David
Dunwoody, Mrs. Gwyneth
Eagle, Maria
Efford, Clive
Elman, Mrs. Louise
Engel, Natascha
Ennis, Jeff
Farrelly, Paul
Field, rh Mr. Frank
Fisher, Mark
Flello, Mr. Robert
Flint, Caroline
Follett, Barbara
Foster, Mr. Don
Foster, Mr. Michael *(Worcester)*
Foster, Michael Jabez *(Hastings and Rye)*
Francis, Dr. Hywel
Gapes, Mike
Gardiner, Barry
George, Andrew
George, rh Mr. Bruce
Gerrard, Mr. Neil
Gibson, Dr. Ian
Gidley, Sandra
Gilroy, Linda
Godsiff, Mr. Roger
Goggins, Paul
Goldsworthy, Julia
Goodman, Helen
Griffiths, Nigel
Grogan, Mr. John
Gwynne, Andrew
Hain, rh Mr. Peter
Hall, Mr. Mike
Hall, Patrick
Hamilton, Mr. David

Hamilton, Mr. Fabian
Hancock, Mr. Mike
Hanson, rh Mr. David
Harman, rh Ms Harriet
Harris, Dr. Evan
Harris, Mr. Tom
Harvey, Nick
Havard, Mr. Dai
Healey, John
Heath, Mr. David
Hemming, John
Hendrick, Mr. Mark
Hesford, Stephen
Hewitt, rh Ms Patricia
Hill, rh Keith
Hillier, Meg
Hodge, rh Margaret
Hodgson, Mrs. Sharon
Hoey, Kate
Hood, Mr. Jimmy
Hopkins, Kelvin
Horwood, Martin
Howarth, David
Howarth, rh Mr. George
Hughes, rh Beverley
Hughes, Simon
Huhne, Chris
Humble, Mrs. Joan
Hunter, Mark
Iddon, Dr. Brian
Illsley, Mr. Eric
Ingram, rh Mr. Adam
Irranca-Davies, Huw
James, Mrs. Siân C.
Jenkins, Mr. Brian
Johnson, rh Alan
Johnson, Ms Diana R.
Jones, Helen
Jones, Mr. Kevan
Jones, Lynne
Jones, Mr. Martyn
Jowell, rh Tessa
Kaufman, rh Sir Gerald
Keeble, Ms Sally
Keeley, Barbara
Keen, Alan
Keen, Ann
Kelly, rh Ruth
Kemp, Mr. Fraser
Khan, Mr. Sadiq
Kidney, Mr. David
Kilfoyle, Mr. Peter
Knight, Jim
Kramer, Susan
Kumar, Dr. Ashok
Ladyman, Dr. Stephen
Lamb, Norman
Lammy, Mr. David
Laws, Mr. David
Laxton, Mr. Bob
Lazarowicz, Mark
Leech, Mr. John
Lepper, David
Levitt, Tom
Lewis, Mr. Ivan
Linton, Martin
Lloyd, Tony
Love, Mr. Andrew
Mackinlay, Andrew
MacShane, rh Mr. Denis
Mactaggart, Fiona
Mahmood, Mr. Khalid
Malik, Mr. Shahid
Mallaber, Judy
Mann, John
Marris, Rob
Marsden, Mr. Gordon
Marshall, Mr. David
Marshall-Andrews, Mr. Robert
Martlew, Mr. Eric
McAvoy, rh Mr. Thomas
McCabe, Steve
McCafferty, Chris
McCarthy, Kerry
McCarthy-Fry, Sarah
McDonagh, Siobhain
McFaddan, Mr. Pat
McFall, rh John
McGuire, Mrs. Anne
McIsaac, Shona
McKechin, Ann
McKenna, Rosemary
McNulty, Mr. Tony
Meacher, rh Mr. Michael
Merron, Gillian
Michael, rh Alun
Milburn, rh Mr. Alan
Miliband, rh David
Miliband, Edward
Miller, Andrew
Moffat, Anne
Moffatt, Laura
Mole, Chris
Moon, Mrs. Madeleine
Morden, Jessica
Morley, rh Mr. Elliot
Mudie, Mr. George
Mulholland, Greg
Mullin, Mr. Chris
Munn, Meg
Murphy, rh Mr. Paul
Naysmith, Dr. Doug
Norris, Dan
O'Brien, Mr. Mike
Oaten, Mr. Mark
Olner, Mr. Bill
Owen, Albert
Palmer, Dr. Nick
Plaskitt, Mr. James
Pope, Mr. Greg
Pound, Stephen
Prentice, Bridget
Prentice, Mr. Gordon
Prosser, Gwyn
Pugh, Dr. John
Purchase, Mr. Ken
Purnell, James
Rammell, Bill
Raynsford, rh Mr. Nick
Reed, Mr. Jamie
Reid, rh John
Robertson, John
Robinson, Mr. Geoffrey
Rogerson, Mr. Dan
Rooney, Mr. Terry
Rowen, Paul
Roy, Mr. Frank
Ruddock, Joan
Russell, Bob
Russell, Christine
Ryan, Joan
Salter, Martin
Sanders, Mr. Adrian
Seabeck, Alison
Sheerman, Mr. Barry
Sheridan, Jim
Simon, Mr. Siôn
Simpson, Alan
Singh, Mr. Marsha
Skinner, Mr. Dennis
Slaughter, Mr. Andy
Smith, rh Mr. Andrew
Smith, Angela E. *(Basildon)*
Smith, Geraldine
Smith, rh Jacqui
Smith, John
Smith, Sir Robert
Snelgrove, Anne
Soulsby, Sir Peter
Southworth, Helen
Spellar, rh Mr. John
Starkey, Dr. Phyllis
Stewart, Ian
Strang, rh Dr. Gavin
Stringer, Graham
Stuart, Ms Gisela
Stunell, Andrew
Taylor, Ms Dari
Taylor, David
Taylor, Matthew
Teather, Sarah
Thomas, Mr. Gareth
Thornberry, Emily
Timms, rh Mr. Stephen
Tipping, Paddy
Todd, Mr. Mark
Touhig, rh Mr. Don
Trickett, Jon
Truswell, Mr. Paul
Turner, Dr. Desmond
Turner, Mr. Neil
Twigg, Derek
Ussher, Kitty
Vaz, rh Keith
Walley, Joan
Waltho, Lynda
Ward, Claire
Wareing, Mr. Robert N.
Watson, Mr. Tom
Watts, Mr. Dave
Webb, Steve
Whitehead, Dr. Alan
Wicks, Malcolm
Williams, rh Mr. Alan
Williams, Mrs. Betty
Williams, Mr. Roger
Williams, Stephen
Willott, Jenny
Wilis, Mr. Michael
Winnick, Mr. David
Winterton, rh Ms Rosie
Wood, Mike
Woodward, Mr. Shaun
Woolas, Mr. Phil
Wright, Mr. Anthony
Wright, Mr. Iain
Wright, Dr. Tony
Wyatt, Derek
Younger-Ross, Richard

Tellers for the Noes:
Mr. John Heppell and Jonathan Shaw

Question accordingly negatived.

Question, That the proposed words be there added, *put forthwith, pursuant to Standing Order No. 31 (Questions on amendments):—*

The House divided: Ayes 274, Noes 200.

Division No. 099] **[10.15 pm**

AYES

Abbott, Ms Diane
Ainger, Nick
Ainsworth, rh Mr. Bob
Allen, Mr. Graham
Anderson, Janet
Atkins, Charlotte
Austin, Mr. Ian
Bailey, Mr. Adrian
Balls, Ed
Barlow, Ms Celia
Barron, rh Mr. Kevin
Battle, rh John
Bayley, Hugh
Begg, Miss Anne
Berry, Roger
Betts, Mr. Clive
Blackman, Liz
Blears, rh Hazel
Blizzard, Mr. Bob
Borrow, Mr. David S.
Brennan, Kevin
Brown, Lyn
Brown, rh Mr. Nicholas
Brown, Mr. Russell
Browne, rh Des
Bryant, Chris
Buck, Ms Karen
Burden, Richard
Burgon, Colin
Burnham, Andy
Butler, Ms Dawn
Byers, rh Mr. Stephen
Byrne, Mr. Liam
Caborn, rh Mr. Richard
Campbell, Mr. Alan
Campbell, Mr. Ronnie
Caton, Mr. Martin
Cawsey, Mr. Ian
Challen, Colin
Chapman, Ben
Chaytor, Mr. David
Clark, Ms Katy
Clark, Paul
Clarke, rh Mr. Charles
Clarke, rh Mr. Tom
Clelland, Mr. David
Coaker, Mr. Vernon
Coffey, Ann
Cohen, Harry
Connarty, Michael
Cook, Frank
Cooper, Rosie

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Creagh, Mary
Cruddas, Jon
Cryer, Mrs. Ann
Cummings, John
Cunningham, Mr. Jim
Cunningham, Tony
Darling, rh Mr. Alistair
Davidson, Mr. Ian
Dean, Mrs. Janet
Devine, Mr. Jim
Dhanda, Mr. Parmjit
Dismore, Mr. Andrew
Dobson, rh Frank
Donohoe, Mr. Brian H.
Doran, Mr. Frank
Dowd, Jim
Drew, Mr. David
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Efford, Clive
Ellman, Mrs. Louise
Engel, Natascha
Ennis, Jeff
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Flint, Caroline
Follett, Barbara
Foster, Mr. Michael *(Worcester)*
Foster, Michael Jabez *(Hastings and Rye)*
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Gardiner, Barry
George, rh Mr. Bruce
Gerrard, Mr. Neil
Gibson, Dr. Ian
Gilroy, Linda
Godsiff, Mr. Roger
Goggins, Paul
Goodman, Helen
Grogan, Mr. John
Gwynne, Andrew
Hain, rh Mr. Peter
Hall, Mr. Mike
Hall, Patrick
Hamilton, Mr. David
Hanson, rh Mr. David
Harman, rh Ms Harriet
Harris, Mr. Tom
Havard, Mr. Dai
Healey, John
Hendrick, Mr. Mark
Hesford, Stephen
Hewitt, rh Ms Patricia
Hill, rh Keith
Hillier, Meg
Hodge, rh Margaret
Hodgson, Mrs. Sharon
Hoey, Kate
Hood, Mr. Jimmy
Hopkins, Kelvin
Hughes, rh Beverley
Humble, Mrs. Joan
Iddon, Dr. Brian
Illsley, Mr. Eric
Ingram, rh Mr. Adam
Irranca-Davies, Huw
James, Mrs. Siân C.
Jenkins, Mr. Brian
Johnson, rh Alan
Johnson, Ms Diana R.
Jones, Helen
Jones, Mr. Kevan
Jones, Lynne
Jones, Mr. Martyn
Kaufman, rh Sir Gerald
Keeble, Ms Sally
Keeley, Barbara
Keen, Alan
Keen, Ann
Kelly, rh Ruth
Kemp, Mr. Fraser
Khan, Mr. Sadiq
Kidney, Mr. David
Kilfoyle, Mr. Peter
Knight, Jim
Kumar, Dr. Ashok
Ladyman, Dr. Stephen
Laxton, Mr. Bob
Lazarowicz, Mark
Lepper, David
Levitt, Tom
Lewis, Mr. Ivan
Linton, Martin
Lloyd, Tony
Love, Mr. Andrew
Mackinlay, Andrew
MacShane, rh Mr. Denis
Mactaggart, Fiona
Mahmood, Mr. Khalid
Malik, Mr. Shahid
Mallaber, Judy
Mann, John
Marris, Rob
Marsden, Mr. Gordon
Marshall, Mr. David
Marshall-Andrews, Mr. Robert
Martlew, Mr. Eric
McAvoy, rh Mr. Thomas
McCabe, Steve
McCafferty, Chris
McCarthy, Kerry
McCarthy-Fry, Sarah
McDonagh, Siobhain
McFadden, Mr. Pat
McGuire, Mrs. Anne
McIsaac, Shona
McKechin, Ann
McKenna, Rosemary
McNulty, Mr. Tony
Meacher, rh Mr. Michael
Merron, Gillian
Michael, rh Alun
Milburn, rh Mr. Alan
Miliband, rh David
Miliband, Edward
Miller, Andrew
Moffat, Anne
Moffatt, Laura
Mole, Chris
Moon, Mrs. Madeleine
Morden, Jessica
Morley, rh Mr. Elliot
Mudie, Mr. George
Mullin, Mr. Chris
Munn, Meg
Murphy, rh Mr. Paul
Naysmith, Dr. Doug
Norris, Dan
O'Brien, Mr. Mike
Oliver, Mr. Bill
Owen, Albert
Palmer, Dr. Nick
Plaskitt, Mr. James
Pope, Mr. Greg
Pound, Stephen
Prentice, Bridget
Prentice, Mr. Gordon
Prosser, Gwyn
Purchase, Mr. Ken
Purnell, James
Rammell, Bill
Raynsford, rh Mr. Nick
Reed, Mr. Jamie
Reid, rh John
Robertson, John
Robinson, Mr. Geoffrey
Rooney, Mr. Terry
Roy, Mr. Frank
Ruddock, Joan
Russell, Christine
Ryan, Joan
Salter, Martin
Seabeck, Alison
Sheerman, Mr. Barry
Sheridan, Jim
Simon, Mr. Siôn
Simpson, Alan
Singh, Mr. Marsha
Skinner, Mr. Dennis
Slaughter, Mr. Andy
Smith, rh Mr. Andrew
Smith, Angela E. *(Basildon)*
Smith, Geraldine
Smith, rh Jacqui
Smith, John
Snelgrove, Anne
Soulsby, Sir Peter
Southworth, Helen
Spellar, rh Mr. John
Starkey, Dr. Phyllis
Stewart, Ian
Strang, rh Dr. Gavin
Stringer, Graham
Stuart, Ms Gisela
Taylor, Ms Dari
Taylor, David
Thomas, Mr. Gareth
Thornberry, Emily
Timms, rh Mr. Stephen
Tipping, Paddy
Todd, Mr. Mark
Touhig, rh Mr. Don
Trickett, Jon
Truswell, Mr. Paul
Turner, Dr. Desmond
Turner, Mr. Neil
Twigg, Derek
Usher, Kitty
Vaz, rh Keith
Walley, Joan
Waltho, Lynda
Ward, Claire
Wareing, Mr. Robert N.
Watson, Mr. Tom
Watts, Mr. Dave
Whitehead, Dr. Alan
Wicks, Malcolm
Williams, rh Mr. Alan
Williams, Mrs. Betty
Wills, Mr. Michael
Winnick, Mr. David
Winterton, rh Ms Rosie
Wood, Mike
Woodward, Mr. Shaun
Woolas, Mr. Phil
Wright, Mr. Anthony
Wright, Mr. Iain
Wright, Dr. Tony
Wyatt, Derek

Tellers for the Ayes:
Mr. John Heppell and Jonathan Shaw

NOES

Afriyie, Adam
Ainsworth, Mr. Peter
Amess, Mr. David
Ancram, rh Mr. Michael
Arbuthnot, rh Mr. James
Atkinson, Mr. Peter
Baker, Norman
Baldry, Tony
Barker, Gregory
Baron, Mr. John
Beith, rh Mr. Alan
Bellingham, Mr. Henry
Benyon, Mr. Richard
Bercow, John
Beresford, Sir Paul
Binley, Mr. Brian
Boswell, Mr. Tim
Brake, Tom
Brokenshire, James
Browne, Mr. Jeremy
Browning, Angela
Bruce, rh Malcolm
Burt, Alistair
Burt, Lorely
Campbell, Mr. Gregory
Carmichael, Mr. Alistair
Carswell, Mr. Douglas
Cash, Mr. William
Chope, Mr. Christopher
Clappison, Mr. James
Clarke, rh Mr. Kenneth
Clegg, Mr. Nick
Clifton-Brown, Mr. Geoffrey
Cox, Mr. Geoffrey
Crabb, Mr. Stephen
Davey, Mr. Edward
Davies, Philip
Djanogly, Mr. Jonathan
Dodds, Mr. Nigel
Dorrell, rh Mr. Stephen
Dorries, Mrs. Nadine
Duddridge, James
Duncan, Alan
Duncan Smith, rh Mr. Iain
Dunne, Mr. Philip
Ellwood, Mr. Tobias
Evans, Mr. Nigel
Evennett, Mr. David
Fabricant, Michael
Fallon, Mr. Michael
Field, Mr. Mark
Foster, Mr. Don
Francois, Mr. Mark
Fraser, Mr. Christopher

Gale, Mr. Roger
Garnier, Mr. Edward
Gauke, Mr. David
George, Andrew
Gibb, Mr. Nick
Gidley, Sandra
Goldsworthy, Julia
Goodman, Mr. Paul
Gove, Michael
Gray, Mr. James
Green, Damian
Greening, Justine
Greenway, Mr. John
Grieve, Mr. Dominic
Gummer, rh Mr. John
Hague, rh Mr. William
Hammond, Mr. Philip
Hammond, Stephen
Hancock, Mr. Mike
Hands, Mr. Greg
Harper, Mr. Mark
Harris, Dr. Evan
Harvey, Nick
Hayes, Mr. John
Heald, Mr. Oliver
Heath, Mr. David
Heathcoat-Amory, rh Mr. David
Hemming, John
Hendry, Charles
Herbert, Nick
Hermon, Lady
Hoban, Mr. Mark
Hogg, rh Mr. Douglas
Hollobone, Mr. Philip
Holloway, Mr. Adam
Horwood, Martin
Howard, rh Mr. Michael
Howarth, David
Hughes, Simon
Huhne, Chris
Hunt, Mr. Jeremy
Hunter, Mark
Hurd, Mr. Nick
Jack, rh Mr. Michael
Jackson, Mr. Stewart
Jenkin, Mr. Bernard
Johnson, Mr. Boris
Jones, Mr. David
Kawczynski, Daniel
Key, Robert
Kirkbride, Miss Julie
Knight, rh Mr. Greg
Kramer, Susan
Lait, Mrs. Jacqui
Lamb, Norman
Lansley, Mr. Andrew
Laws, Mr. David
Leech, Mr. John
Leigh, Mr. Edward
Letwin, rh Mr. Oliver
Lewis, Dr. Julian
Liddell-Grainger, Mr. Ian
Lidington, Mr. David
Lilley, rh Mr. Peter
Loughton, Tim
Luff, Peter
Mackay, rh Mr. Andrew
Main, Anne
Malins, Mr. Humfrey
Maples, Mr. John
Mates, rh Mr. Michael
Maude, rh Mr. Francis
May, rh Mrs. Theresa
McIntosh, Miss Anne
McLoughlin, rh Mr. Patrick
Mercer, Patrick
Miller, Mrs. Maria
Milton, Anne
Mitchell, Mr. Andrew
Moss, Mr. Malcolm
Mulholland, Greg
Mundell, David
Murrison, Dr. Andrew
Neill, Robert
O'Brien, Mr. Stephen
Oaten, Mr. Mark
Ottaway, Richard
Paice, Mr. James
Pelling, Mr. Andrew
Penning, Mike
Pickles, Mr. Eric
Prisk, Mr. Mark
Pritchard, Mark
Pugh, Dr. John
Randall, Mr. John
Redwood, rh Mr. John
Robathan, Mr. Andrew
Robertson, Mr. Laurence
Rogerson, Mr. Dan
Rosindell, Andrew
Rowen, Paul
Ruffley, Mr. David
Russell, Bob
Sanders, Mr. Adrian
Scott, Mr. Lee
Shapps, Grant
Shepherd, Mr. Richard
Simmonds, Mark
Simpson, Mr. Keith
Smith, Sir Robert
Soames, Mr. Nicholas
Spelman, Mrs. Caroline
Spicer, Sir Michael
Spink, Bob
Spring, Mr. Richard
Steen, Mr. Anthony
Stunell, Andrew
Swayne, Mr. Desmond
Swire, Mr. Hugo
Syms, Mr. Robert
Tapsell, Sir Peter
Taylor, Mr. Ian
Taylor, Matthew
Teather, Sarah
Tredinnick, David
Tyrie, Mr. Andrew
Vaizey, Mr. Edward
Vara, Mr. Shailesh
Walker, Mr. Charles
Wallace, Mr. Ben
Waterson, Mr. Nigel
Webb, Steve
Widdecombe, rh Miss Ann
Wiggin, Bill
Willetts, Mr. David
Williams, Mr. Roger
Williams, Stephen
Willott, Jenny
Wilson, Mr. Rob
Winterton, Ann
Winterton, Sir Nicholas
Wright, Jeremy
Yeo, Mr. Tim
Young, rh Sir George
Younger-Ross, Richard

Tellers for the Noes:
Mr. Mark Lancaster and
Mr. Robert Goodwill

Question accordingly agreed to.

MR. SPEAKER *forthwith declared the main Question, as amended, to be agreed to.*

Resolved,

That this House notes the transformation in local government since 1997 and the dramatic improvements in performance across a wide range of front-line services; recognises the achievements of local authorities and their staff with a record number of authorities awarded three or four stars for their performance by the Audit Commission in 2006; contrasts this with the underinvestment and poor morale that the Government inherited in 1997; applauds the Government's radical and devolutionary local government White Paper as the next stage in the reform of local public services, strengthening local leadership and partnership working and empowering local communities; believes that the measures set out in the Local Government and Public Involvement in Health Bill will strongly promote sustainable communities, improving local environmental quality and the quality of life of local residents; congratulates the Government on the way in which it is providing stable funding for local government, increasing overall grants to councils by 39 per cent. in real terms since 1997 with the average council tax increase in England at 4.2 per cent. for 2007-08; and therefore supports the Government in implementing the White Paper and the Bill.

EUROPEAN COMMUNITY DOCUMENTS

CONSERVATION OF THE EUROPEAN EEL

Motion made, and Question put forthwith, pursuant to Standing Order No. 119(9) (European Standing Committees),

That this House takes note of European Union Document No. 13139/05, Draft Council Regulation establishing measures for the recovery of the stock of European eel; recognises the long outstanding need to conserve and enhance the European eel stock; and approves the Government's intention to vote for the adoption of this proposal, provided it makes suitable provision to allow for the restocking of glass eel to European inland waters.—*[Claire Ward.]*

Question agreed to.

AVIATION AGREEMENTS

Motion made, and Question put forthwith, pursuant to Standing Order No. 119(9) (European Standing Committees),

That this House takes note of European Union Document No. 8656/06, Draft Decisions on the signature and provisional application and conclusion of the air transport agreement between the European Community and its Member States, on the one hand, and the United States of America, on the other hand; and endorses the Government's approach to discussions on this document.—*[Claire Ward.]*

Question agreed to.

ADJOURNMENT (MAY)

Motion made, and Question put forthwith, pursuant to Standing Order No. 25 (Periodic adjournments),

That this House, at its rising on Thursday 3rd May 2007, do adjourn till Tuesday 8th May 2007.—*[Claire Ward.]*

Question agreed to.

DRAFT CLIMATE CHANGE BILL (JOINT COMMITTEE)

Resolved,

That this House concurs with the Lords Message of 23rd April, relating to the Joint Committee of Lords and Commons appointed to consider and report on the draft Climate Change Bill, presented to both Houses on 13th March (Cm. 7040), that—

(1) the Committee appointed by this House do meet the Lords Committee as proposed by their Lordships; and

(2) notwithstanding the Resolution of 18th April, it be an instruction to the Joint Committee on the draft Climate Change Bill that it should report by 25th July 2007.—*[Claire Ward.]*

Plant Science and Climate Change

Motion made, and Question proposed, That this House do now adjourn.—*[Claire Ward.]*

10.26 pm

Dr. Ian Gibson (Norwich, North) (Lab): It is a pleasure to talk tonight about plant science and climate change because, in some ways, climate change has become the media story of the decade. Although there is a tendency to overblow some of the claims of what might happen, most of us accept that things will happen and that they are beginning to happen. I want to address that.

We see the effects of climate change all around us. In a funny way, I often think about Vivaldi's "Four Seasons", which could become three seasons. That would be quite a revolutionary change in classical music. We look at the papers and see reports of snow-less ski slopes and flowers blooming at all the wrong times throughout the winter. That is not something that just happens on the equator or elsewhere; it actually happens in this country as well.

When it comes to combating climate change, things are not as simple as they appear. Research recently and a great deal of column space has been devoted to talk about air travel, carbon emissions and carbon offset schemes. People argue scientifically that some of those schemes might not do what it appears that they would do. Recent research from the Lawrence Livermore laboratory in the United States and the Carnegie Institution at Stanford university in California suggests that planting trees to offset carbon emissions could contribute to global warming unless the trees are planted in the tropics. That is an interesting new aspect that we had not thought about. It is only research and more needs to be done, so I guess that what I am saying is that there are no quick fixes when it comes to climate change, but we have to adopt and develop the policy of planting trees, whether they are in the tropics or elsewhere.

The rule of no quick fixes also applies to the first generation of biofuels. Although the need for zero-carbon fuels is obviously real and present, the deforestation of developing countries taking place in the rush to make way for biofuel plantations is having a more severe effect on the planet than many of us imagined. It is argued that the carbon emitted by burning the trees and the peat to make way for biofuel crops far exceeds any savings that one could hope to make from burning renewable fuel instead of petrol. A further side effect is the destruction of many natural habitats and ecosystems as developing countries struggle to get into the new market, effectively throwing environmental concerns to the wind. Interesting questions in this area still need to be resolved, despite the fact that we acknowledge that climate change is taking place.

If we look at this complex issue closely, we find that our mission is to consider not only how to prevent global warming, but how to deal practically with its consequences in the United Kingdom. We must ensure that we enter the 21st century with secure energy and food supplies. If we are to find the solution, we must examine the science that is being developed with plants in this country. We cannot look abroad for the

solutions to our energy problems. We should be implementing schemes that will enable us to be responsible for what happens in the UK by concentrating our efforts on a second generation of bioenergy crops that use biomass.

Biomass in itself is just a source of energy production along with other renewable energy sources, such as wind, wave, geothermal and sunlight. Miscanthus, switch grasses and willow and poplar trees can all be grown in the UK to contribute to the biomass initiative. Their growth requires less land than existing biofuel crops. They are renewable and carbon-neutral. They do not require the volume of chemicals and pesticides that have led to the criticism of crops such as rapeseed.

Short-rotation coppice willow is being grown at Rothamsted Research. The crops grow on marginal land of low quality and require little input. If such second-generation bioenergy crops were grown on 350,000 acres of UK land and processed to produce fuels such as diesel, some 7 per cent. of the UK's petrochemical needs would be met without reducing food production and with very little input. While such plant development is important, we need more research. It is welcome that the Biotechnology and Biological Sciences Research Council has put £20 million into that research.

We face a situation in which before the research has been done, many countries and companies are planting vast areas of biofuels. I argue that that will damage the environment. If we are able to produce more bioenergy crops in the UK, we will be able to control the way in which they are farmed and regulate the carbon dioxide that is emitted. We could reduce the carbon dioxide emitted by the transportation of imports. In that way, we would guarantee our energy security, which is a real problem that relates to the sources of our energy production.

It is almost certain that there will be competition for farmland between biofuel companies and the food industry. Our main concerns will be reducing carbon emissions and ensuring that we have effective farming systems. Bioscience offers us the possible solutions that we need.

As the climate warms, it will be almost inevitable that we will witness further physical changes to the UK countryside. That will have a massive effect on farming in this country. Arable farmers will need crops that can grow and be harvested under variable temperatures and rainfall. For example, it is predicted that the average temperature in East Anglia will have risen by 3° C by 2050. It is no use George Bush telling us that we will reduce global warming by talking in terms not of Fahrenheit but of Celsius, even though the numbers are obviously reduced. There will also be greatly reduced rainfall and much more water evaporation and carbon dioxide in the atmosphere.

The climate can affect the length of a harvest and soil structure, which vary massively even from year to year. Owing to global warming, farmers will face new infections and parasites. Wetter winters will make cereal crops more prone to fungal diseases such as Fusarium ear blight. We will simply not be able continue to grow the variety of crops that are traditionally grown in the UK.

There are a number of ways to approach the problem. The rising temperatures will lead to a lot of drought, and in East Anglia, yields of sugar beet are expected to decline by half in areas that are already experiencing those difficulties. We can increase rainwater catchments, and irrigation efficiency; those are practical starting points, but we must also look into the genetic make-up of plants that can survive in extreme climates. We are really gifted at such work in this country; we have centres such as Broom's Barn, Rothamsted and the John Innes Centre in Norwich, which are tackling the problems of developing drought-resistant sugar beet. We can now isolate the genes that allow plants to cope with extreme temperatures. Those genes can also be bred into commercial crop varieties.

We can protect cereal crops from fungal diseases by introducing genes with a natural resistance. Scientists at the John Innes Centre in Norwich have isolated several genes that decide whether a plant needs a cold period before it will flower. The traditional teaching is that there has to be a cold period before an explosion of flowers will appear. There is a cold trigger that can be bred in and out of plants to produce winter and spring varieties, and it varies; that occurs in plants in Spain, Sweden and in this country, and we are learning how that happens. That technology will become really important as temperature changes take place. Crop protection is another important subject to consider. All our farmers, including organic growers, rely on plant protection products of some kind. As biofuels and food compete for land, we will only meet the increasing demand for both if we ensure that more crops make it to the harvest stage, through the responsible use of pesticides and effective land management.

Plant science has a central role to play in all our futures, and in combating climate change, and we miss its importance at our peril. It is sad that job losses are occurring in places such as Rothamsted, which had a net reduction of 17 members of staff in 2005-06. The John Innes Centre is absolutely world-class—the best in Europe—and it produces research that everybody admires; I mentioned just some of it—the research about flowering and the genes involved in it. I am talking not just about genes that make better-looking plants, but about genes that are commercially important.

How long will we be at the forefront of plant science if we do not make the necessary investment and address the fact that people are not entering the profession? Many young people do not see that plant science is really quite an appetising profession. We have to link up that kind of science with innovation and public benefit. As you will know, Mr. Speaker, I am also actively interested in biomedical sciences and biomedical research, for which a plethora of research and development funding has been made available by the Government, charities and the pharmaceutical industry. We may bemoan the conditions that those sciences face, but they are nothing like as bad as the what is happening in the plant sciences. There is one research council involved in plant sciences, the Biotechnology and Biological Sciences Research Council, and only one charity involved in plant science, the Gatsby Charitable Foundation, which was set up by the former Minister for Science and Innovation, Lord Sainsbury of Turville.

We have to acknowledge that the plant-breeding industry in this country has been affected by the

[Dr. Ian Gibson]

genetically modified crops debacle and the "anti" attitude of the public. In the House, too, people were against GM crops and fought against them, and that has caused people in the industry to leave the UK and go elsewhere to develop their talents and the new sciences. We get £336 million in funding a year, but a glance at the title of the Biotechnology and Biological Sciences Research Council—the body that gets that kind of money—shows that it has many other areas on which to spend that money, including biotechnology, another area that has a world-class dimension to it. Plant science always falls down the list of priorities.

It is important to establish the industry in this country. BP is setting up a $250 billion biofuels research centre in California, rather than in the UK. That is really strange to me, given the scientific expertise that we have. It was Schwarzenegger himself who agreed to match the investment, while the research council could offer only £20 million. It is sad that that has developed in the States, as it could have developed here.

While the UK has very good plant-breeding technology, our ability to use that knowledge is extremely vulnerable. It is regarded as underfunded and unsexy, in fact, by many young scientists, and I have attended many meetings at which young people have said they do not want to go into plant research, because there is no money or career structure. We need to develop plant varieties that are specific to the UK's climatic and social needs. The multinational plant-breeding companies are willing to do so, and it will help us with our food and fuel security, but we must make them regard it as a priority to be developed in the UK with the backing of our proud and talented researchers.

The Government, too, must start to think about plant sciences and practical solutions to climate change that they can develop to provide energy, resistance to diseases and so on. Things are going to change, and we cannot wait 20 years. We must accept that it is going to happen. Malaria is likely to come to this country, but many plant diseases will come here, too, and we should research them now. We have to get the agricultural community behind us, and they are a conservative, resistant lot. We must not scare the pants off them, but we must make them acknowledge the fact that there is a serious problem.

Climate change is an extremely important issue for the Government, and a great deal has been said about that. We have introduced a draft Climate Change Bill, which we are very keen on, and which we want to develop. The leader of the Opposition wears organic trainers, whatever that means, but despite all that, plant sciences have had a bad deal. Although stem cell research is the front-runner, plant sciences have as much to offer in tackling climate change as anything else, so I am very pleased to present this debate.

10.42 pm

The Parliamentary Under-Secretary of State for Environment, Food and Rural Affairs (Barry Gardiner): It is always a pleasure to respond to a debate introduced by my hon. Friend the Member for Norwich, North (Dr. Gibson), because he has an unparalleled knowledge of science in the House, having chaired the Select Committee on Science and Technology. His scientific background, too, stands him in tremendously good stead. This evening, he spoke about many things including, first, the need to plant trees, as well as biofuels and the danger of monoculture. I hope that he agrees that peat bog remediation is every bit as important as the need to plant trees. I was on the top of Blackmoor in the Peak district at the weekend looking at the depletion in the peat. The peat bogs in this country represent a greater sequestion of carbon than the entire forests of France and the UK combined. They are infinitely more powerful, and they store carbon for thousands of years, rather than just for hundreds of years, as standing forests do.

My hon. Friend spoke about the dangers of biofuels, particularly of monoculture. Bioethanol can be a very good biofuel if it is used instead of petrol, but it is not so good if, to produce it, we destroy virgin rainforest, and I absolutely agree with the point that he made. I wanted to pick up one more initial point in his contribution, and echo his praise both for the talented researchers in this country and for their work on plant science and in other scientific areas. That is certainly an industry that will come more and more to the fore as we face up to the problems of climate change.

Agriculture as a whole contributes 7 per cent. of all UK greenhouse gas emissions and 14 per cent. globally. About 36 per cent. of the UK's total methane emissions and 67 per cent. of nitrous oxide emissions come from agriculture—for example, from artificial fertiliser, manure and livestock. Although agriculture is only directly responsible for around 1 per cent. of UK carbon dioxide emissions, the sector can help to mitigate CO_2 emissions from other sources through carbon sequestration in soils, as we have mentioned, and timber, and by producing energy crops to replace fossil fuels.

On 13 March this year we published the draft Climate Change Bill for consultation and pre-legislative scrutiny. The Bill would make the UK the first country to set a long-term legal framework for reducing emissions over the next 45 years and beyond. Although the draft Bill focuses on carbon dioxide, which is not the most significant greenhouse gas for agriculture, the independent committee on climate change, which the Bill establishes, will have a duty to advise the Government in relation to other greenhouse gases whenever the Government asks it to do so.

Agriculture is central to helping us meet our objectives on climate change, and is significant in the UK's climate change programme. Farmers growing crops or rearing livestock on grassland will feel the impacts of our changing climate very directly, and they need to be ready to adapt to these impacts. All farmers have a major role to play—for example, by reducing their direct greenhouse gas emissions, managing the land in ways which help sequester carbon, and supplying bioenergy crops as an alternative to fossil fuels.

DEFRA's agriculture and climate change research and development programme, which is worth around £5.6 million in this financial year, helps build understanding and evidence about the threats and opportunities that climate change presents, and about

what farmers can do to reduce emissions. It includes research on climate change mitigation in agriculture, the impacts of climate change on farming, including both livestock and arable sectors, and the vulnerability of UK agriculture to extreme weather events, about which my hon. Friend spoke. This is within the 2007-08 DEFRA budget of £70 million for sustainable farming and food science, including animal health and welfare.

Specifically in relation to plant science, our research and development programme is looking, for example, at the vulnerability of crops to extreme weather events, which are expected to increase with climate change; at the long-term plant breeding challenges faced by the plant breeding sector; at how to develop crops for energy that will support our climate change and renewable energy targets, at a price which is competitive in the market for renewable energy; at how to increase commercial yields of biomass crops; and at how to determine and demonstrate the most economical systems for growing biomass crops, consistent with the protection of the environment and, of course, with minimal use of pesticides and fertilisers.

The direct effects of climate change on crops has been well researched in DEFRA research and development. Further research is being commissioned to build on this. Current considerations suggest that climate change impacts do not threaten the viability of UK agriculture as a whole, but particular regions and individual farm businesses need to be aware of both the risks and the opportunities. In decades to come the impacts of climate change will be more defined, with winter rain becoming more sporadic and intense, and summer rain more scarce.

Crop yields are affected by many factors associated with climate change, including temperature, rainfall, carbon dioxide concentration in the atmosphere, extreme weather events and climate variability. Models developed through the research that the Biotechnology and Biological Science Research Council and DEFRA have funded on plant science and crop development are producing predictions based on possible climate scenarios. These can be updated as more reliable models of climate change become available.

Potential threats from climate change to farmers growing crops include prolonged and more frequent droughts, changes in rainfall distribution, increased risk of new crop diseases or some pests becoming more serious, and increased vulnerability of crops to variable or extreme temperatures. Soils are also likely to be affected by variation in temperature and rainfall. Some soils are likely to form impenetrable caps, increasing the risk of run-off and subsequent pollution events and flooding. Cracking in soils after dry periods may prevent rainfall from being retained and further increase subsequent droughts. Hotter, drier summers may also affect subsoils and make it more difficult for plant roots to penetrate and grow.

On the other hand, rising temperatures and longer growing seasons will provide opportunities for farmers to grow new crops, such as energy crops, and supply new markets. For some commodities, the UK could have an advantage compared with traditional competitors. As the climate changes, some crops will become easier to grow and others harder. Landscape features may also change—for example where crops grown for fuel replace those grown for food or set-aside.

We have a continuing programme of research looking at the contribution of different land management practices to climate change objectives—both adaptation and mitigation. Through previous work, which has been published, the UK is well served with information on impacts.

We need to work with farmers and land managers, and with organisations such as the Rural Climate Change Forum, to ensure that farmers have the information and advice they need to turn the results from climate change research into practical action to reduce greenhouse gas emissions, as well as to adapt to these impacts and make the most of new opportunities.

Basic plant science in the UK is funded by BBSRC rather than DEFRA. The BBSRC investment includes a large proportion of the £30 million per annum spent at its research institutes—Rothamsted, the John Innes Institute in Norwich and the Institute of Grassland and Environmental Research, and there are also many projects funded at universities related to plant science. Much of that research investigates the fundamental processes in the life of plants that climate change is likely to affect. By understanding how these responses work and linking them to the genes involved in well-studied "model" plant species, scientists and subsequently commercial plant breeders will be able to breed characteristics into crops to help them tolerate and continue to grow under more extreme conditions.

In addition to DEFRA's specific agriculture and climate change research, the UK spends about £5 million annually on research and development connected with the genetic improvement of UK-grown crops. This will underpin the development of crop varieties better suited to future climates and new crops and markets. The DEFRA research links with a specific BBSRC crop science initiative, which seeks to apply results from fundamental plant science to crops. These together form a basis for collaborative work with industry—with plant breeders and farming organisations.

For major field crops, including wheat, oilseed rape, biomass, pulse crops and oats we have invested in resources and techniques to underpin plant breeding by creating crop genetic improvement networks that focus on traits that will help commercial breeders introduce varieties that can improve the environmental footprint of production systems or help to address the likely stresses on crop plants from climate change. Similar projects are in place for grass and forage and some horticultural crops.

The oilseed rape genetic improvement network—OREGIN—provides an example of the collaborative work in progress. Researchers based at Rothamsted, the John Innes Institute, Warwick university and elsewhere are all involved. Since it was established in 2003 it has provided a focus for the research and stakeholder communities associated with oilseed rape and brassica crops. The project has provided reference and experimental material and built expertise as a basis for studying aspects that may be affected by changing temperature, such as oil profiles and risks from attack by pests and pathogens, and the more efficient use of inputs, such as nitrogen fertiliser.

[Barry Gardiner]

Scientists in our leading institutes are therefore working, often in collaboration with others, to understand and model how crops will perform in a range of future possible climate scenarios. They are also working in conjunction with others to develop crops that are currently well adapted to the UK or have potential here so that they remain productive as the climate changes.

The threat of increased summer drought to crops and water availability for irrigated high-value crops in eastern England is of particular concern. Research commissioned by DEFRA is looking at the volume of water used by farmers and growers to irrigate crops and its impact on water resources. This will include work to develop more efficient ways of using water in the light of future climate change.

Climate change and increasing global trade also bring additional risks from pests and diseases to which current crop varieties may be more susceptible. Improved genetic resistance to threats that could become more serious will prevent future damage and losses without the need for additional pesticide applications.

As winters become warmer and wetter, conditions are likely to improve for certain crop pathogen species. Some pathogens such as species of Fusarium that cause ear blight in cereals are not yet major problems in the UK. These may become an increasing risk, especially if conditions also favour the production of grain maize, which is an alternative host. These fungi are associated with the production of mycotoxins in grain, which presents a health risk to humans and to animals.

Besides concerns about predicted changes to some pests that may become more serious, there are also concerns that organisms of conservation found in farmed environments may in contrast become rarer, and the need to devise sustainable conservation strategies, for example, in conjunction with agri-environmental schemes, will be greater.

Dr. Gibson: Considering all this activity that has gone on, does my hon. Friend think that the agricultural industry knows about it, or does it go on without its knowledge, or even interest?

Barry Gardiner: My hon. Friend characterised farmers who were "conservative"—I am sure that he used that word adjectivally with a small "c" rather than to denote any political association. In fact, I have been pleasantly surprised by farmers' willingness to see themselves increasingly as land managers, landscape managers and environmental managers who are prepared to get their remuneration not from the subsidies for production that we used to, and in some cases still do, pay as a result of the common agricultural policy, but as a result of the public goods that they are creating. They are increasingly ahead of those in many places in the rest of Europe in appreciating their role to that effect—

The motion having been made after Ten o'clock, and the debate having continued for half an hour, MR. SPEAKER *adjourned the House without Question put, pursuant to the Standing Order.*

Adjourned at four minutes to Eleven o'clock.

House of Commons

Wednesday 25 April 2007

The House met at half-past Eleven o'clock

PRAYERS

[MR. SPEAKER *in the Chair*]

Oral Answers to Questions

NORTHERN IRELAND

The Secretary of State was asked—

Security Situation

1. **Mr. Henry Bellingham** (North-West Norfolk) (Con): What recent assessment he has made of the security situation in Northern Ireland. [132681]

The Secretary of State for Northern Ireland (Mr. Peter Hain): The security situation continues to improve beyond all recognition, as the 15th report of the Independent Monitoring Commission, which I have published today, makes clear. But the report also points out that loyalist paramilitary groups need to move more quickly to cease their activities, and a significant security threat remains from dissident republican groups.

Mr. Bellingham: Although it is good news that the Sinn Fein ard fheis has decided to support the police and criminal justice system, does the Secretary of State share my grave concern that the IRA still has not disbanded its army council? Sinn Fein is about to go back into government and appoint Ministers. How can it justify its sister organisation keeping in place an army council whose sole purpose is to retain a terrorist capability?

Mr. Hain: Obviously, at the appropriate moment, everybody would like to see such structures go, because they have no purpose. It was interesting that, as I am sure the hon. Gentleman knows, the Independent Monitoring Commission report a few reports ago said that the structures of the IRA were helping to drive out criminality and any remnants of paramilitary activity, and that the organisation was delivering on what it promised on 28 July 2005. In the report that I have published today, it is significant that in paragraph 2.15 the IMC said:

> "The terrorist capability of the organisation continued to deteriorate following the disbandment of paramilitary structures... There has been no reversal of that disbandment."

As the demand has been for the disbandment of the paramilitary terrorist capability, which the hon. Gentleman, together with other right hon. and hon. Members, has quite properly pressed for, it is significant that that is where the IRA now is.

Mark Durkan (Foyle) (SDLP): The Secretary of State rightly highlights the positive security outlook reflected in the IMC report, but he also reflects the fact that the IMC makes it clear that the loyalist situation is well behind where it needs to be. In circumstances where we hope that there will be something significant and decisive from the Ulster Volunteer Force, do we not need Government and all parties to give a clear message to the Ulster Defence Association that its refusal still to have anyone engaging with General de Chastelain's decommissioning body and its continuing range of activities is completely unacceptable? It is hard for people to see how the Government are sending a clear message to the UDA—

Mr. Speaker: Order. I am sorry to interrupt the hon. Gentleman, but the supplementary question must be brief.

Mr. Hain: I agree with my hon. Friend about the fact that gangsterism and remnants of paramilitary activity among loyalist groups including the UDA are still unacceptable. The IMC report says that, although it is also significant that the IMC report says that the leaderships of both the UDA and the UVF are seeking to move their organisations away from that dark and violence-strewn past. It is important that loyalism moves into the mainstream, otherwise it will get left behind. The last thing that the loyalist community needs is to be further isolated because there are those within it who cling to the past. I am clear that the leadership of both the UVF and the UDA want to move their communities into a better future to follow the transformation of the political and security situation in Northern Ireland, but there are still elements that do not. Finally, in respect of the Ulster Political Research Group funding, there was a trial period which showed that its leaderships were delivering on what had been promised. That is why we extended it. It is part of the transformation that we seek and have successfully delivered in Northern Ireland in the recent period.

Mr. Nigel Dodds (Belfast, North) (DUP): I welcome the positive aspects of the report that has been published today, which is an indication of the continuing success of the policy advocated for years from these Benches—that there had to be delivery from the republican movement and others before they could in any shape or form be considered fit for government. Does the Secretary of State accept that there can be no room whatsoever for the continued existence of any paramilitary structures, either loyalist or republican, in Northern Ireland, and that it is imperative that every move is made to ensure that all the remnants of paramilitarism and terrorism are removed from society? Can the right hon. Gentleman give an assurance that no policy in the Northern Ireland Office, no programme or strategy will be used during the period of devolution that will promote the continued existence of any paramilitary organisation?

Several hon. Members *rose—*

Mr. Speaker: Order. Once again, may I say that the supplementaries are getting very long?

Mr. Hain: I can give the hon. Member for Belfast, North (Mr. Dodds) an absolute assurance that from a Northern Ireland Office point of view—I know that the hon. Gentleman will be a member of the incoming Executive and that the same will be true of the Executive and its funds—that nothing will be directed at supporting any paramilitary structures. I also acknowledge that the firm stance that he and his colleagues have taken on the matter have helped, along with other factors, to move the situation in such a dramatic way as has occurred over the recent period. I welcome what he said.

Mr. Laurence Robertson (Tewkesbury) (Con): The Secretary of State has rightly drawn attention to the fact that there remains a threat from loyalist paramilitaries and dissident republican paramilitaries. There is also a problem with existing criminality. Is he not therefore a little concerned that the police could be diverting very important and scarce resources to historical inquiries? Has he discussed that situation with the Chief Constable, and what was the outcome of such discussions?

Mr. Hain: As the hon. Gentleman knows, there is an historical inquiries team which was quite properly set up by my predecessor and provided with funds. As I mentioned to the Northern Ireland Affairs Committee last week, the Chief Constable says that about 40 per cent. of his time is now spent on the past, including assisting with the inquiries that have been set up into Bloody Sunday, Hamill, Nelson, Wright and so on. That is a disproportionate demand on him. We should be working towards a situation whereby he is able to concentrate on the here and now and the future rather than being completely dragged back into the past. We need to continue to monitor that very closely.

Assets Recovery Agency

3. **Mr. Philip Dunne** (Ludlow) (Con): If he will make a statement on the performance of the Assets Recovery Agency in Northern Ireland. [132684]

The Parliamentary Under-Secretary of State for Northern Ireland (Paul Goggins): The Assets Recovery Agency plays a key role in the fight against organised crime in Northern Ireland and has an excellent record, exceeding its targets for freezing and restraining assets in each of the past three years.

Mr. Dunne: As the Minister says, the Assets Recovery Agency has a good track record in Northern Ireland in disrupting serious criminal groups and recovering or freezing their assets, in contrast to its rather less impressive performance on the mainland. Why, then, does he propose putting its success at risk by merging it with the Serious Organised Crime Agency, which is untried in this area in Northern Ireland?

Paul Goggins: The decision to merge SOCA and the Assets Recovery Agency is not my decision to take: it is a decision for the Home Secretary, although one that I fully endorse. As effective as the agency has been, we believe that combining its track record and powers on the civil recovery of criminal assets with SOCA's capacity to undertake criminal investigations and gather intelligence will give us an even more effective law enforcement agency.

Andrew Mackinlay (Thurrock) (Lab): But is the Minister unconscious of the concern rightly or wrongly expressed by some people that the abandonment of the Assets Recovery Agency in Northern Ireland is part of a pay-off—an unspoken deal? That notion is being canvassed around Northern Ireland. Is there not a case for matching as regards the comparable agency in the Republic of Ireland? If we are going to have different arrangements in England, Wales and Scotland, surely the Assets Recovery Agency should stay in Northern Ireland doing its work as a self-standing statutory agency.

Paul Goggins: Let me say to my hon. Friend, who takes these issues very seriously, that we are not abandoning the Assets Recovery Agency in Northern Ireland. The agency will be merged with SOCA to create an even more effective law enforcement agency. I can say to him absolutely categorically that the decision to merge was not part of any political deal or fix with any party in Northern Ireland. He makes a strong case for close collaboration with the Criminal Assets Bureau in Dublin. That collaboration is in place, and effective working across the border will be a key element of assets recovery work in the years to come.

Lady Hermon (North Down) (UUP): Will the Minister give an absolute assurance that the transitional costs of merging SOCA with the Assets Recovery Agency will be taken as additional funding from the Home Office rather than out of the budgets of the agency and SOCA, because those budgets should be used to fight crime, not to cover this merger?

Paul Goggins: All the costs related to the merger of the two agencies will be borne by the Home Office, which is the parent Department for the new agency. My right hon. Friend the Secretary of State has received a categorical assurance from the Home Secretary that the level of resources committed to assets recovery work in Northern Ireland will remain at least at the level that we have at the moment. I take great encouragement from that. The message is very clear that assets recovery work, and indeed the whole fight against organised crime, will continue as never before in Northern Ireland, and rightly so.

Dr. William McCrea (South Antrim) (DUP): As the merger between the Assets Recovery Agency and the Serious Organised Crime Agency progresses, will the Under-Secretary assure the House that the battle against organised crime and to remove the illicit assets of criminals and terrorists will not be undermined? What progress has been made on recovering the Provisional IRA's £26 million, which it stole in the Northern bank robbery?

Paul Goggins: Any assets that have been gained through criminal activity are a target for the Assets Recovery Agency and the new merged agency when it comes into operation. Let me say categorically to the hon. Gentleman that the work of the Assets Recovery Agency has continued apace, even since the announcement that was made a short time ago. Indeed, since then, the agency has

frozen and restrained nearly £10 million of criminal assets. That is important. Wherever assets have been gained and whoever has gained them are a target for law enforcement in Northern Ireland. That work will continue.

Mr. David Lidington (Aylesbury) (Con): The Under-Secretary knows that there are genuine fears among the police in Northern Ireland that a consequence of the merger could be that the new combined agency's priorities will be set to raise the greatest amount of revenue on a UK-wide basis rather than in terms of how best to disrupt organised criminal activity. Will he match his assurance about resources with a clear assurance that, in future, assets recovery work and priorities in Northern Ireland will be determined by Northern Ireland's need to disrupt the evil work of organised criminal gangs?

Paul Goggins: I can give the hon. Gentleman the assurances that he seeks. Indeed, anything less would not be good enough. I confirm to him and the House that the Home Secretary has agreed that a designated official will be in charge of assets recovery in Northern Ireland. That will be a senior figure in the new agency. No monetary threshold, as exists elsewhere in the UK, will operate in Northern Ireland. That means that we can go for Mr. Small as well as Mr. Big—that is important. We will have our own strategy and targets in Northern Ireland, which will reflect the needs of Northern Ireland.

Mr. Lidington: I welcome that answer. May I press the Under-Secretary further? Does he agree that it would be a good idea and make for an even more effective assets recovery operation in Northern Ireland if the ARA or SOCA in future had the additional powers that the Criminal Assets Bureau in the Republic of Ireland already enjoys?

Paul Goggins: We continue to examine the powers that are necessary. Indeed, there have been reviews and increases in powers for agencies not only in Northern Ireland but throughout the United Kingdom. Several hon. Members of all parties have raised the matter to which the hon. Gentleman referred. There is a difficulty with the transfer of information from Revenue and Customs in the United Kingdom to the Criminal Assets Bureau in Dublin. We are trying to remove that obstacle at the earliest opportunity. I hope that he and others will be encouraged by that.

Maze (Sports Stadium)

4. **Kate Hoey** (Vauxhall) (Lab): What the costs have been to date of work towards the proposed stadium at the Maze, including consultants' fees. [132685]

The Minister of State, Northern Ireland Office (Mr. David Hanson): To date, the Government have paid out £1,148,343.71 on work directly related to the proposed multi-sports stadium on the site of the former Maze/Long Kesh prison. The figure includes consultancy fees.

Kate Hoey: I thank the Minister for that slightly strange answer. There is genuine concern, among not only football supporters in Northern Ireland but the wider community, about the handling of the Maze project and the lack of transparency and accountability. Does he welcome the fact that the new Administration starting on 8 May will be able to consider the whole project again and ensure that all the sports organisations and all the people of Northern Ireland know its true cost? Will the question of whether the stadium should be in Belfast be properly studied?

Mr. Hanson: I have to take issue with my hon. Friend on those points. The Maze panel is constituted from members of all the political parties in Northern Ireland. It has been supported and it has helped develop the project to date. The incoming Administration, with Member of the Legislative Assembly Edwin Poots as the Minister responsible for the project, will have an opportunity to review the matter in due course. However, my hon. Friend knows that we have considered stadium sites in Belfast and ruled them out on the grounds of cost and efficiency. We have the support of all three sports, all four parties and many people in Northern Ireland to develop the site for not only the sports stadium at the Maze but the economic and social well-being of Northern Ireland, especially Lisburn.

Mr. John Gregson (Selby) (Lab): Given that my right hon. Friend the Secretary of State recently praised the advantages of a city centre stadium in Cardiff compared with out-of-town and suburban stadiums in generating atmosphere and a sense of occasion, does my hon. Friend think that any lessons can be drawn for the correct siting of the stadium in Northern Ireland?

Mr. Hanson: My right hon. Friend the Secretary of State is correct: Cardiff's millennium stadium is the best site for Cardiff and Wales. We have examined the opportunities offered by sites in Belfast at the Titanic quarter and the north foreshore, and both proved unsuitable. The three sports, the four political parties on the Maze panel and many others, including the Royal Ulster Agricultural Society, wish to see the development of the Maze site. That is rightly a matter for the incoming Assembly, and I hope that it examines it. I hope that, as our team has done, it will conclude that the Maze is the best site for the stadium and the development generally.

Civil Service

6. **Mr. Gregory Campbell** (East Londonderry) (DUP): What progress is being made in ensuring that applications for the general service grades of the civil service in Northern Ireland are broadly reflective of the wider community. [132687]

The Minister of State, Northern Ireland Office (Mr. David Hanson): Good progress has been made towards fair Catholic and female participation at senior levels in the Northern Ireland civil service. There is, however, still a need to increase the proportions of applications from Protestant males in particular for administrative and junior management positions.

Mr. Campbell: I thank the Minister for that reply, and for the reference that I did not ask for in my question. He will be aware that the Protestant

community continues to be under-represented in the general service grades, in the civil service as a whole, in the Child Support Agency and in the Northern Ireland Housing Executive. What additional steps can be taken, because those already taken are clearly not working?

Mr. Hanson: As the hon. Gentleman will know, the matter will fall to the incoming Executive shortly, and I hope that it will consider plans. We are trying to ensure fair representation. There is no discrimination in the recruitment process, but there is under-application from the Protestant community for some of the lower-grade positions in the Northern Ireland civil service. We want to see more encouragement, and I would like to work with the incoming Executive to achieve that. Many strategies can be used, including advertising jobs and encouraging people to apply, but, currently, those applications are not forthcoming.

Lembit Öpik (Montgomeryshire) (LD): Why on earth have the Government introduced positive discrimination for civil servants in the police—community support officers—when there is obviously no anti-Catholic bias in that regard, as there have been no CSOs to date? How can anyone believe that the Government will abandon their discriminatory 50:50 policy in the future, given that the only discrimination has been by the Government?

Mr. Hanson: The hon. Gentleman will know that, historically, the Catholic population has been under-represented in the Police Service of Northern Ireland. For that reason, my right hon. Friends the current and previous Secretaries of State have secured support for the Patten recommendations, which are working at the moment. Additional recruits from the Catholic community have increased its representation in the police from 8.3 per cent in 1998 to 21 per cent. in 2005. Recently, we have reinforced the provisions, allowing them to be renewed for a further three years. My hon. Friends have reviewed the matter on several occasions, and we will continue to monitor it. We need to ensure, however, that we get more Catholics into the police force.

Alley-gating Scheme

7. **John Robertson** (Glasgow, North-West) (Lab): What additional funding he plans to make available to make the alley-gating scheme operational across all areas of Northern Ireland. [132688]

The Minister of State, Northern Ireland Office (Mr. David Hanson): The Government are supportive of the development of alley-gates, and once evaluation of the current pilot is complete, I will examine the outcome.

John Robertson: I am sure that my hon. Friend will join me in congratulating all those connected with alley-gates. Currently, the results are favourable. Other than commenting on the money needed to roll out the scheme, will he say when he expects to get the final results of the pilot, and when he expects to be able to roll out the project to the rest of the region?

Mr. Hanson: I thank my hon. Friend for his support of the alley-gating scheme. An evaluation has been undertaken, and the Government have contributed more than £500,000 towards the implementation of 180 new alley-gates across alleys in Northern Ireland. Those have had a positive effect on crime prevention, and, in conjunction with the Executive, we will examine how to take the scheme forward in due course. The evaluation will report in the summer, and I am confident that it will show great success for the alley-gating scheme in reducing both crime and, more significantly, fear of crime. I hope that we will look positively at developing the scheme once the evaluation is complete.

Departmental Budgets (Unfunded Liabilities)

8. **Mr. Eddie McGrady** (South Down) (SDLP): What estimate he has made of the unfunded liabilities in Northern Ireland departments' budgets. [132689]

The Minister of State, Northern Ireland Office (Mr. David Hanson): Following restoration, decisions on the Northern Ireland budget will be for the Executive to make. Clearly established mechanisms such as the end year flexibility mechanism and the in-year monitoring process will enable them to deal with any emerging issues in the forthcoming budget.

Mr. McGrady: On 11 April the Minister said that there were "emerging financial pressures" in respect of the reform programme, including the review of public administration, rates and water charges. On 23 March, all the parties in Northern Ireland were informed that there were no unfunded liabilities. Will the Minister tell us which is correct, what is the quantum of the deficits, and what will be the impact on the Northern Ireland budget and the Chancellor's package for Northern Ireland?

Mr. Hanson: There are certainly unfunded liabilities for the future, as is always the case in any budget circumstance. The incoming Executive and the incoming Finance Minister, the hon. Member for Belfast, East (Mr. Robinson), will have an opportunity to examine the position in-year. I can tell my hon. Friend, however, that thanks to this Labour Government—*[Interruption.]*

Mr. Speaker: Order. There is a great deal of noise in the Chamber. It is unfair to Members who are present for Northern Ireland questions.

Mr. Hanson: Thanks to this Labour Government, expenditure is twice what it was in real terms when the Government came to power in 1997. My right hon. Friend the Chancellor has secured not just a real-terms budget increase for the comprehensive spending review—which will ensure that we spend well over £9 billion a year in Northern Ireland—but an extra £100 million for Northern Ireland, along with a commitment to £1 billion of infrastructure each and every year for the next 10 years. There will be difficulties in connection with, for instance, the RPA, but they can be managed in-house by the Government, and I am sure that the incoming Executive will do a very good job.

Assets Recovery Agency

10. **Mr. Andrew Mackay** (Bracknell) (Con): If he will make a statement on the performance of the Assets Recovery Agency in Northern Ireland. [132692]

The Parliamentary Under-Secretary of State for Northern Ireland (Paul Goggins): I refer the right hon. Gentleman to the answer that I gave earlier to the hon. Member for Ludlow (Mr. Dunne).

Mr. Mackay: Will the Minister guarantee that when the merger is complete, tax fraud will remain within the agency's remit rather than being handed over to the Treasury here in London? The agency will be much better able to deal with it, given the special circumstances in Northern Ireland.

Paul Goggins: When the Assets Recovery Agency and the Serious Organised Crime Agency are merged, both will be the responsibility of the Home Office. However, the right hon. Gentleman has drawn attention to an important aspect of the system, namely the incentivisation scheme whereby any agency that is able to recover assets can keep half of them when they are turned into cash. My right hon. Friend the Home Secretary is examining the scheme to establish whether there are ways in which it can be further enhanced.

Policing

11. **Mr. Greg Hands** (Hammersmith and Fulham) (Con): Whether it is the policy of the Government to distinguish between civic and political policing in Northern Ireland. [132693]

The Parliamentary Under-Secretary of State for Northern Ireland (Paul Goggins): The Government's policy is to deliver effective, impartial and accountable policing, supported by the entire community in Northern Ireland.

Mr. Hands: Does the Secretary of State agree that it is not right for Sinn Fein Assembly Members to make a distinction between civic and political policing, as they appear to be doing?

Paul Goggins: Time is moving on. People may have made that distinction in the past, but it is not being made now. Sinn Fein has made an historic commitment to support policing and the rule of law, it is actively encouraging people from its communities to report criminality to the police, and in the very recent past it has indicated that its members intend to take up their positions on the Policing Board. There is no such distinction in Northern Ireland, nor should there be.

PRIME MINISTER

The Prime Minister was asked—

Engagements

Q1. [133604] **Michael Fabricant** (Lichfield) (Con): If he will list his official engagements for Wednesday 25 April.

The Prime Minister (Mr. Tony Blair): Before I list my engagements, let me say that, sadly, I am sure the whole House will wish once again to join me in sending our profound condolences to the families and friends of Corporal Ben Leaning and Trooper Kristen Turton of The Queen's Royal battlegroup, who were killed in Iraq last Thursday, and Kingsman Alan Jones of the 2nd Battalion The Duke of Lancaster's Regiment, killed in Iraq on Monday. Those young men were brave and committed soldiers; they died in the service of their country, and we owe them a huge debt of gratitude.

This morning I had meetings with ministerial colleagues and others. In addition to my duties in the House, I shall have further such meetings later today.

Michael Fabricant: The whole House will wish to join the Prime Minister in offering condolences to the families of the brave soldiers who lost their lives, and will also be joyful in welcoming back the Staffordshire Regiment, which has just returned from Iraq.

Despite claims that a full consultation is taking place in Staffordshire, Labour-controlled Staffordshire county council has announced the closure of all residential care homes and day centres within the next two years. We recognise that change must come about, but it should be phased in over time. Many elderly people are worried about their future and have no relatives to look after them. What can the Prime Minister do to ensure that, in Staffordshire at least, this change is phased in gradually over time?

The Prime Minister: I know that the hon. Gentleman is aware that there have been meetings between my hon. Friend the care services Minister and local Members of Parliament, and I am happy to facilitate a similar meeting between the Minister and the hon. Gentleman. In fairness to Staffordshire council, it does understand that this has to be done in a planned and careful way. As I understand it, what it is trying to do is move from the current situation whereby it has responsibility for about 4,000 people, of whom about 10 per cent. are in its residential care homes. It wants to move those people into the independent sector and to improve community services, and it is willing to invest an extra £19 million to do that. It is important that the consultation is undertaken properly, and it has listened carefully to the representations that have been made. As the hon. Gentleman implied in his question, it also believes that it is right to make these changes in the interests of elderly people and those in residential care homes, but, of course, that must be done with a great deal of care.

Q2. [133605] **Dr. Phyllis Starkey** (Milton Keynes, South-West) (Lab): At the weekend, I met a group of my constituents whose lives have been made a misery over a long period by the antisocial behaviour of two neighbouring families. Will the Prime Minister outline the range of powers that are available to local councils to deal with such issues, and can he give any explanation of why Milton Keynes council seems to be so disinclined to take effective action in this case and in other similar cases? Could that be because it is Liberal Democrat controlled?

The Prime Minister: Yes, a full range of powers is now available under antisocial behaviour laws. The powers range from antisocial behaviour orders to

dispersal orders, and to, for example, evicting people who are using homes for dealing drugs. They are important powers and where they are being used by local councils and the local police they are making a real difference to people's lives. The Liberal Democrats voted against those powers—quite wrongly, because they help people—and it appears that even the leader of the Conservative party called them short-term and costly, bureaucratic and counter-productive. They are not counter-productive for families in communities who desperately need that help. The powers are necessary in order to make life workable for the vast majority of people in all communities who live in a law-abiding way.

Mr. David Cameron (Witney) (Con): I join the Prime Minister in sending condolences to the friends and families of Ben Leaning, Kristen Turton and Alan Jones, who have been killed in Iraq in the past week. We all pay tribute to their memory.

Last night, Peter Clarke, one of the most senior officers in the Metropolitan police, spoke about leaks of anti-terrorism operations to the press. In his words, the people who do this

"to squeeze out short-term presentational advantage ... compromise investigations ... put lives at risk"

and "are beneath contempt". He referred specifically to the recent investigations in Birmingham, where the press seemed to know about the arrests almost before they took place. Does the Prime Minister share both Mr. Clarke's analysis and his concerns?

The Prime Minister: I share his analysis entirely, and let me say that I completely deprecate any leaks of sensitive information that can impede terrorist investigations, which are immensely important in protecting this country's security. I understand that Peter Clarke has said today that he is not making any allegations in respect of anybody. However, what he is saying is that there can never be any justification for doing this, and I entirely agree.

Mr. Cameron: Both the shadow Home Secretary and the shadow Attorney-General have been pressing this issue for some time, and Mr. Clarke's remarks today show that their concerns were well-founded. Can the Prime Minister give a guarantee that leaks about the operation in Birmingham did not come from any Minister, civil servant or special adviser?

The Prime Minister: The only guarantee that I can give is that as far as I am aware, they did not, but let me make it absolutely clear that I completely condemn any leaks of sensitive information from whatever quarter. However, I do not think it right to leave an allegation suggesting that there may be a Minister who has done this, unless the right hon. Gentleman has actual evidence that that is so. I would have thought that everyone should understand that, particularly when the police are conducting very sensitive operations and there is the potential for significant loss of life, it is incredibly important that that information be kept confidential and tight, and as far as I am aware, that is the case.

Mr. Cameron: As the Prime Minister says, this is a very serious issue, so will he confirm that a full-scale leak inquiry is under way?

The Prime Minister: I am not going to confirm that. However, if there is any evidence at all that people have been engaged deliberately in leaking information of this sort, I can assure the right hon. Gentleman that I will take the strongest possible action in respect of whomsoever it may be.

Mr. Cameron: The Prime Minister says that he is pretty certain that it is not a Minister or a special adviser, but if he has not had a leak inquiry, how on earth can he know? I am sure that the Prime Minister understands the damage that the culture of leak and spin has done to his Government, and when it comes to national security, this can actually cost lives. So will he today—today—confirm that he will establish an independent leak inquiry led by a senior and independent figure: yes or no?

The Prime Minister: No, I will not confirm that, and for this very simple reason. If the right hon. Gentleman has evidence that someone has been involved in such a thing, I will of course have it properly investigated, but I am not going to have a situation in which he simply makes this allegation and leaves it hanging there, without any evidence to back it up whatever. If I were being unkind, I would call that a smear.

Rosie Cooper (West Lancashire) (Lab): The Prime Minister is committed to an NHS that delivers the right care to patients at the right time and in the right place. Will he show his commitment to the carrying out of a feasibility study regarding the establishment of an urgent care centre on the Ormskirk site of Southport and Ormskirk hospital? That would be much appreciated by those of my constituents who have campaigned long and hard for the return of such a service.

The Prime Minister: As my hon. Friend knows, this is a matter for local primary care services and the local primary care trust to determine, but I understand that a full assessment is being made of the advantages of having a primary care assessment centre at Ormskirk. The importance of such centres is that they are part of bringing care closer to the community, of reducing some of the pressure on local hospitals, and of the different way in which we are delivering health care services in today's world. As my hon. Friend also knows, there has been a dramatic fall in waiting times and lists in her area, along with the improved treatment of cancer and heart disease. It is important that we have primary care facilities that are appropriate for the type of care available in the 21st century. So I am pleased that this assessment is being made, and I wish it well.

Sir Menzies Campbell (North-East Fife) (LD): I join the Prime Minister in his expressions, yet again, of sympathy and condolence.

Does the right hon. Gentleman believe that Members of Parliament should be exempt from freedom of information legislation? Why should there be one law for MPs and a different law for everyone else?

The Prime Minister: I think that this is a matter for the House, which can make its view known about it. Since the Bill in question is a private Member's Bill that is before the House, it would obviously not be appropriate for the Government to make a commitment one way or another.

Sir Menzies Campbell: Does the Prime Minister not understand that the failure of the Government to oppose this Bill, which emanates from a former Conservative Chief Whip, undermines their own legislation and simply persuades people outside here that Parliament has something to hide? Does the Prime Minister support this shoddy Bill: yes or no?

The Prime Minister: I am not going to express a view on this, but I will point out that in this House and elsewhere, we have one of the most transparent systems anywhere in the world. Occasionally, Members of Parliament should stand up for the public service that they give and do. *[Interruption.]* Well, I happen to think that the majority of Members of Parliament in this House—from whatever political party—do a good public service job in the interests of their constituents, and against the background of a more transparent system than most countries in the world have.

Q3. [133606] **Mrs. Louise Ellman** (Liverpool, Riverside) (Lab/Co-op): Does the Prime Minister agree that the re-opening of St. George's hall by Prince Charles, the halving of unemployment and the 40 per cent. increase in Government funding for education in Liverpool show the Government's commitment to the people of the city? As the people of Liverpool go to the polls, will my right hon. Friend suggest what additional support the Government could give to ensure that the city's growing success is shared by all its citizens?

The Prime Minister: The story of the renaissance of Liverpool, including regeneration, the new proposals for schooling, which have increased results fantastically, and the fact that it will be the European capital of culture next year indicate that the Government's huge and strong support for the city has yielded real benefits to the people over the past few years. The best thing that they could do is to vote Labour in the local elections.

Mr. David Cameron (Witney) (Con): I wish to return to the subject of the 125,000 people who lost their occupational pensions when their pension schemes collapsed. In the last week, the Minister for Pensions Reform has said explicitly that all those covered by the financial assistance scheme will get 80 per cent. of their pension. Vitally, he said that that 80 per cent. level of support will be from the taxpayer and will not depend on unclaimed assets. Of course, we would like 90 per cent. to be paid.

Given that thousands of those affected have already reached retirement age and are not getting the 80 per cent., will the Prime Minister look again at the issue of a Treasury loan so that he can start to make those payments straight away?

The Prime Minister: Let us nail down the issue of 80 per cent., 90 per cent. or 100 per cent. I am sure that we would all like to give everyone 100 per cent. of what they want all the time, but it has to be paid for. Even with a payment of £8 billion, we can only afford as much as 80 per cent. We are prepared to look at any measures, and we have looked at the Treasury loan idea. Having looked at it, we do not think that it is a suitable or correct way to try to provide that help. In the end, it all has to be paid back. It is like the right hon. Gentleman's policy on unclaimed assets. We are happy to look at the issue and in the next few months we will report on it, but I cannot make promises to people on the basis of some unspecified Treasury loan that would have to be paid back or the idea that there is a pot of gold lying about in bank accounts, building society accounts or pension fund accounts that we can lift up and give to people. Life does not work like that.

Mr. Cameron: I do not think that the Prime Minister understands the point. Many of those people have reached retirement age. Some of them, such as my constituent John Brookes—who is 67, has leukaemia and paid into a company pension scheme for 40 years—are desperately in need of the money. Given that the Government have said that he will get 80 per cent. of his money anyway, why not use a Treasury loan and start the payments now?

The Prime Minister: That would have a financial consequence, which we would have to meet. I am totally sympathetic to the right hon. Gentleman's constituent and to others, and it is only under this Government that any help has been available to people in those circumstances. I am happy to correspond with the right hon. Gentleman about the problems with the Treasury loan idea. What I will not do is say to his constituent or any others that I will promise something unless I am sure that we can actually deliver it within the financial means that the Government have.

Mr. Andy Slaughter (Ealing, Acton and Shepherd's Bush) (Lab): Will my right hon. Friend join me in condemning the cuts to the voluntary sector by Tory-run Hammersmith and Fulham council? Our local law centre has been cut by 60 per cent. and organisations helping refugees, the homeless and the unemployed have been cut by 100 per cent. I thought that the Tories claimed to support the voluntary sector: can he explain what is going on?

The Prime Minister: What is happening is a metaphor for what would happen with a Conservative Government. Having said that they would support the maintenance of services, the Tories have instituted some £34 million of cuts in those services, which are having a damaging effect on some of the most vulnerable people in my hon. Friend's constituency. People should understand that when they come to vote on 3 May.

Q4. [133607] **Mr. David Evennett** (Bexleyheath and Crayford) (Con): Why is it that my constituents in the London borough of Bexley face cuts and the downgrading of NHS services of locally? Who does the

Prime Minister think is responsible for that, and perhaps he will give an answer for which we would be grateful?

The Prime Minister: I do not believe that in the hon. Gentleman's area health services are being degraded or downgraded. In fact, in the strategic health authority that covers his area there has been an investment of about £1.7 billion; there have been 27 LIFT—local improvement finance trust—schemes for primary care premises; there are about 16,000 more nurses and 2,500 more consultants. It is true—and I understand the problem in his area—that people are changing the way in which services are delivered, but that is for a very good reason that affects many constituencies, and I truly believe that the Conservative party has taken the wrong position. The reason services are being changed and reconfigured is that they are becoming more and more specialised, and it helps patients if they can gain access to more specialist services. That is not being driven by cost-cutting, because the NHS is receiving billions of pounds more. It is being driven by the fact that we have a changing health care system in a changing world.

John Mann (Bassetlaw) (Lab): In a most excellent report published today, Lord Lofthouse highlights the scandal of overpaid solicitors double-charging miners. Will the Prime Minister get the Department of Trade and Industry to write to every miner and miner's widow who has put in a claim to highlight both the scheme's success in paying out compensation and the way in which people can make a complaint to the Law Society if they have been doubled-charged by their solicitor?

The Prime Minister: I entirely understand the point that my hon. Friend makes. Lord Lofthouse's report is obviously very important, and I will certainly ask the DTI to look into his suggestion about how that is taken forward. As a result of the action that has already been taken, about £100 million of fees have been taken back from law firms. However, I would like to emphasise one thing: as a result of the measures that we have taken, we have paid out over £3 billion in miners' compensation. I believe that for those who used to work down the mines and for mining communities that is something that would only ever have happened under a Labour Government.

Q5. [133608] **Mark Hunter** (Cheadle) (LD): In 1999, the Prime Minister made a personal pledge that within two years everybody would have access to an NHS dentist, regardless of where they lived. Eight years later, according to the British Dental Association, less than 50 per cent. of the adult population of this country is registered with an NHS dentist. In my own constituency, no dentists are currently taking on NHS patients. When does he expect that promise to be fulfilled?

The Prime Minister: It is, and has been, a real problem, and I entirely accept that. The reason is very simple: even though we have increased the number of NHS dentists, we cannot stop dentists going outside the NHS if they wish to do so. They are entitled to do so, and despite the fact that we are paying dentists far more and hiring far more of them in the NHS, we have not been able to fulfil that pledge. The majority of people can access an NHS dentist in their area if they want to do so, but the figure is not 100 per cent.—I accept that. Ultimately, that will be dealt with only by increasing still further the number of NHS dentists, and that is what we intend to do.

Emily Thornberry (Islington, South and Finsbury) (Lab): Does my right hon. Friend agree that the recently published crime statistics for London are thanks, at least in part, to the commitment that the Mayor of London has shown to safer neighbourhood teams? Does he agree, too, that local authorities have a part to play in fighting crime, but that it has hardly been played well by my local Liberal council in Islington, which, despite its recently trumpeted installation of CCTV cameras, has installed fewer cameras in the whole borough than Ken Livingstone has installed at Angel tube station?

The Prime Minister: I pay tribute to the work of the police, the Mayor of London and the local authorities that have used the powers and resources available to them. The other thing to which my hon. Friend is absolutely right to draw attention is the fact that crime in London, particularly violent crime, has fallen significantly. That is extremely important, but she is right, too, in saying that a major reason for that is the neighbourhood policing teams and antisocial behaviour and other laws that the Government have introduced.

Q6. [133609] **Mr. Adrian Sanders** (Torbay) (LD): Will the Prime Minister have a word with his further education Minister and Minister with responsibility for regeneration and European funding to ask them to block a potential £20 million of taxpayers' money being used to relocate Dartington college from one part of the south-west region to another? That would have a devastating impact on the south Devon economy.

The Prime Minister: I am perfectly happy to look into the matter, but I shall have to correspond with the hon. Gentleman about it as I do not know the details.

Meg Hillier (Hackney, South and Shoreditch) (Lab/Co-op): I was delighted to hear from my right hon. Friends the Secretaries of State for Education and Skills and for Environment, Food and Rural Affairs that a video of Al Gore's film will be released to all secondary schools. However, will my right hon. Friend join me in condemning the local Conservative councillor who has taken the Government to judicial review over the decision?

The Prime Minister: I am sure that the right hon. Member for Witney (Mr. Cameron) can have a word with his local councillor and bring him into line, although I wish him better luck than most party leaders on that score. However, I think that it is a very important film, and I am sure that schools will enjoy seeing it. It is both entertaining and highly informative, and it deals with one of the most important issues in our politics today.

Q7. [133610] **Mr. John Randall** (Uxbridge) (Con): I am sure that the Prime Minister will agree with me and all members of this House about the need for conservation in the marine environment. The Government have published their White Paper, but, if the Prime Minister wants a legacy, does he think that it would be a good idea to give a firm commitment to introducing a marine Bill? Otherwise, could he leave a note for his successor?

The Prime Minister: As I recall, introducing a marine Bill was part of our manifesto so, given that the Parliament has not finished, we will no doubt proceed with it.

Mark Lazarowicz (Edinburgh, North and Leith) (Lab/Co-op): On the theme of the marine environment, my right hon. Friend will be aware that hundreds of millions of gallons of raw sewage were discharged into the Firth of Forth last weekend from a plant operated for Scottish Water by the privatised water company, Thames Water. Initial investigations have raised real concerns about the stand-by procedures and contingency plans at that plant. Will he ensure that Ministers work closely with the Scottish Executive to ensure that such procedural failures cannot be repeated elsewhere in the UK? In that way, we can ensure that no other community is damaged in the way that Edinburgh and the communities around the Firth of Forth have been damaged by that incident.

The Prime Minister: I entirely support the First Minister's decision to hold a proper inquiry into the incident. I am sure that we will learn the lessons for Scotland and the UK as a whole.

Q8: [133611] **Mr. Nigel Waterson** (Eastbourne) (Con): With barely two weeks to go before the Prime Minister announces the timetable for his departure, will he share with the House what his greatest regret will be when he leaves No. 10 Downing street?

The Prime Minister: Having defeated the Conservative party three times at successive general elections, I think that it is probably the hon. Gentleman who should be expressing his greatest regret, not me.

Q9. [133612] **Mr. Andrew Love** (Edmonton) (Lab/Co-op): A year ago, a brand new £7 million health centre opened in my constituency, and that was followed last month by the opening of a second health service facility. Together, they are transforming the primary care and community services available to my constituents. Inevitably, however, what my constituents want from the NHS is the £110 million redevelopment of North Middlesex Hospital, which serves some of the most deprived communities in the country. We are nearly there, and the redevelopment is almost complete. Will my right hon. Friend do what he can to assist with the project, so that we can start the new build in June this year?

The Prime Minister: I can tell my hon. Friend that, as a result of the decision taken in February, the project to which he refers will proceed, subject to a number of conditions being met. I hope that a full and proper announcement about that project will be made shortly, but it is only one of a scheme of changes that are being made across the country. Investment in that project amounts to £111 million, and the new wards will provide 150 in-patient beds. The development will house a diagnostic and treatment centre, an emergency care centre and an acute critical care centre. My hon. Friend is right to say that it is part of the changing pattern of health care. In 1997, the clear majority of NHS buildings were erected before the service came into existence, but that figure is now down to 25 per cent. That is the scale of the capital investment in the NHS that this Government have made.

Mr. Michael Howard (Folkestone and Hythe) (Con): Will the Prime Minister think again about his ill-considered plan to break up the Home Office, which has attracted such widespread criticism? Just for a moment or two, will he cast his mind back to those halcyon days when he was shadow Home Secretary, when of course the Department had a much wider remit than it does today? Does he share my recollection that at that time both he and the Home Secretary of the day were able to discharge their respective responsibilities perfectly competently and without any undue difficulty?

The Prime Minister: That is not exactly my recollection, actually. I recall that when we came into power, after the right hon. and learned Gentleman had been Home Secretary, the average time that an asylum claim took was 20 months and the backlog was 60,000. There had been a number of category A prison escapes. Although not under him, to be fair, but under the Conservative Government, crime had doubled, so I think that I prefer our experience to his.

Q10. [133613] **Fiona Mactaggart** (Slough) (Lab): The Prime Minister will recall that DAC Peter Clarke's speech included a reference to the leaks leading to a damaging lack of trust in intelligence. What impact does he think the unfounded allegation made by the right hon. Member for Witney (Mr. Cameron)—that they might be the responsibility of Ministers or civil servants—will have on trust in intelligence?

The Prime Minister: My hon. Friend makes a very fair point. If people have evidence, they should produce it; otherwise they should not make the allegation.

Q11. [133615] **David Simpson** (Upper Bann) (DUP): Over recent years, there has been a decline in the health service throughout the United Kingdom and the closure of schools, yet we see in the press today that the Government plan to spend £30 million to open an academy to teach parents to sing nursery rhymes to their children. How can the Government justify that?

The Prime Minister: At this moment in time I am loth to disagree with anything that anyone from the hon. Gentleman's political party says. However, I cannot agree that we have cut spending on the health service or schools. I do not know the precise facts in respect of Northern Ireland, but the investment that has gone into health and education throughout the UK has been enormous. I gave a statistic about the health service a moment or two ago. More new schools have been built in this country in the past five years than were built in the previous 25. I do not know about the £30 million investment in nursery rhymes—that strikes

me as not very likely—but I assure the hon. Gentleman that we are making a huge investment in public services.

Q12. [133616] **Kerry McCarthy** (Bristol, East) (Lab): Will the Prime Minister join me in congratulating Avon and Somerset police on making full use of the powers given to them under antisocial behaviour legislation to close 56 crack dens, which is more than have been closed anywhere in the country outside London? Does he share my astonishment that the local council is claiming credit for this, given that its controlling party voted against the legislation that made that possible?

The Prime Minister: That is a fair point. My hon. Friend talks about the record on closing crack houses. When we introduced the power, the Conservative party told us that it was a gimmick, while the Lib Dems opposed it and said that it represented an interference in people's civil liberties. It allows local authorities to evict people from a house—

Mr. David Heath (Somerton and Frome) (LD): How come so many Labour MPs have Lib Dem councils?

The Prime Minister: The hon. Gentleman voted against these powers, did he not? He should be getting Liberal Democrat councils to stand up and thank the Labour Government for introducing the powers. When we next bring forward a new batch of powers, he should be voting for them, not against them.

Sarah Teather (Brent, East) (LD): My constituent, Jamil el-Banna, has been held in Guantanamo Bay for more than four years without charge, without trial and without hope. The British Government claim that they cannot intervene on behalf of a non-British citizen because they have no consular locus. Does not the return of Bisher al-Rawi entirely undermine that position?

The Prime Minister: No, I do not agree. It is important that we do not take on responsibility for people in those circumstances who are not British citizens. Although we have made clear our desire to see Guantanamo close and to make sure that the people there are subject to a proper trial, it is also always important to remember that there have been real issues about them and their conduct over a period of time. The hon. Lady should remember that this arose from 11 September and Afghanistan, so I am afraid that I cannot give her the assurance she wants.

Point of Order

12.30 pm

Mrs. Betty Williams (Conwy) (Lab): On a point of order, Mr. Speaker. Today in the *Daily Post*, a newspaper covering parts of north Wales, Liverpool and north-west England, a full-page campaigning advertisement for a Member of Parliament for the Welsh nationalists appeared, covering an array—

Mr. Speaker: Order. May I interrupt the hon. Lady? Has she made it known to the Member concerned that she is raising this matter today?

Mrs. Williams: It is a general point; I was not intending to name the Member, Mr. Speaker.

Mr. Speaker: If the hon. Lady intends to name a Member from another party—

Mrs. Williams: I am not.

Mr. Speaker: The hon. Lady has already mentioned the Welsh National party. She clearly stated that she was raising a matter about something that was done by another party, so it would better if she wrote to me, and I will look into the matter.

Drugs (Reclassification and Roadside Testing)

12.31 pm

Mr. Christopher Chope (Christchurch) (Con): I beg to move,

That leave be given to bring in a Bill to provide for the reclassification of cannabis; to make provision for the roadside testing of illegal drugs; and for connected purposes.

The Bill is supported by parents, teachers, chief police officers, the Magistrates Association, road safety campaigners, academics, health professionals, newspapers, journalists and the Conservative party. All it needs is for the Government and the Liberal Democrats to come into line.

The first aim of the Bill is to reclassify cannabis as a class B drug, as it always was before the Government's decision to downgrade the classification in 2001. Who can be in any doubt that cannabis wrecks lives? After 10 years of Labour Government, more lives than ever, particularly those of children and young people, are being wrecked by cannabis. As *The Independent on Sunday* said on 18 March:

"Teenage schizophrenia is the issue."

We already know that 10 per cent. of all those with schizophrenia in the United Kingdom would not have developed the illness if they had not smoked cannabis—that is 25,000 individuals whose lives have been ruined by cannabis, not to mention their families, friends and loved ones, as well as the victims of the crime that so often follows cannabis abuse.

The Government have been pandering to the misconception that cannabis is a harmless, soft, recreational substance. Even the Secretary of State for Health, when admitting this week that she had used cannabis, showed no remorse and seemed to deny that cannabis caused health problems among the general population. In that case, why does the Information Centre for Health and Social Care report that 38,364 admissions to NHS hospitals last year were related to drug taking? Under the Government, there has been a threefold increase in that number over the past 10 years.

The Government should also learn from a research study published last month by the Society for the Study of Addiction, which shows that it will not be long before 25 per cent. of new cases of schizophrenia are cannabis induced. Most of all, they should listen to Professor Neil McKeganey of the Centre for Drug Misuse Research at Glasgow university, who this week said:

"It is clear that cannabis can both cause health problems and exacerbate them. It is a drug we have seriously underestimated. Its reclassification may have been the single most unwise decision made by this Government"—

and in 10 years, this Government have made a lot of unwise decisions. For a person with the qualifications of Professor Neil McKeganey to make that allegation shows how serious this matter is. It should cause people to stand up and think.

The UK Drug Policy Commission reported this month that

"estimated lifetime prevalence of cannabis use is higher in England and Wales than in any other European country".

[Mr. Christopher Chope]

The United Nations Office on Drugs and Crime world drug report 2006 shows that abuse of cannabis in the UK is five times greater than in Sweden. In Sweden, there is zero tolerance of possession of all drugs and six months' imprisonment is usually the penalty that will follow drugs possession, so is there not a message there? As a result, what do they have in Sweden? They have one fifth of the drug abuse that this country has. That is why a senior police officer in Scotland is encouraging the Scottish Parliament to go down the Swedish route.

The reason why reclassification has been such a disastrous policy is that it has sent out the wrong message to young people, undermining the ability of parents, teachers and the police to intervene to prevent cannabis use. About 79 per cent. of school children believe that cannabis is both harmless and legal—even after the Government's claim that they have invested a lot of money in education programmes. What a pitiful state of affairs!

Last month, a cannabis addict was convicted of murdering, in a drug-induced state, two friends in Twickenham. He was 18 when he committed that murder. He first tried cannabis at the age of 14 and by 15 he was smoking it every day with impunity. Young people in possession of cannabis are now not being arrested or even cautioned. No wonder that this week the NHS information centre reports that more than half of all 15-year-olds have been offered cannabis and that more than one in three 15 and 16-year-olds have used it. We have got a really serious problem here, which has got much worse because of the Government's lax relaxed attitude towards it. My Bill would change the classification back to what it was before, and send out a clear message to young people and others that cannabis is illegal and dangerous.

I shall now deal briefly with the second part of my Bill, which is about roadside drug testing. The Pompidou group in its report on "Road Traffic and Psychoactive Substances" has shown that

> "British drivers are the worst drug driving offenders in Europe".

The latest statistics are that 18 per cent. of driver and rider fatalities on our roads have some form of illegal drug in their system. That is higher than the figure for excess alcohol. The link between cannabis use and dangerous driving is well established, and anyone who has any doubt about that need go no further than to look at the population-based control study of cannabis intoxication carried out in France. That shows that in fatal road crashes in France, 8.8 per cent. of drivers responsible for them proved positive for cannabis. Let nobody think that when we discuss cannabis we are talking about some harmless substance. We are talking about a substance that wrecks lives—not just those of the people who use it, but those of other innocent people as well.

One good way of deterring drug use and ensuring increased safety on our roads would be to introduce "drugalyser" roadside testing. It would work because, fortunately, surveys have been done showing that one in three people who currently drive after taking drugs say that they would be deterred from driving if the police did more checks. So we would immediately have fewer drivers on our roads with drugs in their systems if we had roadside "drugalyser" tests. The system is already in place in many countries in Europe and in Australia. The equipment necessary to carry out the tests is also available and has been used in other European countries and in Australia. That equipment is manufactured and produced in this country, but the Government are stalling on its introduction, thereby demonstrating once again that they are soft on cannabis. The link between cannabis use and bad driving is clear, as is the link between cannabis and mental illness. Why will the Government not do something about it?

This modest Bill should appeal to everyone who is ashamed of the way in which a generation of young people have been betrayed by a soft, ambiguous public policy on drugs. *The Independent on Sunday* has had the guts to admit that it was totally wrong in its assessment of this subject. It is now time for the Government to admit that they were totally wrong. I hope that we will be able to have a Division, because that will demonstrate which Members of the House believe that this is a serious subject that needs to be addressed, and which people in the House feel that this is a matter for complacency, and that we can continue with the present, failed policies.

12.41 pm

Dr. Brian Iddon (Bolton, South-East) (Lab): I want to speak against this attempt to bring in serious measures via a ten-minute Bill. There are issues to be debated—about the connection of cannabis to mental disease and also the effect of cannabis on people's driving ability—but if we are going to change the law, we need a much wider discussion than we can have in the context of a ten-minute Bill. That is the main reason why I am opposing the measure today.

I would like to point out to the hon. Member for Christchurch (Mr. Chope) that the matters that he has put before the House are not quite as straightforward as he has led the House to believe. The reclassification of cannabis was done by the Government on the advice of the Advisory Council on the Misuse of Drugs, chaired by Sir Michael Rawlins. It is a distinguished committee that is quite broad in its outlook. It contains many professional people, who have given the Government advice via the ACMD. There has been an outcry recently from people who want to reclassify cannabis, back from C to B. That reclassification would add to the confusion that already concerns the hon. Gentleman.

The facts are quite clear. Since the reclassification was established, there has been no increase in the misuse of cannabis. If anything, the misuse of cannabis is dipping; it is going down. The reason for that is that the Moroccans have put a lot of effort into stopping their people growing cannabis and we have managed to put a stop to the routes used to smuggle cannabis into Britain. By the way, the cannabis from Morocco contained about 5 per cent. tetrahydrocannabinol. That would not have the effects that the hon. Gentleman has described to the House today. I simply ask him: which cannabis is he talking about? Is he talking about Moroccan cannabis, or the fact that stopping the importation of Moroccan cannabis has led to Vietnamese criminals growing cannabis in this country? Those criminals are growing

skunk and super-skunk, which contains 15 per cent. tetrahydrocannabinol. I repeat: which cannabis is he talking about? It amazes me that in the cannabis debate, we do not distinguish between the different species of cannabis. We talk about cannabis as though it were a single substance, but it clearly is not.

The Science and Technology Committee, of which I am a member, has just carried out a detailed inquiry into the ABC classification of drugs, which is what the hon. Gentleman has been referring to. After taking a lot of evidence—I stress the word "evidence", because our recommendations were evidence-based—we concluded that whether a drug is classed A, B or C has little impact on what people out on the street are doing or thinking, so I do not think that it matters whether cannabis is in class C or class B, when it comes to whether the general public use—or rather, misuse—it. The majority of the general public do not know anything about the classification of drugs.

What is important is the harm that different species of cannabis cause. I think that the usage of cannabis will go down, because young people are learning that if it has high levels of tetrahydrocannabinol in it—the level could be as high as 15 per cent.—it causes mental health problems, but it does that to a small number of people, not to the public in general. There is a lot more research to be done on the subject, and it is far too early to bring such a Bill before the House.

There is another problem with roadside testing. I visited a scientific laboratory run by the Home Office near St. Albans about 18 months ago, and it is doing a considerable amount of work on the impact of drugs on the ability to drive. I point out to the hon. Gentleman that the problem is not just cannabis, but a wide selection of drugs, and it is not just illegal drugs that affect the ability to drive; over-the-counter drugs and prescription drugs do, too, so the matter is complex. It is not easy to test for drugs with what he calls "drugalysers" at the roadside. If he had carried out some research, had talked to the chief scientific adviser at the Home Office, or had visited the laboratory at St. Albans, he would have found that the issue is not as simple as he presents it.

It is too early to introduce drug testing at the roadside. The people to whom we talked at the laboratory run by the Home Office near St. Albans told us that cognitive tests can measure the ability to drive better than any of the instruments currently available, such as the breathalyser, which is used for alcohol testing. Simply testing a person's ability to walk in a straight line or to stand on one leg is far better than some of the instruments currently available. I also point out to the hon. Gentleman that cannabis stays in the blood for up to 30 days, because it is a lipophilic substance absorbed by the fatty tissues of our body. Smoking a spliff will affect the mind for just a few hours, not for 30 days. I put it to him that it would be unfair to criminalise someone, having detected cannabis in them, because they were driving a car 20 days after they had smoked one spliff. Would he criminalise such a person for driving?

I oppose the Bill, largely on the grounds that the subject should not be dealt with in a ten-minute Bill, because the whole House should be part of this discussion. I also oppose it on the grounds that the measures that the hon. Gentleman has put to the House are impractical, at least at this stage of the development of the subject.

Question put, pursuant to Standing Order No. 23 (Motions for leave to bring Bills and nomination of Select Committees at commencement of public business), and agreed to.

Bill ordered to be brought in by Mr. Christopher Chope, Mr. James Clappison, David T.C. Davies, Philip Davies, Mr. Nigel Evans, Mr. Mark Hoban, Mr. Greg Knight, Mr. Humfrey Malins, Mike Penning, Miss Ann Widdecombe, Mr. David Wilshire and Ann Winterton.

Drugs (Reclassification and Roadside Testing)

Mr. Christopher Chope accordingly presented a Bill to provide for the reclassification of cannabis; to make provision for the roadside testing of illegal drugs; and for connected purposes.: And the same was read the First time; and ordered to be read a Second time on Friday 18 May, and to be printed [Bill 93].

Crossrail Bill [Instruction] (No. 5)

12.49 pm

The Parliamentary Under-Secretary of State for Transport (Mr. Tom Harris): I beg to move,

That it be a further Instruction to the Select Committee to which the Crossrail Bill is committed–

(1) that it have power to consider–

(a) the provision of a station at Woolwich, in the London Borough of Greenwich;

(b) realignment of the running tunnels at or in the vicinity of the proposed Woolwich Station;

(c) works associated with the realignment mentioned in paragraph (b) above:

and, if it thinks fit, to make amendments to the Bill with respect to any of the matters mentioned above, and for connected purposes;

(2) that any Petition against Amendments to the Bill which the Select Committee to which the Crossrail Bill is committed is empowered by paragraph (1) above to make shall be referred to that Select Committee if–

(a) it is presented by being deposited in the Private Bill Office not later than the end of the period of four weeks beginning with the day on which the first newspaper notice of the Amendments was published or, if that period ends on a day on which the House does not sit, not later than the fifth day on which the House next sits, and

(b) it is one in which the Petitioners pray to be heard by themselves, their Counsel or Agents.

(3) that, in their application to Amendments of which the first newspaper notice is published after the date of this Instruction, paragraph 2(a) of Instruction (No. 2) [12th January 2006] and paragraph 2(a) of Instruction (No. 4) [31st October 2006] shall have effect as if for the words from "that period" to the end there were substituted "ends on a day on which the House does not sit, not later than the fifth day on which the House next sits".

That these Orders be Standing Orders of the House.

The House will recall a debate on Crossrail on 31 October last year about a set of additional provisions. During that debate, several Members raised concerns about the lack of a station at Woolwich. Despite the strongly expressed view of the Select Committee that such a provision should be added to the Bill, my right hon. Friend the Secretary of State explained then that the cost of a station to the public purse at £186 million was too high to justify. Given that strength of feeling, however, my right hon. Friend agreed to let Cross London Rail Links Ltd undertake further work to see whether there was a way significantly to reduce the cost.

Much has happened since then, and today's motion will facilitate a Crossrail station at Woolwich. It will enable the Crossrail Bill Select Committee to consider an additional provision for such a station. I have placed copies of the instruction on the additional provision and an explanatory memorandum in the Vote Office. I will briefly remind the House of the position that we have now reached, which was set out in a statement by my right hon. Friend on 22 March.

There have been calls for the Government to include a station at Woolwich since the Bill was introduced in February 2005. Ministers resisted them for one simple reason—affordability. Although Crossrail will deliver huge benefits, the scale of the investment is substantial and presents a huge funding challenge. The addition of a station was simply not justifiable. Following the debate in October, however, a period of intense activity has resulted in important changes, which have been key in unlocking the issue of Woolwich. The Department for Transport and Cross London Rail Links Ltd have been working closely with the London borough of Greenwich and with Berkeley Homes Ltd, which has extensive development proposals for land that it owns in and around the area where the station would be built. The involvement of Berkeley Homes in particular has made a huge difference.

As a result of that engagement between the parties, proposals have emerged for constructing a station that could address the key issue of affordability. As my right hon. Friend made clear in his statement in March, an important development has been Greenwich council's recent proposal to revise its policies and plans so as to allow for higher density development in the light of the opportunity to have a station at Woolwich. That in turn prompted Berkeley Homes to offer a means of enabling a station to be built without adding to the cost of Crossrail.

Those new circumstances allowed us to take a fresh look at the issue. As my right hon. Friend announced in March, the Department has reached an agreement in principle with Berkeley Homes, under which Berkeley Homes will build the basic box structure of a station underneath its own development at its own risk. The Government will make a contribution of £28 million, which is equivalent to the cost of the works that the project was already expecting to incur in that area—principally the cost of a ventilation shaft and a short section of tunnel. My officials are working with Berkeley Homes to turn that outline agreement into a binding contract.

Clearly, we would all wish to see the completion of a station, and we will be discussing the best way to achieve that with Berkeley Homes and the London borough of Greenwich, given the important role that they will play in making a deal on the terms of an agreement for fitting out the station work. I want to make it clear, however, that a key requirement of any deal is that sufficient funding contributions are received from developers and businesses that stand to benefit from a Crossrail station at Woolwich, such that the station can be fitted out at no extra cost to the public purse. All parties fully understand that. It means that we are now in a fundamentally different position in terms of a Crossrail station at Woolwich compared with where we were in October last year.

The initial agreement is excellent news, and on that basis the Government are content to bring forward an additional provision to obtain the powers for building a station. The hybrid Bill process has worked well to ensure that the issue of a station at Woolwich was properly considered. The Select Committee felt deeply about the merits of a station at Woolwich, and this achievement meets the Committee's—and the Government's—objective of not adding to the cost of the project. I believe that the deal we have struck would not have been possible if the Government and the supporters of Woolwich had not engaged in vigorous debate. It is important to recognise the part played by those who have argued for a station in changing the landscape.

I would like to express my sincere thanks, and those of my right hon. Friend the Secretary of State, to the

Select Committee. The Committee is at last coming to the end of its work, but we must remember that Committee members have been sitting since January 2006. During that time, they have been presented with more than 450 petitions and have considered a huge range of issues, under the successful chairmanship of my hon. Friend the Member for Mansfield (Mr. Meale). They are carrying out an exceptionally difficult job, and pursuing it with rigour. Their tremendous efforts in carefully scrutinising the Crossrail Bill are helping to ensure that the Bill continues to make good progress. The Committee has now considered all the petitions received to date. I am extremely grateful for its dedication to this task and I look forward to receiving its final report.

Mike Gapes (Ilford, South) (Lab/Co-op): May I, as the chair of the all-party group on Crossrail, add my congratulations to the Select Committee? I also congratulate the Minister and his colleagues, because a lot of work has clearly been done not only by Doug Oakervee and the team at Cross London Rail Links Ltd, but by the Department. This is a win-win solution, and my hon. Friend the Member for Mansfield (Mr. Meale) and everyone else involved should also be congratulated.

Mr. Harris: I am grateful to my hon. Friend for his comments. I would also like to add my thanks to the officials in the Department for Transport and at Cross London Rail Links Ltd for their tremendous efforts.

Today, we are debating a motion to allow the Committee to consider petitions against the additional provision to the Crossrail Bill that the Government intend to bring forward. Notwithstanding the Committee's support for the principle of a station at Woolwich, its role will be to consider petitions against the additional provision, which I have no doubt it will do with its usual dedication and commitment—especially now that it can see the light at the end of the tunnel.

I want to emphasise that the decision to bring forward an additional provision is not a commitment to build a station at Woolwich—it is a commitment to work towards a financial deal that would enable us to have a station at no additional cost to the Crossrail project. However, if Parliament approves the additional provision, and the deal can be finalised successfully, Woolwich station will be just as much part of the Crossrail project as the other new sub-level stations contained in the Bill.

There is widespread agreement that Crossrail is a project of immense importance to the United Kingdom, and one whose momentum continues to build. The Government recognise that there are transport capacity challenges in London and the south-east, and we are working hard to address them. Connecting the economic centres in the capital with areas outside London will support local and national economic development and regeneration, benefiting the whole country. Both sides of the House have given strong support to Crossrail throughout the passage of the Bill, and I am grateful for that. The project would be enhanced by a station at Woolwich, provided that that can be achieved without adding to the public funding requirement. I commend the motion to the House.

12.57 pm

Mr. Nick Raynsford (Greenwich and Woolwich) (Lab): May I draw the attention of the House to my entry in the Register of Members' Interests, notably my chairmanship of the Construction Industry Council?

I welcome today's debate and the new instruction to the Select Committee in respect of Woolwich. Before I talk about Woolwich, however, I would like to say how crucial the Crossrail scheme is to London. Without it, there would be a serious risk of London's transport and traffic systems grinding to a halt within 20 years, resulting in huge economic disbenefits to our capital and to the UK economy. It is in all our interests to secure this hugely important new transport scheme, as it is vital to the ongoing economic success of our capital city.

Woolwich was originally part of the Crossrail scheme and there is an overwhelmingly strong case for having a station there. Woolwich is a major transport interchange, served not only by South East Trains but by about 190 buses every hour. It is shortly to be linked to the docklands light railway network, and it will also benefit from the introduction of the waterfront transit. It has a hugely important role as a link to the Thames Gateway, as well as giving many people in south-east London the opportunity to access the rapidly expanding labour market at Canary Wharf.

There are, therefore, obvious and substantial transport benefits to be gained from having a station at Woolwich. There will also be huge regeneration benefits. Woolwich as a town has a proud history, but over the past 30 or 40 years it has suffered a difficult period of economic decline following the closure of the traditional heavy industries that used to be the bedrock of the local economy. At the end of the first world war, the Royal Arsenal in Woolwich provided employment for some 80,000 people. By the 1980s, however, not a single person was working on the site; it had closed. A lot of the heavy industry along the waterfront had suffered a similar decline, and Woolwich faced serious problems of unemployment, poverty and disadvantage.

After that difficult period we are beginning to see some signs of hope for the future. There is new investment in the Royal Arsenal, as a result of which people are coming to live in that attractive and historic location. There is new commercial investment in Woolwich town centre and new retail developments, but there is still a very long way to go. A Crossrail station giving rapid connections to Canary Wharf, the City of London, the west end and Heathrow would make a substantial difference and would ensure that the regeneration takes root and the long-term prosperity of Woolwich is secured.

There is an overwhelmingly strong case for a Crossrail station at Woolwich, and it was a bitter disappointment to all of us who are concerned about the future of Woolwich when the Government decided about two years ago, as a cost-cutting measure, to drop the Woolwich station from the Crossrail scheme. If ever there was a case of a false economy—of penny wise, pound foolish thinking—this was it. All the figures show that Woolwich station will be a substantial positive contributor to the Crossrail scheme, with an exceptionally favourable cost-benefit ratio—incidentally, a much better cost-benefit ratio than the scheme overall.

[Mr. Nick Raynsford]

Not surprisingly, given the setback, a forceful campaign rapidly gathered momentum in Woolwich to reverse the decision. We have form in south-east London on such campaigns. Fifteen years ago, it required a vigorous campaign to ensure that the Jubilee line had a station at North Greenwich. Twelve years ago, we were again in campaigning mode when an equally short-sighted penny-pinching economy was proposed by the Government of the day, and the station at Cutty Sark on the docklands light railway was dropped for cost-cutting purposes. Our campaigns in both cases succeeded. As a consequence, stations were built at North Greenwich and Cutty Sark, and no one now would dream of envisaging either of those lines, the Jubilee line or the docklands light railway, without those stations, which are hugely successful, attract large numbers of passengers and generate substantial revenue.

Given that background, we were pretty confident that we could demonstrate similar benefits at Woolwich and, as I said, our campaign rapidly gained strength. I pay tribute to the many people who contributed to the campaign, including the London borough of Greenwich, the Bexley and Greenwich chamber of commerce, South London Business, and thousands of individuals and organisations who came together in what was a truly popular movement to ensure justice for Woolwich and a station that would bring transport and economic benefits.

The evidence, which was substantial, was presented to the Select Committee considering the Crossrail Bill. The Committee came to Woolwich to examine the issue at close hand and it was clearly convinced of the huge potential benefits of a station at Woolwich. I put on the record my sincere appreciation of the hard work of my hon. Friend the Member for Mansfield (Mr. Meale) and all his colleagues on the Select Committee. They were unanimous across party on the issue. They saw the benefits of the Woolwich station and they clearly recommended last summer that the station should be reincorporated in the scheme. They had looked hard at the evidence and they had no doubt that Woolwich was necessary and represented very good value for money. All of us living and working in and around Woolwich are grateful to members of the Select Committee for their unswerving commitment to the outcome that we are ratifying today.

I do not intend to linger on the process, which was rather protracted, that has filled the eight months or so since the Select Committee recommendation on Woolwich. Suffice it to say that we have now reached the point where common sense has prevailed and the Woolwich station is to be incorporated in the scheme. I thank my hon. Friend the Minister for confirming the Government's agreement to that.

Through those discussions in the intervening period, which at times were difficult, the key element was the creativity that went into securing a cost-effective solution. Because of the obvious transport and regeneration benefits of the Woolwich station, there was always an opportunity to capture a significant amount of the development gain that would accrue from the construction of a station at Woolwich to offset the construction costs. I well remember making the point to the Secretary of State and his officials in the aftermath of the Select Committee's recommendation last summer.

At the time, transport officials were somewhat dismissive on this count, but I am pleased that they have now recognised the real benefits that can be achieved through partnership and intelligent planning. As a result of the creative work that has gone in over the past six months, particularly from the London borough of Greenwich, Berkeley Homes and their advisers, together with the Crossrail team, to whom I also pay tribute, we have been able to reduce dramatically the construction costs of the station and develop a truly win-win solution. The station will be built by Berkeley Homes as part of their new development at the Royal Arsenal. The additional fare box revenues that will accrue from the station, together with the development gain from increased land values, means that the likely outcome, as my hon. Friend the Minister said, is a station imposing no additional net costs on the Government.

We should all be able to welcome today's instruction to the Select Committee and the additional provision adding Woolwich to the Crossrail Bill, which is already out for consultation. Of course, there is still a lot more work to be done before the project is brought to a successful conclusion. The Select Committee will have to complete its consideration of petitions. Hopefully, few difficulties will be raised by the realignment of the route and the incorporation of the Woolwich station. Although I know that this has added yet more time to that which the Committee members have already had to give to the Bill, I hope that they will take comfort from the knowledge that their determined advocacy of Woolwich has brought this important improvement to the Bill. Not all Committees can look back on their labours and see such tangible results.

After it completes its Select Committee passage, the Bill still has to go through its remaining stages in this House and then the other place. I hope that will prove a swifter process than the process to date. That was partly inevitable because the Select Committee had to deal with an enormous amount of complex and, in some cases, extremely controversial material, and the fruits of its labour will make it easier for others to proceed more quickly.

When it completes its passage, the Bill cannot come into effect until the Government have finalised a funding package for the whole Crossrail scheme. No one should minimise the task involved in that, given the scale of investment needed, but we can begin to see the main architecture of the funding package. The outstanding work carried out over the past year or two by Doug Oakervee and Keith Berryman and their team at Crossrail in driving down costs and ensuring that the scheme is a demonstrably cost-effective and fundable project, has helped to make what once seemed a hugely problematic funding task look much more achievable.

As I said at the outset, Crossrail is essential to London's future transport network and economic success, and it is vital that the remaining legislative and financial hurdles that it faces are successfully overcome. With the Woolwich station once again properly incorporated in the scheme, bringing huge benefits to south-east London and the Thames gateway, the scheme has my unqualified support. I look forward to

us moving on over the coming months from its long gestation period into the construction and implementation phase, which I, for one, anticipate with great enthusiasm.

1.7 pm

Stephen Hammond (Wimbledon) (Con): As the Minister pointed out earlier, the House is considering a motion to issue to the Select Committee an instruction to hear petitions against the construction of the station at Woolwich. This is the third such motion in the past 18 months, as the mammoth Crossrail Bill proceeds through lengthy, arduous and no doubt at times extraordinarily demanding Select Committee proceedings.

The Second Reading of the Bill took place on 14 July 2005. At that stage the House agreed the principle of the Bill, which is to construct a railway connecting the termini at Maidenhead and Heathrow in the west to Shenfield and Abbey Wood in the east. Among the intermediate stops agreed to at that stage were Paddington, Bond Street, Tottenham Court Road, Farringdon and Liverpool Street. Today we add Woolwich to that list. The Minister expressed one or two reservations, but the proposal represents a welcome U-turn by the Government and recognition of the benefits of a station at Woolwich.

The previous Under-Secretary of State for Transport with responsibility for rail, now the Under-Secretary of State for Defence, the hon. Member for Halton (Derek Twigg), stated the Government's view at one stage that there would be Crossrail without Woolwich or no Crossrail at all. In May 2006 the same Minister placed in the Library a letter to the right hon. Member for Greenwich and Woolwich (Mr. Raynsford) containing the Government's view that the high cost of the station made it unaffordable. In the debate last year the Secretary of State rightly said that the Government

"must retain the right to judge what is affordable".

Despite the drop in costs to £186 million, the Secretary of State went on to say:

"After much consideration, my judgment is that we cannot simply add such a large cost to the project, which already represents a huge funding challenge."—[*Official Report*, 31 October 2006; Vol. 451, c. 229.]

The benefits of the station at Woolwich have often been rehearsed, as in that debate and by the right hon. Member for Greenwich and Woolwich today. It was always part of the initial consultation that the station should be there, and it was somewhat surprising when that was deleted. Woolwich lies at the western end of the Thames Gateway, where there is scope for the development on derelict land. The transportation benefits are proven. It is already a major transport hub in the south-east, and a Crossrail station would service that further. On a cost-benefit basis, it is well in line with the cost of the overall scheme. If I wanted to prolong the debate, I could continue to laud its benefits in a similar vein.

There was always a case for Woolwich, in that it would improve the scheme and provide better value. In the debate in October, my hon. Friend the Member for Epsom and Ewell (Chris Grayling) and I welcomed the prospect. We also welcomed the Secretary of State's decision to allow the Committee to reconsider the benefits of Woolwich. At the time, the Chairman of the Committee said that it remained of the view that the station should be built and said that it would be pleased to undertake more work and further investigations. As the official Opposition, we wish to place on record our thanks to this long-running hybrid Bill Committee and its Chairman for their excellent and extremely valuable work.

Today's motion is largely technical. Across the House, we have moved from a contentious and controversial discussion to one that is non-controversial and consensual. There has always been cross-party support building up for the Committee's view, and it is pleasing that the Government have recognised the benefits of the station.

I want to say a few words in defence of my hon. Friend the Member for Cities of London and Westminster (Mr. Field), who pointed out in the debate in October that, in terms of affordability, £186 million was neither a huge proportion of the total estimated cost nor a sum likely to push the whole project over the edge. Unfortunately, the Secretary of State was somewhat curt and dismissive in his response to my hon. Friend. I am sure that the Minister would wish to place on record an apology to him, perhaps combined with good wishes for his upcoming nuptials this Saturday.

The Minister clarified the significant developments that have allowed Woolwich to happen—the welcome movement from Berkeley Homes, the all-party group on Crossrail, and I am sure many others, which has allowed for the provision of the box underneath the development, and the Government's finding £28 million to facilitate affordability. In the debate in October, the Government said that affordability was the main issue. Today, the Minister said that the strict affordability of the project has changed, but he failed to say, as would have been useful, that the affordability criterion should have recognised the regenerative benefits and value for money of the Woolwich station. He concentrated on the deal with Berkeley Homes, which is none the less welcome.

Several questions remain in the air, however, in relation to the station at Woolwich. For example, when will the Government bring forward the estimate of expense that relates to the instruction, which is key to its being enacted? The right hon. Member for Greenwich and Woolwich talked about the benefits for London. Those have been well rehearsed in previous debates and I do not intend to go through them again, but it is worth clarifying one or two important points as regards enabling this exceptional project to go forward.

The Select Committee will finish its deliberations on the Bill at some stage later this year. Do the Government intend to push it straight into a Public Bill Committee in October? When do they anticipate that the first spade will cut the soil, assuming a relatively smooth passage through that Committee? We already know about the likely fare box tax revenue and business contributions. I look forward to the Government giving us some hint of their further funding proposals. Will the comprehensive spending review, high-level output specification, or 30-year rail White Paper have details of their funding proposals and what they intend their contribution to be? Those are matters of fundamental importance, because if the Secretary of State is right in

[Stephen Hammond]

proposing the principle that only the Government can determine affordability, then ultimately only they can finalise the funding. The Lyons fig leaf has been torn away and the Government are lying naked.

Let me finish by restating the official Opposition's continuing position, which is that we have backed the Crossrail Bill in Parliament and will continue to do so, when it finally returns from the Select Committee's deliberations, throughout its remaining parliamentary processes and on to the statute book—with, I hope, the Woolwich station. We recognise the economic benefits that will flow from the increase in transport capacity that Crossrail will bring to the people and businesses of London, and the motion will have our support.

1.16 pm

Tom Brake (Carshalton and Wallington) (LD): I congratulate the right hon. Member for Greenwich and Woolwich (Mr. Raynsford), who has played a central role in ensuring that the Woolwich station has remained on the agenda and has finally been delivered. I echo the comments of the Minister and the spokesman for the official Opposition about the Select Committee on the Crossrail Bill and its Chairman. When I was my party's transport spokesman, I appointed my hon. Friend the Member for Southport (Dr. Pugh) to that Committee; astoundingly, he is still talking to me several months later. The Committee has done excellent work. I underline what the Minister said about this being an all-party matter. As an initiative, Crossrail has received all-party support in the House. Such a project will run for many years, and by its very nature requires such support, whether in this place or in the London assembly.

Simon Hughes (North Southwark and Bermondsey) (LD): Not only does Crossrail have all-party support, but the proposal to bring Woolwich station on to the line is hugely supported not only in Woolwich but in south-east London generally. It will give many of us our closest access to Crossrail, and will be well used not only by people in Greenwich but by those in all the boroughs of south-east London.

Tom Brake: I thank my hon. Friend for underlining the fact that not only Woolwich and Greenwich residents will benefit from the station, but people from further afield.

Today's debate focuses on Woolwich and Woolwich station. However, I hope that with your leave, Mr. Deputy Speaker, I will be able to make a few short general comments about Crossrail itself, which is a vital project for London, for Londoners and for UK plc. Research published yesterday in a report by Buchanan and Volterra suggests that the range of benefits to London's economy derived from the Crossrail project as a whole will be in the order of £37 billion to £68 billion. That will clearly have a hugely positive impact on London. Once Crossrail is completed, there is the potential for creating additional national tax revenues of £12 billion, as well as the reduction in costs to business that will arise with the reduced congestion and the significant benefits in the Woolwich area that the right hon. Member for Greenwich and Woolwich set out.

The project is viewed as vital not only by business, the Mayor and my party but by Sir Rod Eddington, who was appointed by the Government to conduct a review of the UK's transport infrastructure and priorities. On 16 April, he told the Transport Committee that Crossrail was vital and that London would face enormous congestion challenges if the project did not go ahead.

That is not to say that we do not have concerns about the project. It is huge and it would be bizarre if issues did not remain on which we believe we should focus. They include the environmental impact, tunnel alignment, the use of specialised rolling stock, which we believe will do away with the possibility of operating trains from the west of England and East Anglia—

Mr. Deputy Speaker (Sir Alan Haselhurst): Order. Given an inch, the hon. Member must not take a mile. The motion is specifically about Woolwich.

Tom Brake: Thank you, Mr. Deputy Speaker, for bringing me back to the subject on which I was about to focus.

I want to ask one question about the overall cost of the project. There was an announcement in yesterday's papers that it had decreased from £7.8 billion to £6.2 billion. I hope that the Under-Secretary will comment on that and how the figure was reached.

Perhaps hon. Members have a certain sense of déjà vu. That is especially the case for the right hon. Member for Greenwich and Woolwich. He quoted from the debate on 19 July 2005, when he said that the Government's position was

"an illustration of the penny wise, pound foolish mentality".—[*Official Report*, 19 July 2005; Vol. 436, c. 1151.]

That phrase is worth repeating. However, the Government have shifted their position, which is welcome. It is also welcome that Berkeley Homes intends making such a contribution towards the station to enable the project to be realised.

The right hon. Member for Greenwich and Woolwich set out why Woolwich needs the station and the investment. The borough is 41st out of 354 for deprivation, which means that it is in the top 10 per cent. of deprived boroughs in the country. Average income in the Woolwich area is only £12,500 a year compared with £23,500 a year in the London borough of Greenwich generally. It is therefore poor even in the borough. Its unemployment rate is nudging 15 per cent., compared with a borough average of 6.3 per cent. Clearly, the station will play a significant role in providing regeneration for Woolwich. It will also provide access to residents in Woolwich to enable them to get to jobs in London. The model for the station predicts that 11,500 passengers will board in the morning at peak times and that nearly 3,000 will get off at the station. Clearly, there will be demand [redacted] people who travel outside Woolwich to find [redacted] elsewhere.

However, a few questions remain about Woolwich station. Hon. Members will be familiar with the appraisal that was carried out. The final report was published on 18 November 2005, again by Buchanan. It highlighted a couple of potential negative effects,

especially on the environment, the water table and contaminated land in the area. Perhaps the Under-Secretary can address that, perhaps not now but in writing, and confirm for hon. Members that that potential problem has been resolved and that we no longer need to worry about it. It appears on page 15 in table 5.2 of the report.

We cannot avoid the question of how the project will be funded. That is true of Crossrail generally but also of Woolwich station. I shall not dwell on the funding for Crossrail as a whole. The Government suggested that Sir Michael Lyons might pick up on it in his report, although he was not asked to do that and therefore did not. He made it clear in his press conference on the morning of the Budget that he expected an announcement in the Budget. I asked him a question and his reply was, "Wait for the Budget in a few hours." We waited for the announcement about the special business rate but it did not happen. Clearly, the Under-Secretary now has an opportunity to tell us how the project will be funded.

The funding arrangement specifically for Woolwich station is clear—Berkeley Homes will pay for it—but a couple of questions remain. Will the Under-Secretary set out a time frame in which he expects the contractual negotiations to finish? When will the binding contract be signed off? Will he put on record the guarantee, which I believe he has already given, that the public purse will not fund the station?

Will the Under-Secretary also provide some reassurance about the greatest weakness in the proposal—the Thameslink box scenario, whereby the box is provided but the station is not? Does he have any time scales in mind between which the box will be completed and the station will be fitted out so that it can be used? The paper that the Government published on 22 March stated that Berkeley Homes and Greenwich council

"recognise that the completion of the station would be conditional on receiving sufficient funding contributions from those developers and businesses that stand to benefit from a Crossrail station at Woolwich."

I hope that the Under-Secretary can specify the method that he believes will be used to establish which businesses will benefit and what contribution he might expect them to make to ensure that the box is fitted out and we are not left with something behind hoardings that is nice, in place, ready to go, but for which no one has paid to install escalators and other fittings that are required to make it an operating station.

No one now questions the need for Crossrail. With private funds available to build Woolwich station, no one questions the desirability of proceeding with it. The only question that remains has dogged the project from the outset: how will it be funded? Could today be the occasion on which the Under-Secretary lifts the veil on Crossrail's financing or will he instead give us a tantalising glimpse, only to pull down the veil sharply and leave the announcement of the funding package to the comprehensive spending review or something beyond it? We will know at the end of the debate.

1.27 pm

Mr. Alan Meale (Mansfield) (Lab): I want to put on record my thanks for all the kind remarks that hon. Members have made about the Crossrail Committee. First, I thank my hon. Friend the Under-Secretary for introducing the instruction to allow my Committee to examine and report more fully on the need for the Crossrail Bill to include a new station at Woolwich. He and his boss, my right hon. Friend the Secretary of State, are clearly men of vision and listening politicians. They have heard the voices of members of the cross-party Committee and their views on the economics, purpose, ultimate objectives and design of the proposed new railway for London. It is an interesting and exciting project, not only for London and the south-east but the nation.

What is more, my right hon. Friend the Secretary of State and my hon. Friend the Under-Secretary have understood the need to examine the best methods of introducing the project's benefits to the travelling public, especially those in areas such as Woolwich, which is strategically and economically most in need of such a measure. When we consider London, we perceive its fortunes as being built out of the Thames. However, today, the Thames acts as a barrier to parts of London, including Woolwich.

The new instruction will enable the Committee to hear evidence in favour of the proposals and any subsequent objections and/or petitions against the new provision. My Committee has worked hard on the Bill, as have the civil servants who have been appointed to it. They have suffered just as much as all the hon. Members who have served on it. We have received and examined hundreds of petitions, heard mountains of evidence and visited the less sunny climes of our glorious capital in search of truth. So far, we have sat through 81 days of evidence. Sometimes, we sat eight times a week simply to get through the work.

Given all that endeavour, I must put on record a warning to the Minister that the Committee intends to embark on this latest Crossrail journey in the same way that it conducted its earlier examinations. We will not prejudge, but instead give all sides the opportunity to make their case. I hope that we will bring the report back to the Chamber soon, and get it approved and enacted.

1.30 pm

Clive Efford (Eltham) (Lab): This afternoon is a time for congratulations, and I add my appreciation of the work done by the Select Committee, not least its Chairman, my hon. Friend the Member for Mansfield (Mr. Meale). From day one when he received the evidence, it has been clear to me that he appreciated the need for a station in Woolwich, its regeneration, the economic aspects, and its impact on the wider area in the borough of Greenwich, where my constituency is situated.

It is a shame that my right hon. Friend the Secretary of State is not here to bask in the glory of having had the vision, as my hon. Friend the Member for Mansfield said, to see through the arguments against the station at Woolwich and appreciate its value in enhancing the Crossrail scheme overall. I think that the Under-Secretary of State for Transport has always been a secret fan, too, of a Crossrail station at Woolwich.

The achievement of a new instruction to the Select Committee is a credit to all sections of the community in Greenwich, including not just the elected Members

[Clive Efford]

of Parliament and councillors but businesses. The chairman of the chamber of commerce, Steve Nelson, a constituent of mine, urged members of the business community in Greenwich to recognise the importance of the issue and to put their weight behind the case for a station at Woolwich. We also cannot ignore the input of Berkeley Homes, and the vision that it showed in incorporating the scheme into its regeneration of the Royal Arsenal. Without that open-minded and creative thinking, we might not have achieved the new instruction to the Committee. All sections of the community have made tremendous effort, not least the public, who always expressed their support for the scheme and appreciated the contribution that it would make to transport links in the area.

As was pointed out by my right hon. Friend the Member for Greenwich and Woolwich (Mr. Raynsford) —who also deserves congratulations on his efforts to argue for the station in his constituency—the score is 3-0 to us in terms of major infrastructure projects, although we do not want to rub it in. Initially, we were denied the opportunity of a station on the Jubilee line, but the then council, of which I was a member, argued forcefully to the Government of the day that it would be ridiculous to bypass that regeneration area—as it was then—next to what was to become the millennium dome, and not build a station. Similarly, the community came together and argued overwhelmingly that building the docklands light railway and bypassing Cutty Sark gardens next to the Cutty Sark clipper, one of the most popular destinations outside central London, was a serious error, and that a station should be included. On Crossrail, the community has again come together, made a forceful argument, and achieved the new instruction to the Select Committee.

In Woolwich, which is not in my constituency, although it is in the borough in which my constituency lies, transport is a key issue, as it is for many communities across the capital. Woolwich, however, is a strategic hub for people in that part of London. I cannot think of any other part of London where a major infrastructure project would be proposed—including a length of tunnel from Custom House to Plumstead, where it emerges before arriving at Abbey Wood—and a strategic and important town centre be bypassed and have no station. Common sense has prevailed today, and Woolwich is now to be included.

Mr. Meale: Will my hon. Friend confirm to the House the importance of such a stop, given that about 100 buses go into Woolwich every hour, and by 2030, I am told, more than 100,000 people will live within a 20-minute journey of it?

Clive Efford: Those are absolutely key points. In addition, in 2009, the docklands light railway will arrive, so Woolwich will become a major strategic hub, even for people living beyond the immediate area, for all the transport networks being developed in the eastern corridor and around the Thames Gateway area.

With regard to major infrastructure developments such as the DLR, Crossrail and the Jubilee line, I hope that the Department for Transport will take on board that, while providing transport links for the regeneration area along the Thames corridor is important, that does not mean that the areas just outside, such as my constituency, do not have transport needs. As a Member of Parliament whose constituency is not entirely within the Thames Gateway area, I have had problems trying to get transport providers to recognise that the plans for such new developments must also consider secondary transport links to ensure that the wider community also benefits from the investment.

If the wider community is to benefit fully from investment in the station at Woolwich, it will be essential, although significant links already exist, to improve bus links to Woolwich. It has been difficult, for example, to get Transport for London to recognise the need to improve the bus links from the south of Greenwich to North Greenwich underground station. That has been one of the flaws in the transport development in that part of south-east London—

Mr. Deputy Speaker: Order. The hon. Gentleman is straying from the motion before the House. It sounds to me as if he may have a case to apply for an Adjournment debate on the subject on which he is now speaking.

Clive Efford: I am grateful to you, Mr. Deputy Speaker, for bringing me back on to the route in question. When we have such developments, however, we need to ensure that the benefits reach as wide a community as possible. For my community to benefit most, those bus links need to be considered.

I very much welcome the instruction to the Select Committee and congratulate its members on the work that they have done so far. I commiserate with them on the fact that we will add to their work slightly with today's instruction, but that is testimony to their recognition of the overwhelming argument in favour of introducing this important transport link in Woolwich. I look forward to that being included in the final Bill and being developed in the future for the benefit of the wider community in south-east London.

1.39 pm

Sir Peter Soulsby (Leicester, South) (Lab): I hope that London Members will forgive me if I begin with an admission. When I was elected two years ago, I had not given a great deal of thought to Crossrail. I have to say that it is not a subject that comes up often on the doorsteps in Leicester, South, nor does it often feature in the columns of the *Leicester Mercury*.

During those two years I have learnt quite a lot about Crossrail, but when I first went into the Lobby to vote for the Bill's Second Reading, I was unaware of what a major part it would play in my life and the lives of many other Members who were voting on that occasion—and who subsequently found what appeared at the time to be a rather innocuous card in their post just before Christmas 2005, informing them that they had been appointed members of the Select Committee on the Crossrail Bill.

As I have said in the past, we might have liked rather more explanation of what membership of the Committee would mean before signing up for it, but under the wise guidance of my hon. Friend the Member for Mansfield (Mr. Meale), we have learnt a good deal about Crossrail

since then. As the Minister reminded us, we have received some 450 petitions on the subject, and as my hon. Friend the Member for Mansfield reminded us, in some weeks the Committee has met more than eight times. As some of my colleagues have remarked, it has sometimes felt almost like a life sentence. One of them observed that it felt like cruel and unusual punishment, and it has been suggested that Committee Room 5 is the parliamentary equivalent of a gulag.

I was delighted to hear from the Minister today—and I suppose it was inevitable that someone would use the analogy—that there was, at last, light at the end of the tunnel. Given all our discussion about Reading, another analogy occurred to me, from the "The Ballad of Reading Gaol". Perhaps what we are seeing is not light at the end of the tunnel, but

"that little tent of blue

Which prisoners call the sky".

None the less, it is good news that we are approaching the end of our period of incarceration. We shall be producing our report before too long, and we are beginning to see some results from our labour.

With that in mind, I welcome the further instruction to the Committee. Members, particularly my right hon. Friend the Member for Greenwich and Woolwich (Mr. Raynsford), have spoken of the case for a station at Woolwich. I join others in paying tribute to the campaign that my right hon. Friend and neighbouring Members have waged to ensure that there is a station there. It became clear to Committee members from all parties that the case for a Woolwich station was overwhelming. As my right hon. Friend pointed out, the cost-benefits analysis shows that it is far stronger than not just the case for the scheme as a whole, but the case for many elements of it. It is very pleasing that the Government have accepted the logic of the arguments with which he and others persuaded the Committee.

I am sure that all Committee members are pleased that the Government have agreed to instruct us to consider a measure that will facilitate construction of a station at Woolwich. I note that continued work to develop a financial package that will make that possible, and I hope the Minister will reassure us again that the Government will continue to engage in a process of ensuring that such a package is developed. It is a question not just of making a station possible, but of ensuring that one is constructed.

As my hon. Friend the Member for Mansfield has pointed out, if the motion for the instruction is passed we shall be required to consider further petitions against a station at Woolwich. Notwithstanding anything that my hon. Friend or I may say today, we will keep an open mind in considering such petitions, and will of course give due weight to any arguments against the station. That said, however, I am sure that—as my hon. Friend the Member for Mansfield has indicated—Committee members will welcome the instruction and look forward to considering the proposal. As other Members have said, we look forward not just to this particular instruction, but to a favourable passage for the Bill.

Over the past two years, we have learnt much about the benefits of Crossrail. It will give enormous advantages not just to London, but to the infrastructure of the nation as a whole. I am convinced that the building of this important link in the transport infrastructure of the capital, and its development in a way that will benefit the whole nation, is as relevant to those of us in Leicester and other provincial cities as it is to those with London constituencies.

While I am sure that my colleagues, like me, look forward to receiving the instruction, we must look beyond that to the development of a financial package that will make possible the development of Crossrail in its entirety.

1.45 pm

Mr. Tom Harris: With the leave of the House, Mr. Deputy Speaker.

This has been a well-informed and good-natured debate, and I am grateful to Members for what they have said. Support for Crossrail clearly remains strong and spans the House.

Given that my right hon. Friend the Member for Greenwich and Woolwich (Mr. Raynsford) can justifiably claim to have run a very successful and effective campaign for a station at Woolwich, he managed very efficiently to contain his joy at his success. Understandably and correctly, he referred again to what he had said on other occasions about levels of deprivation in Woolwich. I do not intend to rehearse yet again the constitutional arguments about what a Select Committee can and cannot recommend to the Government during the passage of a hybrid Bill and what the Government can and cannot say in response. I shall confine myself to paraphrasing Lady Thatcher and saying "Just rejoice."

The hon. Member for Wimbledon (Stephen Hammond) made some supportive comments, for which I was grateful. I was also grateful to him for telling us that the hon. Member for Cities of London and Westminster (Mr. Field) is to be married on Saturday. I hope that he will convey my congratulations to the hon. Gentleman, although I do not suppose that what he said constituted an invitation.

The Government have always recognised that a station at Woolwich would have regenerative benefits for the Woolwich economy. The argument against it that was advanced in October did not deny that; it was simply about affordability. While a Woolwich station would, of course be beneficial to the Woolwich economy, it was not seen as essential to the Crossrail project as a whole.

The hon. Member for Wimbledon asked about the timetable for the Standing Committee. The Government hope that, provided that the Select Committee concludes its business before the summer recess, the Bill will be committed in October, with Third Reading and remaining stages in the House in November. The hon. Gentleman also asked about the start of construction. That will depend on an announcement on funding, about which I shall say more later. He asked about the elements of the funding; it is in the public domain that the balance from central Government will be included, as well as a possible levy on business rates in London for businesses that will benefit from the Crossrail project. I hope to say more about that later as well. He asked for an estimate of the expense. An estimate of the expense involved in this element of the scheme, along with

[Mr. Tom Harris]

information about additional provision, will be deposited at the start of the consultation period in mid-May.

The hon. Member for Carshalton and Wallington (Tom Brake) asked about the cost of the project. He may have been referring to newspaper reports that appeared earlier in the week. I can tell him that a value management exercise has reduced the cost—at 2002 prices, the standard for all Crossrail costings—from £7.8 billion to £6.2 billion, including a contingency element of about 35 per cent. At today's prices, that is between £15 billion and £16 billion.

Tom Brake: Can the Minister confirm whether that reduction in cost has come simply from reducing the contingency, or are other factors involved?

Mr. Harris: The contingency at 35 per cent. remains a static figure as a percentage of the core costs. The savings have been made in a number of ways, such as by a review of the tunnelling strategy, and by a review of selective door opening so that existing surface-level stations might not have to be extended. There are other elements, and if the hon. Gentleman wants me to give him more details, I am happy to do so.

The hon. Gentleman also mentioned the Lyons inquiry into local government funding, and I am happy to repeat what I said in the debate of 31 October. I did not expect Lyons to say anything in detail about how Crossrail will be funded. The point I made in the House on 31 October was that it would be foolish to try to construct a framework for the funding of Crossrail when we did not know at that time what the Lyons report would say about the future structure of local government funding, which would be an essential element of working out the exact structure of the Crossrail funding package. I have to disappoint the hon. Gentleman by telling him that in respect of that I will not lift the veil today. I hope that the announcement on Crossrail funding will be made in the context of the comprehensive spending review, and if he asks me for a date for that, I shall have to disappoint him again, but it will certainly be later this year.

The hon. Gentleman also asked about the Thameslink box scenario. That is an important part of the debate, and I want to make it clear that I hope that, provided that the proper financial package is put in place and the necessary level of private funding is secured, there will be no gap between the building of the box and the fitting out of the box to make a station. In the ideal scenario, I hope that that is what will happen, and that it will do so at the same time as the construction of the rest of the south-east arm of Crossrail. However, let me make it clear that if Berkeley Homes and other partners pay for the construction of the box and Crossrail is then built but private finances are not forthcoming, from whatever source, that box will not become a station and it will be used instead as a ventilation and access area for that Crossrail arm. Although I am confident—as are Berkeley Homes and the London borough of Greenwich—that a deal can be reached and that the finances can be delivered, if that does not happen, money will not be forthcoming from the public purse; there will be no net increase in the amount of money that the Government are putting up to build Crossrail.

Tom Brake: The Minister might be about to come on to this point, but does he have any clear view yet as to how the benefits to business from having a station at Woolwich will be quantified in terms of trying to get private finance providers to make the contribution that we all want them to make?

Mr. Harris: That is a valid question, but I am not able at this early stage of the negotiation to give any details in respect of what mechanism might be used to identify those particular benefits. I say again, however, that I have confidence that the various partners will be able to come up with an appropriate mechanism that will have widespread support among the business community in the Woolwich area where the station will be built.

I have received some inspiration that causes me to clarify what I said earlier about the Crossrail costings. I suggested that the sums of £15 billion and £16 billion were calculated at today's prices, but they are in fact costs of the day rather than costs of today; in other words, they are costs that will be incurred at the time that Crossrail is built, rather than based on today's prices. I hope that that clarification does not confuse matters any further.

I am grateful to my hon. Friend the Member for Mansfield (Mr. Meale) for his courtesy and devotion to the task that has been before him for the past year and a half. He described me and my right hon. Friend the Secretary of State as men of vision—I wonder if he would care to put that in writing. We are grateful to him and every member of his Committee for the dedication that they have shown in undertaking their task. He has chaired the Committee with a distinction and level of professionalism that we would expect from him. He says that the Committee will not prejudge the Woolwich issue, which goes without saying. I know that the final stages of the Bill will be carried out in the professional manner that we have come to expect from my hon. Friend.

My hon. Friend the Member for Eltham (Clive Efford) referred to the Secretary of State's role. He has never argued against the point that a Woolwich Crossrail station would be of benefit to the local Woolwich economy, and I hope that my hon. Friend will recognise the personal efforts that my right hon. Friend has made to try to secure this deal. My hon. Friend talked about the importance of bus links to Woolwich. The Labour Mayor of London, Ken Livingstone, is committed to public transport, and I am sure that he can alleviate that concern by working with Transport for London.

My hon. Friend the Member for Leicester, South (Sir Peter Soulsby) talked entertainingly about the role of the Committee. Now that Committee members are close to emerging once again into the daylight, blinking at the strength of the sun, I want again to pay tribute to him and the other Committee members for their outstanding work. I suspect that from now on when the Whips hand him a white card asking him to serve on any Committee, he might treat it with more suspicion than he previously would have done.

Crossrail will benefit London, and it will also benefit the south-east and the United Kingdom as a whole. It will significantly increase the capacity of the rail network into and across London and it will relieve congestion and overcrowding on the existing national rail and underground networks. It will meet the substantial growth in demand for travel in the capital that is expected over coming decades. It will also improve accessibility.

Crossrail will provide improved east-west rail access into and across London from the east and south-east regions. It will support local and national Government policy for economic development and regeneration, particularly in the Lea valley and Thames Gateway. It will also significantly enhance public transport access to Heathrow airport and allow Liverpool Street station to handle many more passengers to and from Stansted airport. It will facilitate the—

Mr. Deputy Speaker: Order. I hate to spoil the Minister's peroration, but I did reprove the hon. Member for Carshalton and Wallington (Tom Brake) about going wider than the motion before us. I hope that the Minister will bear that in mind.

Mr. Harris: I am very grateful for that stricture, Mr. Deputy Speaker—considering that I was nowhere near my peroration. However, I will now cut to the chase.

The Crossrail project will be enhanced by a station at Woolwich, provided that this can be achieved without adding to the public funding required. Developments since October, particularly the agreement in principle that has now been reached with Berkeley Homes, represent a very positive way forward on this difficult issue. Both the Government's and the Select Committee's objectives have been met. The motion before the House today is a further important step toward making a Crossrail station at Woolwich a reality, and I commend it to the House.

Question put and agreed to.

Resolved,

That it be a further Instruction to the Select Committee to which the Crossrail Bill is

committed–

(1) that it have power to consider–

(a) the provision of a station at Woolwich, in the London Borough of Greenwich;

(b) realignment of the running tunnels at or in the vicinity of the proposed Woolwich Station;

(c) works associated with the realignment mentioned in paragraph (b) above:

and, if it thinks fit, to make amendments to the Bill with respect to any of the matters mentioned above, and for connected purposes;

(2) that any Petition against Amendments to the Bill which the Select Committee to which the Crossrail Bill is committed is empowered by paragraph (1) above to make shall be referred to that Select Committee if–

(a) it is presented by being deposited in the Private Bill Office not later than the end of the period of four weeks beginning with the day on which the first newspaper notice of the Amendments was published or, if that period ends on a day on which the House does not sit, not later than the fifth day on which the House next sits, and

(b) it is one in which the Petitioners pray to be heard by themselves, their Counsel or Agents.

(3) that, in their application to Amendments of which the first newspaper notice is published after the date of this Instruction, paragraph 2(a) of Instruction (No. 2) [12th January 2006] and paragraph 2(a) of Instruction (No. 4) [31st October 2006] shall have effect as if for the words from "that period" to the end there were substituted "ends on a day on which the House does not sit, not later than the fifth day on which the House next sits".

That these Orders be Standing Orders of the House.

1.59 pm

Sitting suspended.

Broads Authority Bill *(By Order)*

Order for Second Reading read.

4 pm

Dr. Ian Gibson (Norwich, North) (Lab): I beg to move, That the Bill be now read a Second time.

I am delighted to have this opportunity to introduce the Second Reading of the Bill and I welcome all the other right hon. and hon. Members to the Chamber this afternoon. It may feel like Sleepy Hollow, but this is an important issue for many people, not only in Norfolk and Suffolk, but across the country and internationally. The Bill has been gestating for some time and will probably go on for some time to come, until we get it right, because that is how determined we are to take it forward.

I wish to thank my colleagues from Norfolk and Suffolk who are in their places to represent their constituents with a personal interest in the Bill. I am sorry that the hon. Member for South Norfolk (Mr. Bacon) is not here, but he has suffered a family bereavement. I hope that the Bill will progress, to give him the opportunity to make some of the points about which he feels passionately. I wish the hon. Gentleman and his family well in their current situation.

The broads, which stretch across Norfolk and Suffolk, are the UK's most important wetland. They are a unique and internationally important landscape, with a designation equivalent to that of a national park. I shall say more about why they are not a national park in name, although they share many other functions with national parks. In the 1950s the origin of the shallow reed-fringed lakes—or lochs, for the Scottish—was discovered, and they can be seen as the most extensive archaeological sites in Britain, including mediaeval peat diggings from a time when Norfolk was the economic powerhouse of the country. They were subsequently flooded, which gave later generations the network of rivers and broads in which so many people delight today.

The broads are known for their big open skies, the drainage mills dotted across the landscape and the reed beds with bittern and swallowtail butterflies. They are where Nelson learned to sail, and where the concept of a boating holiday was invented. The railways are still there. Arthur Ransome made holidays on the broads popular, and hon. Members will recall the distinctive railway posters of young people disporting themselves on sailing boats. The value of tourism in the area now is estimated at £140 million a year.

A famous local naturalist, Ted Ellis, called the broads

"a breathing space for the cure of souls".

That is a majestic phrase, and the area is indeed one of those very special places that help us to recharge our batteries and cope with our modern busy lives—and the odd MP does visit. In the 1947 Hobhouse report, the broads were listed as one of the areas proposed as a national park. Ten of the 12 proposed areas have been established as national parks under the National Parks and Access to the Countryside Act 1949, and the other area, the south downs, is under serious consideration. However, the national park for the broads did not proceed, because of the multiplicity of authorities with responsibilities for the planning and management of the area, strong commercial pressures and the anticipated high costs of management. It was recognised that it needed a special solution.

In the intervening years the broads came under huge pressure, water quality declined and there was a real concern that many of the special qualities of the area would be lost. We now know that a combination of factors were in operation, including phosphates from sewage treatment works, bank erosion by boats, drainage of the precious grazing marshes for arable crops, and nitrates from agricultural run-off.

In 1977, the Countryside Commission brought matters to a head by announcing that the area met the criteria for designation as a national park and seeking views on the best way forward. The opinion that a standard national park was not the best solution remained widely held, and negotiation with local interests led to the establishment of a joint local authority committee in 1978, involving county and district councils, the water authority, the Great Yarmouth port and haven commissioners and other interest groups.

A decade or so later, the Norfolk and Suffolk Broads Act 1988 was passed, and the Broads Authority came into permanent existence the following year to provide governance of the whole system. Much has been achieved in the past 20 years, and the decline has not only been arrested but reversed. Plants that have not been seen for 50 years have flowered, and the pioneering Halvergate grazing marshes scheme led to the environmentally sensitive areas programme and modern support for environmentally sensitive farming. A bursary scheme supported by the Heritage Lottery Fund is training a new generation of reed and sedge cutters and millwrights. Tourism in the broads, which faces increasing competition from cheaper overseas holidays, is moving forward by improving the quality of the product while recognising and supporting the special qualities of the broads. To conclude my introduction, at a meeting that I attended, the chairman of the East of England Development Agency expressed an ambition to make the broads like the Florida keys. Having visited the keys I shied away from that, and I said that the broads had a magic that, thank goodness, the Florida keys could neither get their hands on nor improve on.

There will be debate, I hope, in Committee and in another place about the Broads Authority, which is a special statutory authority established under the Norfolk and Suffolk Broads Act, with a general duty to manage the broads for three major purposes: conserving and enhancing the natural beauty, wildlife and cultural heritage of the broads, as I have described; promoting opportunities for the understanding and enjoyment of the special qualities of the broads by the public; and protecting the interests of navigation. The first purposes are identical to those given to the national parks, and it is the third additional purpose that makes the Broads Authority's responsibilities special. It is, as it were, a national park plus. The authority is the third largest navigation authority after British Waterways and the Environment Agency. I must apologise to the Under-Secretary of State for Environment, Food and Rural Affairs, who has been dealing with water problems all day, last night, the day

before and so on. Water is suddenly at the top of the agenda, and inland water problems have risen high in the country's political life.

British Waterways and the Environment Agency work with the authority through the Association of Inland Navigation Authorities—AINA—and the national park authorities. The authority is a harbour authority, too, and its navigation responsibilities, which are unique, include public safety provisions for navigation and for boats, and maintenance of the navigation system, including moorings, dredgings and markings. The authority is a local planning authority for the broads, with responsibility for planning, conservation, development control and enforcement. There are some problems, and we will take them on board, as people have quite rightly complained about the provisions of the Act, the number of members, who they are and so on.

In 1988 the authority comprised 35 members, but after four years of discussion and consultation, agreement was reached to reduce that to a more appropriate number. In June 2005 the authority comprised 21 members, who are charged with taking account of national and local interests while reflecting the authority's particular duties and responsibilities. Ten members are appointed by the Secretary of State, nine by the eight local authorities in the area, and two by the authority from its statutory navigation committee. I shall talk later about the other organisations that should have an input.

The locally appointed members are councillors who have been elected locally and are an important link with the community, and the Bill does not include any proposals to change the overall membership. The authority is keen to engage with a wider group of stakeholders and local people, and it established a broads forum, which has been emulated by other members of the national park family. It is keen to continue to develop its role, and has recently included parish council representation. It has met the Norfolk County Association of Parish and Town Councils—I expect that many of my colleagues in the Chamber have done so, too—and it has undertaken to work more closely with them to strengthen the relationship with parish councils in the broads area.

Norman Lamb (North Norfolk) (LD): Many people—the hon. Member for Mid-Norfolk (Mr. Simpson) is one—feel that there is a powerful case for town and parish councils being represented on the Broads Authority, and that those bodies should do more than work closely with the authority. Is there a reason why that cannot happen? Can the Bill be amended to facilitate that?

Dr. Gibson: A priori, there is no reason why the Bill could not be so amended, but the argument has to do with the role of the parish councils in the area covered by the Broads Authority. The authority performs some of the work of the parish councils, whose involvement in initiatives is therefore limited. However, that arrangement does not have to last for ever, and we can discuss the arguments for and against parish councils' representation on the Broads Authority. At present the parish councils have a consultative input into the broads forum, but I am sure that we will examine later in Committee how many and which organisations should be represented on the authority.

I know, for example, that some people think that other bodies need to be included. In my opinion, however, the Broads Authority has been open to debate about these matters and I am not aware of any internecine warfare—indeed, it has been prepared to open its doors in order to strengthen the work that it does. Obviously, parish councils have a role in determining planning applications, and that might provide a model for wider consultation. Moreover, we must also bear it in mind as we make progress with the Bill that parish councils may have a part to play in organisations other than the Broads Authority.

The Broads Authority's executive area is tightly drawn around the flood plains and lower reaches of three main rivers—the Bure, the Yare and the Waveney. Only 5,000 people live in the area covered by the authority, but it abuts the urban areas of Great Yarmouth and Lowestoft, and it includes the River Wensum, which takes it right into the middle of Norwich. Most of the land in the broads is privately owned, and large tracts belong to wildlife trusts, the Royal Society for the Protection of Birds and the National Trust. The responsibility for, and involvement in, the area is therefore widely spread.

The navigation area under the authority's responsibility is defined in the 1988 Act. It includes all the stretches of the Rivers Bure, Yare and Waveney, and their tributaries, that were in use for navigation by virtue of any public right of navigation at the time of the passing of that Act. It excludes the River Haven, which remains under the jurisdiction of the Great Yarmouth port authority. Breydon Water and the passage under the bridges over the lower Bure is the most dangerous part of the broads navigation, and visiting craft regularly have to be helped off the mud there and warned about the bridges. The Broads Authority patrols the area, and by agreement with the Great Yarmouth port authority, the Bill provides for responsibility for navigation in those waters to be transferred to the Broads Authority. That is one of the proposals that have emerged from the negotiations in respect of the Bill.

There are also problems with how the Broads Authority is financed. It has two principal sources of income. There is the national park grant, which accounts for two-thirds of its resources and income from toll payers, amounting to roughly £2 million in the current year. The previous Minister with responsibility for these matters recognised that the formula for allocating national park grant did not reflect the additional costs of managing a water-based protected area, and he therefore allocated an additional £500,000 a year over three years. That money has made a huge difference to improving biodiversity, implementing practical safety improvements and increasing the amount of dredging.

I appreciate the financing problems facing the present Minister in respect of British Waterways and other bodies, but I hope that he will be able to build that funding into the authority's core grant in some way. I believe that there is some room for negotiation, however, and I stress that the additional money is very important for the future of the broads. The Broads Authority has achieved a lot in the past 20 years.

[Dr. Gibson]

Ironically, it came through the national parks performance assessment with flying colours. The people on the authority and their supporters are committed to improving the services that it offers.

People ask why we need a private Bill. I shall not give all the reasons why the broads region is not a national park. The area was missed out when those decisions were made because it was concluded that its allocation of responsibilities did not conform to the Sandford principle.

Following advice from various sources, it became clear that a private Bill would be the only way forward to tackle the important safety matters that must be addressed. The authority is following the path of many proposals made by British Waterways and the Environment Agency, which have given it a lot of help. The current and previous Ministers responsible in the Department of Environment, Food and Rural Affairs have also been extremely helpful by ensuring that they and their officials gave good advice and assistance.

The main purpose of the Bill is to obtain new powers for the authority to improve the safety of those boating on the broads. The need for additional powers has been highlighted by the requirements of the port marine safety code and incidents such as the Breakaway V accident. We are grateful for the fact that there is not a history of a great many accidents on the broads—although we have no idea of how many near misses there have been. However, most people would agree that it is important that public safety be improved. There have been one or two incidents in which someone has drowned, such as that involving Breakaway V, which means that the authority has to take on several general provisions to improve safety on the broads waterways.

The Bill will give the authority the power to give general directions to all vessels, or particular classes of vessels, and to give directions to designate safe navigation routes. It will give the authority the power to give directions to regulate mooring in its navigational jurisdiction and the towing of vessels. It will allow the authority to give special directions to vessels in one-off cases and to designate the construction and equipment standards for vessels.

The authority's intention, which is embodied in a formal legal agreement with national and local boating interests, is to implement the national boat safety scheme, which applies to waterways under the jurisdictions of British Waterways and the Environment Agency. Importantly, the Bill gives the authority the power to introduce compulsory third-party insurance for vessels. It allows the authority to require the licensing of pleasure boats and to regulate water skiing and wakeboarding on the broads better. It also gives the authority the power to deal with overhanging vegetation that causes a hazard.

I know that people think that regulations can sometimes be stuffy, and that there can be over-regulation. However, the same arguments were made about seat belts in cars—and I do not hear many people arguing against seat belts now, although there was a lot of argument when the seat belts measure was proposed. Who knows how many lives that has saved? A simple little Act made a big difference to public safety. The intention behind the Bill is to improve public safety.

It seems that there is a public right of navigation and that the public have the right to go where they like, so I understand people's resentment of such a top-heavy management style. Even though I am not sure that that is how things will turn out, that is always what people fear. I realise that when a balance must be struck, we must strike it on the side of public safety, as long as we can make the argument that public safety is being improved. There are statutory and other legal restrictions on the way in which the public right of navigation can be exercised. Harbour authorities, of which the Broads Authority is one, have the benefit of statutory powers to enable them to control the way in which their areas are navigated.

It is important that the Bill's provisions are reasonable and proportionate, and that they take proper account of individual rights. As legislators, we all know how hard that balance is to strike. I am a member of the Committee considering the Mental Health Bill, so I know that it is difficult to come up with a balanced black-and-white position on some issues—the line is often very wavy. However, it is right that the Bill makes changes, given some of the events that have happened. Although those events have not been major tragic incidents, they are sufficient to make one worried that such an incident could occur. It is our job to protect individuals who use the broads.

The Bill has come about through consultation exercises and agreements with boating interests. The authority consulted local MPs, Government Departments, the Environment Agency, the National Farmers Union and the Great Yarmouth Port Authority. The groups that have been spoken to include the Royal Yachting Association, the British Marine Federation, the Inland Waterways Association, the Norfolk and Suffolk Boating Association and the Broads Hire Boat Federation.

In all cases there is a written agreement about how the measure should operate and the consultation has allowed changes to be made to the original Bill. In a sense, that is a form of contract, so who cares whether it is legally binding? However, it is important to have that piece of paper in case anything goes wrong.

Norman Lamb: The hon. Gentleman asks who cares whether the agreements are legally binding. Many people care, because those pieces of paper ensure that the Bill's powers, which seem at face value quite draconian, cannot be used or changed without the agreement of the parties involved. If those agreements are not legally binding, it will be a serious matter for the people who have raised concerns with me.

Dr. Gibson: I meant that none of us wants those signed agreements to go to court. Legal advice would be taken before they were signed so that both parties went into the agreement having decided that it was the best way forward, subject to modification if necessary. I hope that we would not then have to go to court, because that would make things hard and fast. As such agreements are not on the face of the Bill, they could be modified by mutual agreement, which is important. We can make things absolutely legally binding, but that could mean that everything done on the broads ended

up in the High Court, which is the last thing we want when reaching agreement with yachting associations and so on.

We want people to feel that they have the right to explore the broads without a boat following them everywhere. We want them to have a sense of adventure, but with the knowledge that people who know what has happened and what could happen have drawn up agreements. I do not want there to be arguments about whether the agreements are legally binding; I do not know whether they are, but I do not want them to go before the courts. At present, things look good and there is agreement on both sides.

The authority believes that the provisions are reasonable and proportionate, and take proper account of individual rights. The Bill was built on a thorough consultation exercise and the agreement with boating interests has produced consensus and balance. The Bill's objective of public safety is a legitimate ground for qualifying what might otherwise be an unhindered public right. I have already mentioned other restrictions on what people are allowed to do, such as seat belts and speed limits.

The other main object of the Bill is to modernise the authority by updating some provisions in the 1988 Act; they were relevant and important then, but the time is ripe to review and update them. The Bill would provide for the removal of the requirement for a separate navigation account dealing with navigation income and expenditure. The authority feels that the provision has proved administratively bureaucratic, and cuts across its aim for an integrated approach to the management of the broads. There will be a requirement that navigation expenditure be similar to navigation income—the toll that people pay for all the changes in navigation. There are arguments to be had about where the money goes, because the intentions of the Government and the authority are not necessarily the same. However, the authority can hardly be blamed for wanting more money from the Government for a separate account. Of course it may have to dream on, but we should support it so that it can ensure that navigation is safe for the public. The tolls will be minor—about £20 or £30 a year.

Mr. James Paice (South-East Cambridgeshire) (Con): I am listening carefully to the hon. Gentleman. I am an East Anglian MP; obviously I do not have the same close knowledge of Norfolk as the hon. Gentleman and other Norfolk MPs, but I take a close interest in the area. The question of where the money goes is important. Can the hon. Gentleman give the House more explanation about how the authority envisages operating in the future without a separate navigation account? How will it ensure that the money paid by boat users is used not just for managing navigation but in ways that benefit them? As the hon. Gentleman knows, there is concern that some of the waterways are beginning to silt up and that not enough money is being spent on ensuring that navigation remains possible, so in the absence of a separate identifiable account, how will it be possible for people to monitor whether their money is going where they think it should?

Dr. Gibson: We do not know the final details at this stage, of course, so I can only propose what might happen. I believe that there will be a navigation officer and it may be possible to have an account associated with that individual, who could ensure that the money coming in from the tolls was used for navigation. What about money that is used for the environment? I know that some people believe that the dredging could be carried out in a completely different way for environmental purposes, which would save a lot of money. The apportioning of money for one cause or the other relating to all the different functions of the broads needs to be very seriously looked into—nationally, as well. The broads will benefit from that.

Mr. Paice: I am grateful to the hon. Gentleman, but my point centred on the issue of transparency. The question is whether, in the absence of a separate account, people who have paid the tolls or the taxes will be able to see where their money is going.

Dr. Gibson: Of course. That is absolutely the intention, and it has been the spirit in which the Broads Authority has done its work. It must have the support of the navigational interests on the broads, and that is the best way of doing it. Four major objectors have petitioned against the Bill, as the hon. Gentleman will know, but others may also be worried about where the money goes. Openness is the only assured way of proceeding. We need a separate account so that people can see annually where the toll money comes from, where it goes and so forth.

Mr. Bob Blizzard (Waveney) (Lab): I have been through this matter with constituents and with the Broads Authority in my office. We were given assurances—and it is stipulated in the Bill—that expenditure on navigation must be at least equal to or greater than the income from navigation. That provides a lot of comfort to those navigation interests, ensuring that the whole accounting procedure across the authority is much more transparent under these proposals than it has been in the past.

Dr. Gibson: I thank my hon. Friend and agree that it is much better. Again, I am fully aware that it has to be seen in practice. When the Bill reaches its final manifestations and sees the light, I hope that it will be very apparent that this is a major factor in selling the Bill to the people who use the broads—and to the few objectors. As I say, only four people have petitioned, but I am sure that others may not have got around to doing so yet. Obviously, there will be differences of opinion about where the money goes, how much is spent on dredging and on this and that. It all has to be seen in the open, and I see no reason why that should not happen. The Broads Authority has a tradition of openness and transparency. One or two people may disagree, but in general that is true of the Broads Authority, and I am sure that it intends to carry on in that way.

I mentioned that only four individuals have petitioned against the Bill, and it could be argued that that is four out of 10,000. However, I do not take the numbers per se as particularly important. Many other people want to use the broads, and will do so if they see this kind of transparency. Agreements have been reached with the national boating organisations, and the number of petitioners is a testament to the thoroughness of the consultation carried out by the

[Dr. Gibson]

Broads Authority. Nothing is ever perfect—but gosh, it tried really hard to get everybody's views and attempted to meet them. This is not over yet—there is more to do—but the generality of the Bill is what is being presented here today. I believe that the consultation will continue.

To conclude, let me explain why I believe the Bill should receive its Second Reading and move on. Public safety is an amazing issue to highlight in the context of the beauty of the broads. It must be safe out there, to encourage young people to use the facilities. There have been precedents for some of the issues that we have debated and thorough consultation has taken place. This is not a major Bill in the sense of trying to turn the broads into a national park, or change the laws of the land to any dramatic extent.

Meeting the safety positions is a matter of urgency. The Department of Trade and Industry has been urging that. Sadly, accidents occur, but we hope that they will not be serious, like those that have occurred in the past. I would welcome the support of Members in making sure that the Bill progresses through its Second Reading and that we can examine some of the issues in more detail.

4.30 pm

Mr. Keith Simpson (Mid-Norfolk) (Con): Madam Deputy Speaker, may I thank you, as the First Deputy Chairman of Ways and Means, for allowing us to have this short debate this afternoon? My hon. Friend the Member for South Norfolk (Mr. Bacon)—who sends his apologies for not being here because of a family bereavement—and I objected to the passage of the Bill, not because we wished to block or destroy the Bill, but because we received representations from constituents and other interests that involved having the Bill debated on the Floor of the House. As the hon. Member for Norwich, North (Dr. Gibson), who introduced the Bill, said, it is important to have complete transparency and to raise some of these issues, not only because they are important to those of us who live in Norfolk and Suffolk, but because the broads have a national and, indeed, international reputation.

The nature of the Bill has changed from its original draft—something that the hon. Gentleman did not mention. The original Bill was intended to establish the Norfolk and Suffolk broads as a national park. It has evolved into a much more narrowly prescribed Bill to improve safety for people who are boating and to modernise the operations of the Broads Authority, as he mentioned. He quite rightly flagged up, in a very open way, that there has been some public concern and some opposition—certainly to the original draft Bill, which has quite rightly been modified as a result of consultation. Nevertheless, four individuals have petitioned against the Bill, one representative body is lobbying for an amendment, and other local concerns have been expressed.

It is therefore right and proper to have a debate to enable colleagues on both sides of the House to raise issues and to go for total transparency. Hopefully, some of the issues raised may result in the Bill being modified in Committee or in the other place. The Bill will go into Committee and then go to the other place, where Bishop Graham, the Bishop of Norwich, will introduce it. That will provide further opportunities for debate and amendments.

The hon. Member for Norwich, North emphasised the importance of the broads both locally and nationally. My interest is direct in that the broads cover part of my constituency, which includes the southern border of the Norfolk broads, the Rivers Yare, Bure and Waveney, and the magnificent Halvergate marshes. As a consequence of the great parliamentary reaper—I refer, of course, to the Boundary Commission—my current constituency of Mid-Norfolk will be divided and Norfolk will get an extra seat. The majority part of my Mid-Norfolk seat will become the constituency of Broadland, to which I hope my constituents might see fit to return me at a general election in the future. The name is directly associated with the broads.

The hon. Gentleman quite rightly emphasised that we face the issue of how to achieve a balance between all the competing interests that are involved with the Norfolk and Suffolk broads. The issues include the environment, wildlife, the people who work and live on the broads and in the surrounding areas, and the difficulty of maintaining a transport infrastructure that is able to compete with modern conditions. The hon. Member for North Norfolk (Norman Lamb) and I know only too well the problems with transportation and traffic in the small settlements of Wroxham and Hoveton, where there is a major river crossing. I remind hon. Members that although we are all supportive of public transport and many of us try to use it, in large parts of Norfolk and Suffolk the car is not a luxury but an absolute must for people to get around—to get to work, to hospitals and so on.

We have to bear in mind that considerations include the protection of endangered species and the maintenance of the broads, which were in serious danger of major deterioration some 20 years ago. A fundamental issue in which the hon. Member for Great Yarmouth (Mr. Wright) and I are involved is the dualling of the A47 across the Acle straight; that is still under discussion. The project raises major concerns about the environment and whether it is possible to move drainage ditches, in which there are important species, to enable improvements to the road, which is a lifeline to Great Yarmouth. The improvements would prevent appalling accidents of the kind that have taken place there, in which cars have come off the road and people have drowned, sadly, in the ditches.

There are major issues involving farming, tourism, boating and sailing. It is reckoned that the holiday boating trade is worth about £146 million and employs some 2,000 people in Norfolk and Suffolk. Interestingly enough, the number of people taking boating holidays has halved in the past 20 years. In addition, we should not forget the threat from the sea. Any change in weather conditions or tides could have a catastrophic effect on the Norfolk coast. In 1953, the sea breached the sea defences along the north Norfolk coast. Many settlements were literally washed away and a number of people were killed. Global warming or the cyclical change in climate, or a repetition of the events of 1953, would result in a considerable part of the

constituencies of many Members and friends present today literally disappearing.

The hon. Member for Norwich, North, quickly skated over the origins of the broads, and I can understand why, but it is actually an important subject. It is amazing to think that it was only in 1953 that the botanist Dr. Joyce Lambert came up with what has turned out to be the correct analysis of the origins of the broads. Through her research and the research of others, she proved that the broads are a consequence of peat-diggings in the middle ages that had been filled in with water. That challenged the accepted thesis that the broads were shallow water, and were relics of the great estuary of the Roman times—or, as one historian said, large puddles that were left behind as the sea retreated in the post-Roman period. That raises the important and interesting point that the broads are as much man made as they are influenced, developed and modified by the environment.

The Broads Authority came into being because of the need for an overall authority to co-ordinate issues to do with navigation, the environment and tourism. My predecessor, Richard Ryder, now Lord Ryder of Wensum, took through the Commons what became the Norfolk and Suffolk Broads Act 1988. That Act set up the Broads Authority and provided statutory powers, including those relating to navigation. Crucially, the broads had not then been designated a national park, largely because of issues to do with navigation. In a strange way, the broads are a hybrid. I suspect that if one went out into Parliament square and asked 10 people whether they thought that the broads were a national park, nine of the 10 would assume that they were.

Alun Michael (Cardiff, South and Penarth) (Lab/Co-op): The hon. Gentleman is right to point out that, in terms of definition and under the Sandford principles, the broads are not a national park. The phraseology that many of us have used on many occasions is that it is a full and special member of the national parks family. I am sure that use of language of that sort can only emphasise the special nature of the broads. Does he agree?

Mr. Simpson: I thank the right hon. Gentleman for that intervention, and I pay tribute to the interest that he took in the broads when he was a Minister at the Department for Environment, Food and Rural Affairs. I know that he went on holiday there as a child, and I remember that he also negotiated extra moneys for the Broads Authority. He is right to say that the broads are special and that they are directly associated with the national parks. We should emphasise that, in order to highlight the special nature of the area.

As the hon. Member for Norwich, North said, the impetus after 2001 was for greater co-operation between navigators and conservationists. This was reflected in what was originally the draft Bill entitled the Broads National Park Authority Bill that existed in 2006. That Bill ran into opposition for a number of reasons, not least because of the difficulty involved in using the term "national park". As we have seen, it subsequently became much more narrowly defined as the Broads Authority Bill that we are debating today.

I am not being pedantic, but I am grateful that it is called the Broads Authority Bill. At one stage there was a consultation, in which focus groups said that people did not understand where the broads were, and that it would therefore be best to describe them as the Norfolk broads. At that suggestion, the hon. Member for Waveney (Mr. Blizzard) quite rightly threw his toys out of his cot on behalf of his constituents, pointing out that the broads are in Norfolk and Suffolk. That is right and proper. They overlap the constituencies of many of us who are sitting here today.

At the heart of the Bill is the importance of establishing a balance between work and life on the broads, and the environment. Many interested parties, including those who live and work on or near the broads, environmentalists and wildlife organisations, the local authority, the Broads Authority, the Environment Agency, the East of England Development Agency, other Government Departments and even the European Union have an interest in and an input into the area. I want to highlight a number of important issues to see whether the hon. Member for Norwich, North will be able to respond to them when he makes his concluding remarks, and also to put them on the table for further debate.

The Bill gives considerable powers to the Broads Authority in relation to navigation, the licensing of boats and the maintenance of vegetation, as well as improved regulation of water skiing and wave boarding. I showed the draft Bill to a colleague who said that while the powers might be necessary, they appeared quite draconian. There might be good arguments for having the powers, but it is right and proper that we should question and tease out the reasoning behind them, as the hon. Member for North Norfolk did in an earlier intervention. I have to say that I was not convinced by the answer that the hon. Member for Norwich, North gave to the hon. Gentleman at that point. I am sure that when we have regime change in the Labour party and the hon. Member for Norwich, North is called to the colours and takes his place officially on the Front Bench, he will be able to call on the ministerial box for help. I see that the right hon. Member for Norwich, South (Mr. Clarke) is leaving at this point; he cannot bear the thought of that.

The original draft caused considerable worry to local boating and sailing interests. The hon. Member for Norwich, North was absolutely correct to say that a good, long dialogue had taken place between the Broads Authority, the British Marine Federation and the Royal Yacht Association, which culminated on 21 January with a written agreement—a concordat. I suspect that neither side is fully satisfied, but the agreement was welcome. There have been amendments to the Bill and further measures specified in a side agreement to protect the interests of recreational boaters.

However, there remain individuals who still have concerns about the powers that the Bill gives the Broads Authority. Those four individuals have petitioned Parliament. I do not want to over-egg this, but I expect that there are others who share their concerns but have not gone through the motions of petitioning Parliament. Can the hon. Member for Norwich, North tell the House at this stage whether the

[Mr. Keith Simpson]

Broads Authority is taking into account the concerns of the four petitioners—Alan Richard Williams, Paul Derrick Howes, Mollie Yensie Howes and Peter Sanders? I know that there is a continuing debate, but I mention the matter on the Floor of the House because those four people have petitioned Parliament and their concerns need to be addressed.

Dr. Gibson: I shall make two points. The hon. Gentleman asked me about the legality of the process. I notice that leading counsel has advised the authority that provisions in the Bill are compatible with the Human Rights Act—I know that that is a special aspect of it—which has enabled the authority to make a declaration to that effect in the Bill. I am told that the authority has consulted the four individuals. They have not come to see eye to eye with each other on the matter, but they are prepared to discuss it further in the light of this debate, what happens in Committee and so on. I have read the petitions. Some of the points raised are genuine issues to which there are answers, but as to the outcome, I would not at this stage like to put my salary on it.

Mr. Simpson: I thank the hon. Gentleman for that. It seems that there is continuing dialogue and the petitioners may have some hopes that some of their concerns may be addressed. That may be done in Committee, but if not I am sure that those concerns will be considered in the other place as well.

When reading the Bill, I was struck by the increased powers given to the authority. There are numerous examples of inspection and enforcement by what is referred to as "an authorised officer". Can the hon. Member for Norwich, North tell the House who those authorised officers are and what their qualifications are to carry out their duties? Will the authorised officers be part of the present staff of the Broads Authority, which I think consists of about 100 individuals, or will additional officers have to be recruited? For the sake of transparency, it is important that we have that information.

It is likely that the new powers and activities of the Broads Authority will incur greater costs. The hon. Member for Norwich, North made that point and was looking towards the Minister as he did so. I know that the Broads Authority has already made it clear in a briefing note for this debate that:

> "The formula for allocating National Park Grant does not, in the view of the Broads Authority, reflect the higher costs of managing a water-based protected area with significant navigation."

Additional moneys were granted by DEFRA through the good offices of the right hon. Member for Cardiff, South and Penarth (Alun Michael) in 2005, but 2007-08 is the last year of funding. Does the hon. Member for Norwich, North or the Minister know the financial consequences of implementing the Bill? It may be revenue neutral, but if there are additional costs, does that mean that savings will have to be made in the Broads Authority's current budget or is it possible that it will get the extra resources to cover the implementation of the Bill?

Finally, I shall deal with the management and accountability of the board. In many respects the authority is a hybrid because although it looks, acts and feels like a national park board—we have debated that—it has its own legislation because of the particular navigational responsibilities. It comprises 21 members—a mixture of local authority members, appointees of the Secretary of State for Environment, Food and Rural Affairs and representatives of navigational users. Schedule 6 would amend the Norfolk and Suffolk Broads Act 1988 so that:

> "The members appointed...shall include persons appointed by the Secretary of State after consultation with such bodies appearing to him to represent the following interests, that is to say—
>
> (a) boating;
>
> (b) conservation;
>
> (c) farming and landowning;
>
> (d) land based recreation
>
> as he considers appropriate, and in making such appointments the Secretary of State shall have regard to the desirability of maintaining an overall balance...between those interests."

On the face of it, that sounds perfectly legitimate as an attempt to make certain that all the different interest groups are on the board, have a direct input and can bring their influence to bear. As I understand it, the elected representative elements are in a minority, while the appointees, of one kind or another, form the majority.

In its own way, the new board is all very admirable, but as the hon. Member for Norwich, North pointed out, there is a concern that it will not include any representation from the Norfolk and Suffolk parish and town councils. All the other national authority boards have direct representation from parish and town councils. It is true that the new membership includes one elected member from each of the district and borough councils with parishes and towns in the broads area, but the Norfolk and Suffolk county associations, which have approached me and other hon. Members, do not feel that that gives the most local tier of local government the required mechanisms to feed in their views on the many aspects covered by the new Broads Authority, especially the newly acquired planning role.

Dr. Gibson: How does the hon. Gentleman envisage the relationship with the broads forum, which has input from parish councils and other groups? Does he think that it will feed into the Broads Authority or that never the twain shall meet?

Mr. Simpson: There is obviously a fundamental difference. The Broads Authority board has an executive function, while the forum is a kind of talking shop where there are exchanges of views but no executive function. In my view, and in that of several colleagues, that is insufficient. The map of the Broads Authority's executive area shows that its boundary merely skirts some settlements, and the population included is incredibly small—about 5,000 souls—as compared with the Lake district and other areas. However, that is still a reasonable number of people. Moreover, at a time when local elections are going on and we are all continually saying that we must bring

democracy down to the lowest possible level, we should be encouraging parish and town councils to participate in this.

Alun Michael: The hon. Gentleman is being very balanced in his remarks. He has referred to the difficulty of dealing with the broads as a national park per se because of the navigation interests, and he is grappling with the question of how to get parish representation, which, as he says, has been significant as regards other national parks that do not pose the constitutional challenge that the broads do by their very nature. This may be more of a subject for the Committee, but does he accept that it needs to be approached with care because the wish to involve a parish element needs to be dealt with in a way that does not create an imbalance with the other elements that are represented—for example, the navigation element, which he rightly pointed to as a complicating factor in the whole way in which the Broads Authority is established?

Mr. Simpson: The right hon. Gentleman makes a fair point. However, the Norfolk and Suffolk associations do not demand massive representation. Indeed, they believe that one representative for both Norfolk and Suffolk town and parish councils would give them collectively a direct voice on the management board of the Broads Authority. They especially emphasised the new planning powers. I agree with the right hon. Gentleman that the discussion may be for Committee, but I want to stress the point strongly in our debate today. I do not yet know the views of other colleagues, although I think that I know that of the hon. Member for North Norfolk. I hope that the Broads Authority and the Under-Secretary will take them into account.

I accept that, as the right hon. Gentleman said, we do not want an imbalance. If one group in the broads forum gets directly on to the executive board, there is a danger of four or five other groups saying, "If they're on, can't we be?" However, it is important to bear it in mind that we are considering elected people.

Mr. Henry Bellingham (North-West Norfolk) (Con): My hon. Friend makes an important point. Although the area that we are considering has a population of roughly only 5,000 people, it covers many parishes. Furthermore, we are for ever trying to persuade people to stand for parish councils. Far too many are not properly contested. We want to take parish councillors seriously and give them more to do. We now have an ideal opportunity to take them seriously and give them a small amount of representation on an important body.

Mr. Simpson: I am grateful to my hon. Friend for making that point.

I have tried to highlight three issues. First, there are the increased powers of the Broads Authority. I do not suggest that they are Machiavellian, but they are strong. The identity and qualifications of the authorising officers must be considered, and that leads directly to the budget and its management. Secondly, there are the four petitioners and the issues that they raised. Thirdly, I hope that the board will accept that the town and parish councils should have a representative on it.

The purpose of my hon. Friend the Member for South Norfolk and I in blocking the Bill was not to prevent its progress but to hold a good-natured and informed debate—so far, that has happened—because we all have at heart the interests of making the broads safe for those who sail and play on them and getting the balance right between work, leisure and life.

4.58 pm

Mr. Bob Blizzard (Waveney) (Lab): As the hon. Member for Mid-Norfolk (Mr. Simpson) said, a large part of the broads navigation network lies in his constituency. However, the Bill is also important to my constituency because a large part of the southern broads system is in it, most notably Oulton broad and the River Waveney, which gives its name to my constituency. That is all in Suffolk, which is why there is a Broads Authority, not a Norfolk broads authority or the mouthful of a Norfolk and Suffolk broads authority.

We are considering delightful areas of natural beauty that attract many visitors, who form an important part of our local economy. The broads are also an important source of leisure activity for many of our local people. Oulton broad is often known as the urban broad—hon. Members should not be deceived by that, because it has a beautiful natural environment—because it extends into the built-up area of Lowestoft, which provides excellent public access to the whole broads network. It is perhaps a microcosm, showing how many activities can and do exist on the broads. Oulton broad has sailing, cruising craft and motorised craft large and small, and the great tradition of motor boat racing is represented by the Oulton broad motor boat club. Many years ago, motor boat racing for the *Daily Mirror* trophy at Oulton broad was televised, and it is still one of the leading venues for the sport in Europe.

Somerleyton—a delightful place—and Beccles quay are the two other main yacht stations and centres of boating in my constituency. All are linked by the navigable River Waveney. The Waveney is not navigable by motor boat or yacht as far up as Bungay, but Bungay is an important centre for canoeing. Last October we were delighted to welcome the Under-Secretary of State for Environment, Food and Rural Affairs to Bungay to celebrate the opening of an important stretch of the river for canoeing. That provided a national example of what could be done in co-existence with the other important sport of fishing.

All those activities, throughout the broad, will continue to thrive with the Bill in place—none of them are threatened by the Bill. When the Bill proposals were first published, however, some of my constituents had concerns. I called a meeting between those constituents and the chief executive and chairman of the Broads Authority, and we discussed each issue painstakingly. We all ended up satisfied on every count. The scrutiny was particularly good, and perhaps even more detailed than could be done in the Chamber. Today, however, is a good opportunity for positive promotion of the broads in the House.

[Mr. Bob Blizzard]

My constituents' concerns centred mainly on navigation interests. The Broads Authority undertook, however, to reach formal written agreements with the Royal Yachting Association and British Marine Federation, both of which must represent the interests of the Norfolk and Suffolk Boating Association. Those agreements were designed to give comfort to the navigation interests, and to require the Broads Authority to continue to consult the Norfolk and Suffolk Boating Association on all relevant matters. Those agreements are now in place, and I can see no obstacle that now stands in the way of the Bill.

The Bill gives new powers to the Broads Authority to remove some obstacles to navigation, such as the power to remove abandoned, stranded or sunken vessels if they become a hazard or a danger to navigation. For years we had one such hulk at Oulton broad, and everyone wanted it out of the way, but there were great difficulties in doing so. I am delighted that the Broads Authority will now have clear powers to deal with such matters.

The Bill also gives the authority the power to enter private land to cut back vegetation and trees that overhang the river and may affect navigation. Again, constituents who have contacted me welcome that. They have shown me pictures of the broads from the 1880s to the 1930s that show traditional open landscapes. Originally, the broads did not have overhanging trees. The trees have grown since and need cutting back occasionally so that people can enjoy the natural environment from the water, which is what the broads are all about.

Dr. Gibson: Will my hon. Friend acknowledge that the authority will not just go in and cut back trees without contacting the people on whose land those trees are growing? There will be consultation.

Mr. Blizzard: I would not expect anything less from the Broads Authority. That is the way in which it usually works. It must be empowered to take such action, because if a reluctant or unreasonable landlord is involved, the interests of many other people will be adversely affected.

The hon. Member for Mid-Norfolk is right: there was great concern about the ending of the separate financial account for navigation. As I said in an earlier intervention, I am not so worried about that now. It was seen as a necessary procedure to protect navigation interests, but having discussed the matter I can imagine the separate account becoming siloed—almost sidelined. I understand that currently more money is spent on navigation than is raised from navigation income. The new format protects that. I am told that the Bill provides for navigation expenditure to be greater than or equal to navigation income, so I do not see how navigation can lose out. Indeed, the Broads Authority might decide to allow more money to be spent on it if the navigation account became part of a set of transparent accounts.

The key issue affecting the broads today is dredging. The problem of silt is becoming more and more acute, and it is my constituents' main concern about Oulton broad, which is silting up badly. The amount of silt is increasing each year, and the broad is becoming shallower each year. So much of it is affected that boating is being restricted. Dredging is needed not just to enable people to enjoy the broads, but for the well-being of the natural environment of the broad and the sustainable management of its natural beauty and biodiversity.

We need two assurances from my hon. Friend the Minister. First, we need a statement about funding. As has already been pointed out, the right hon. Member for Cardiff, South and Penarth (Alun Michael) granted £500,000 a year for three years, which has made a real difference, but the formula allocation for the national park grant ought to reflect the higher costs of managing a water-based protected area with significant navigation, and I think it reasonable to ask for the £500,000 to be taken into the core funding of the Broads Authority area. I realise that there are financial pressures, but unless we can use that money to deal with the dredging problem, we will find it difficult to move forward. Indeed, we may move backwards.

The second issue does not directly concern finance, but relates to the definition of the dredged material in the context of its disposal. It should be possible to dispose of it locally to avoid incurring enormous, even prohibitive, costs in transporting it over distances. It would seem reasonable to deposit the material in the fields whence it has come, but under the European Union waste framework directive it is classified as waste. It must therefore be disposed of as waste, meeting the requirements of a number of regulations and requiring the establishment of a licensed disposal site. That too would involve considerable and probably prohibitive expense.

Last year I met representatives of the Broads Authority and a constituent with the Minister's predecessor, my hon. Friend the Member for South Dorset (Jim Knight), and we examined the issue in some detail. It was established that this was an unintended consequence of the legislation, and that the framework directive was not intended to catch the dredged material. Indeed, so unintended was the consequence that had the legislation been in place when the Barton broad restoration project was carried out in 2000, the project would not have been possible. The fact that the Barton broad clear water 2000 scheme has been an outstanding environmental success shows how important it is to do something about the regulation. My hon. Friend the Member for South Dorset agreed to sort it out, and officials at the meeting confirmed that that could be done within the European Union system. However, we are still waiting for that matter to be resolved. I wrote to my hon. Friend the Under-Secretary and he helpfully replied last August that revised guidance was being prepared, which I welcome, but he was not able to say when that guidance would be published. Is he able to tell the House today when it will be published? That is of urgent concern, because dredging is the key issue.

As has been said, the Broads Authority has a difficult job to do. It has to strike the right balance between conserving the natural environment and promoting and allowing public enjoyment. We must never forget that people live and work within the Broads Authority area—in my constituency and those of several other Members—and that they need to be

able to carry out their daily lives in a reasonable way. I am concerned by some of the decisions of the planning committee of the Broads Authority. It sometimes seems to have a heavy hand, although at other times it seems to get it right. The new authority must make sure that it strikes the right balance.

I was one of those who hoped that the name could be changed to "national park". I would have loved to have been able to say, "In our part of the country, we have the Broads national park." We had a vigorous debate about the name when we thought that we were going to have a national park, and we rightly ended up with the proposal to name it the Broads national park. We do not have the "Cumbrian lake district" or "Devon Dartmoor". Everybody knows where the broads are. I am disappointed that we were not able to proceed with the national park name, and to have included that in the Bill. I understand and do not underestimate the difficulties of reconciling certain matters with the Sandford principle. However, one has to remain optimistic, and I hope that we will return to the issue in the future; I hope that we will be able to create a Broads national park some day, because having a Broads national park in the heart of our area would be a great boost for us all.

5.12 pm

Mr. Roger Williams (Brecon and Radnorshire) (LD): The broads are an important area nationally. They are important for their history, appearance and biodiversity, and for the opportunity that they provide for recreation. On that basis, they fully deserve their designation. The reason why the area is not designated as a national park has been dealt with. It is to do with the Sandford principle and the extra duty imposed on the Broads Authority for navigation. Other national parks have two duties: to conserve those elements that contribute to their designation and to promote the enjoyment and understanding of the national park. Under the Sandford principle, if there is a conflict between those two duties, the duty to conserve should have priority. Obviously, the duty on the Broads Authority in respect of navigation makes that a little more difficult than for other areas, although I am not convinced that that cannot be resolved.

I have visited the broads on several occasions, mainly as a member and sometime chairman of the Brecon Beacons national park. I attended national park annual conferences in the broads and enjoyed the whole broads area and also meeting the entire family of national parks. It became clear to me that the broads were a valued member of that family. I was most impressed with the work that it did with the university of East Anglia on developing management schemes to improve the water quality of the broads, which had deteriorated largely because of nutrification—the build-up of phosphates in the sediments as a result of intensive farming. The removal of silt and sediments remains an important issue, and one that must be addressed through dredging.

The Liberal Democrats broadly welcome the Bill in that it gives the authority increased powers to carry out both its conservation work and its duty in respect of navigation. Some people are concerned about certain elements of the Bill. The word "draconian" has been used on a number of occasions in reference to the power to enter land, to enter a vessel and to direct the master of a vessel to a particular course of action for that vessel, while the master remains responsible for it. Those issues can perhaps be overcome in Committee.

The hon. Member for Norwich, North (Dr. Gibson) made the important point that the Broads Authority and national parks in general should consult widely within the communities in which they operate. The perception from time to time of people who live in national parks and in the Broads Authority area is that the authority is not really accountable to the people who live there. Yes, it has a national responsibility because of its designation, but it also has a responsibility toward the people who live there and the local economy.

The perception to which I refer arises from the fact that no members of the authority or of national park committees are directly elected to the authority. I was pleased to hear the hon. Member for Norwich, North say that there should be more consultation. The suggestion, which also pleases me, is that members of town and parish councils be considered for membership of the authority. Every single national park in England has that system, and it seems to work well in building bridges and understanding between the town and parish councils—the real basis of the democratic system in this country—and the Broads Authority, which has to do a really difficult job in balancing the different and conflicting views.

Perhaps I might go a little further. I have long believed that an element of national park committees—and, indeed, of the authority—could be directly elected. The broads has a population of about 5,000, which seems a nice constituency to elect perhaps one or two members—or an element, at least, to be decided locally—to sit on the authority. That would make the authority more directly accountable to the people who live and work in the area.

This is not an entirely new idea; it has been adopted in the two newly designated national parks in Scotland. Scotland was very late in joining the national park family, but it is making a huge contribution to the development of the purposes of national parks. When direct elections were initiated in Scotland, people put their names forward for election—between three and five people stood for each of the electoral divisions—and people turned out to vote because they could see that the authorities were going to have a real influence in their lives and in the local community. I do not know whether any of these issues can be addressed at this late stage—be it in Committee, through secondary legislation or through a statutory instrument—but they are certainly worthy of consideration. Such elections would make the authority more accountable to local people and increase their trust in it.

We Liberal Democrats welcome the Bill, although one or two points need ironing out. I was responsible for setting up a management agreement for Llangorse lake—that work was on a much smaller scale than the Broads Authority—which is the largest freshwater lake in south Wales and for all I know is larger than any lake in southern England. I had to try to reconcile the different interests of the power-boaters, the water-skiers, the yachting fraternity, the canoeists and the

[Mr. Roger Williams]

conservationists. The lake is a registered site of special scientific interest, and a registered common, which made matters tricky.

In general, we support the Bill, but we feel that the opportunity should be taken to strengthen the authority and to make it more accountable to local people.

5.20 pm

Mr. Bob Laxton (Derby, North) (Lab): Hon. Members may ask why on earth I am speaking in this debate, given that my constituency is in the middle of England and nowhere near Norfolk or Suffolk. My experience of the broads is also very limited and gained many years ago. However, I chair the all-party waterways group, which does not deal exclusively with issues concerning the canal network. Its remit is, if hon. Members will excuse the pun, a little broader. Indeed, the Broads Authority is an associate member of the group.

When we had a discussion about the prospects for the Bill some time ago, and how the changes necessary could be introduced, I was interested to learn that certain aspects of the operation of the Broads Authority are very different from my considerable experience of the canal network. I shall not comment on the geography, geology, flora or fauna of the broads, which have been more than adequately covered, because I am concerned about safety on the broads. I was surprised to learn that the Broads Authority cannot ensure that all craft have third party insurance. It is bizarre that there are no enforceable licensing arrangements for hire craft. Indeed, there is no national boat safety scheme.

With regard to inland waterways and the canal network, British Waterways has difficulties in enforcing the purchase of licences, but responsible boat owners do purchase them. Certainly, if I spot any boats that do not have a number, I tip the wink to British Waterways—

Dr. Gibson: Snitching.

Mr. Laxton: Yes, that is the word. I snitch because we need to ensure that income is generated for British Waterways and it is important that people license their boats. When one licenses a boat on that network, one has to provide an insurance certificate and a boat safety certificate. I am amazed that the latter does not apply to the broads. People hire boats on the broads for a week or fortnight. They take their families with them and most have a very enjoyable experience, but there should be an enforceable safety regime in place.

The boat safety system addresses the issues that one would imagine, such as whether the boat itself is safe, and it also addresses the storage of petrol, diesel or liquefied petroleum gas, whether such fuels could escape to cause a fire, and the heating systems on the boats. LPG has a very high density and if it escapes it lies in the bottom of boats. People can go to sleep at night and never wake up. On the canal network, there have been fires and explosions, and people have been seriously injured, and that happens even though British Waterways has a good mechanism for enforcing a safety regime. However, the Broads Authority has no such mechanism.

The word "draconian" has been used, but it is not draconian to have an enforceable licensing system with third party insurance and a boat safety regime. That is absolutely necessary, essential and crucial. For that reason, and for that reason alone, I sought to make a contribution in the debate and support my hon. Friend the Member for Norwich, North (Dr. Gibson), who introduced the Bill. I certainly hope that it completes its Second Reading and finds its way into Committee.

I have listened to the debate with a great deal of interest, and changes may well be made to the Bill on representation—the way in which we deal with petitioners and so on. Those issues can be worked out in Committee, but it would be disastrous if the Bill did not end up on the statute book, as it provides statutory provisions for the Broads Authority, enabling it to deal with the three issues to which I have referred: third party insurance, the licensing of hire craft, and the equivalent of the national boat safety scheme. If that does not happen, a ticking time bomb is waiting for people who use the broads. Inevitably, an accident will happen, which will only be to the detriment of the Broads Authority and the people involved, as well as to the income generated and the employment provided in the locality. I am very supportive of this private Bill: I certainly hope that it will complete its Second Reading, that there will be no obstructions to its progress through the House or through the other place, and that we can get it on to the statute book as quickly as possible.

5.26 pm

Mr. Henry Bellingham (North-West Norfolk) (Con): I certainly welcome this debate, and I should like to congratulate the hon. Member for Norwich, North (Dr. Gibson) on the way in which he presented the Bill and on his concise summary of its provisions.

I spoke in the 1988 debate, and served on the Standing Committee that considered the Norfolk and Suffolk Broads Bill, which introduced the authority, alongside the predecessor of my hon. Friend the Member for Mid-Norfolk (Mr. Simpson) who has since become Lord Ryder of Wensum. He piloted the measure with a great deal of skill and precision. Indeed, Colin, now Lord, Moynihan did a great deal of work on the Bill as a Minister on behalf of the then Department of the Environment. The Bill was much needed, as it was long overdue. I think that everyone agrees that it has worked well, but 20 years have elapsed and in that period a great deal can happen: priorities change, and habitats and ecosystems can change, too. Economic and tourism pressures change and, as my hon. Friend the Member for Mid-Norfolk pointed out, there are many competing interests, including the protection of endangered species and the way in which we balance the need to protect the environment with the need for tourism and economic priorities. My hon. Friend rightly discussed the threat from the sea and the pace of climate change. He mentioned the floods of 1953, and he could have mentioned, too, the floods of 1978, which in many ways were more powerful than the floods of 1953, but which, because of the improved sea defences, caused far less loss of life and damage to property.

Nothing in the world stands still, and I entirely accept that it is important that we look again at what can be done to improve the existing authority, which is why I am satisfied that the Broads Authority Bill is needed. The hon. Member for Norwich, North has made it clear that it contains some very sensible provisions, and it is important that it goes into Committee. I, too, have been contacted about a number of issues. On the transparent use of funds, the point about accounting procedures is important. In the light of what has been said in our debate, perhaps the hon. Gentleman would give us more details about that in his summing-up speech, and more comfort that there will be full transparency at all times.

I, too, have been contacted by the four petitioners, who have contacted all the local Members of Parliament with an interest in the Bill, as well as hon. Members whose constituencies are in or near Norfolk. They have legitimate concerns and interests, and they deserve a full response. The British Marine Federation and the Royal Yachting Association have withdrawn their objections because concessions have been made, and we approve of that. Moreover, there is scope for amendments to the Bill when it is considered in Committee and another place. There will then be ample time to look at the concerns expressed by the petitioners, which are well constructed and carry substantial weight. I hope that the points made by the petitioners will be properly understood and that further concessions are made as a result.

I turn now to how the new authority will be funded. I share the concern expressed by several hon. Members this afternoon that the present funding arrangements will not prevent real problems from arising after 2008. The Chancellor is looking hard for savings in every Department, and the days of plenty are clearly over. Every Department is having to look at its spending commitments and I am worried that, in the absence of a firm promise that the new authority will be properly funded into the future, problems will arise with staffing and the proper financing of all of its functions. I hope that the hon. Member for Norwich, North will respond to that when he winds up the debate.

My hon. Friend the Member for Mid-Norfolk made several points about membership of the authority, and I certainly take on board the representations made by the Norfolk County Association of Parish and Town Councils and the Suffolk Association of Local Councils. They make a strong point, and I want to quote a letter sent to hon. Members with constituencies in Norfolk and Suffolk from Jack Sadler and Ian Wright on behalf of those organisations. In explaining the need for more community involvement at the local level, they say:

> "We are concerned that the proposed new membership of the Authority does not include any representation from Parish and Town Councils. Our hope is that you will agree that community involvement is essential when such matters are debated and decisions made which can, and will, affect our living environment and life styles."

My hon. Friend the Member for Mid-Norfolk elaborated on those points, because it is very important to encourage localism. As well as district and borough councils, we need to get parish councils more involved in matters such as that covered by this Bill, because they operate at a level that is closest to the people involved.

Moreover, as I said in a brief intervention on my hon. Friend the Member for Mid-Norfolk, the number of people in the area covered by the existing authority may be small, but the number of parishes is substantial. Parish councillors in my constituency tell me very often that they do not believe that they are taken seriously. They say that they do not have enough responsibility and that they do not believe that their views are listened to. It is for those reasons that fewer and fewer people are willing to stand as parish councillors.

In Norfolk as a whole, many positions on parish councils are not contested. In contrast, when I first entered the House, most of such elections were hotly contested: very often, the 10 or 12 places available on a parish council would be contested by as many as 15 or 20 people. However, such contests very much belong to the past now, and places in parish councils are often left unfilled.

I submit that we should take parish councils more seriously. We should use mechanisms such as this Bill to give them more power and responsibility, and more say in how organisations are run; otherwise, the future of parish councils will be very bleak, even though they have a great deal to offer. We are not asking for a great deal. We are simply asking for a representation of perhaps one or two parish councillors on the authority. I quite liked the idea of an election that was suggested by the hon. Member for Brecon and Radnorshire (Mr. Williams). Given that there would be a total electorate of 5,000 or 6,000, it would be perfectly possible to elect one or two parish councillors. That would be a highly beneficial way of whipping up interest and additional involvement.

I hope that the hon. Member for Norwich, North will address two further points in his winding-up speech. It is proposed that Breydon water and the lower Bure should be transferred from the Great Yarmouth Port Authority. Has there been full consultation on that transfer and is that authority perfectly satisfied with giving up that particular responsibility?

The second point, which the hon. Member for Waveney (Mr. Blizzard) mentioned—I am sorry that he is not in the Chamber, but no doubt he will be back in a second—relates to powers of access to private land to manage vegetation. Obviously, there has been full and highly laudable co-operation between landowners, be they private individuals or organisations, and the Broads Authority on the management of vegetation with equipment that is taken on to land. Is it really necessary for such extra powers to be included in the Bill? I am not aware that any problems have been caused by the denial of access. Perhaps the approach in the Bill is ultra-cautious, or maybe the provisions are a good idea because they have been included in the Bill in anticipation of future problems. Has the hon. Member for Norwich, North consulted the Country Land and Business Association, the NFU and the numerous organisations that own the land in question? If they are satisfied with those powers, I will also be satisfied.

No one doubts that the broads are a remarkably important part of our national and international heritage. They are of national and world importance. Anyone who has been to the broads and seen for themselves the huge skies, the stunning sunsets, the flights of widgeon and teal in the gloaming, or a

[Mr. Henry Bellingham]

wherry or a spritsail barge going away in the distance—in the future, they might hear the booming call of a bittern—can only have been enraptured. Those of us who represent Norfolk constituencies are incredibly proud of what the broads represent and the people who have worked in the broads in tourism and many other activities. However, we realise that action is needed to secure their future. I hope that that action will be achieved with the full co-operation and support of everyone involved.

5.38 pm

Norman Lamb (North Norfolk) (LD): I congratulate the hon. Member for Norwich, North (Dr. Gibson) on his clear presentation of the Bill. I have enjoyed all the contributions to the debate so far. I endorse the compelling arguments made by the hon. Member for Derby, North (Mr. Laxton) in favour of the national boat safety scheme and the compulsory insurance and licensing of boats.

I agreed with virtually everything that the hon. Member for Mid-Norfolk (Mr. Simpson) said in his interesting contribution. I was fascinated by what he said about the history of the broads and the fact that we discovered how they had come about only in the mid-1950s. When I visited the wonderful museum of the broads at Stalham Staithe, which I recommend to all hon. Members, including the hon. Member for Derby, North, I read about the history of the broads and the fact that a biologist, whose name I forget, discovered the real history of the broads and the cause of their creation.

I will not oppose the Bill due to the justifications for it that the hon. Member for Derby, North outlined. None the less, there are legitimate concerns, but I want to acknowledge the work of the Broads Authority. After the enterprise's rather turbulent start, the authority has tried to achieve consensus, or at least to reduce the anxieties of the many people who had concerns. As we heard earlier, those concerns spread beyond those of the four petitioners who saw their objections through to the final stage. There is a danger that their small number means that their concerns could be dismissed, but those concerns are legitimate and they should be taken seriously.

I applaud the work of the Royal Yachting Association, the British Marine Federation and the Inland Waterways Association. They, too, have played a part by representing interests, in particular those of the boating community, in reaching legal agreements with the Broads Authority.

Much reference has been made already to the authority's three duties: conservation, the navigation interest and tourism—or enjoyment of the broads. A conflict is inherent in the structure of the broads and those competing duties inevitably create tensions from time to time between people, primarily in Norfolk and Suffolk, who are particularly associated with one of the interests that the authority has a duty to protect.

There have been particular tensions between the navigation interest and the authority. The tensions have come and gone, or increased in intensity, but as I talk to constituents I find that some people feel that there has been a loss of trust in the authority. I do not seek to apportion blame and I do not want to dwell on the subject, but some people who hold the broads dear to their heart have lost trust in the authority. The conflict between the three duties means that such loss of trust is almost inevitable, and the tension inherent in the framework of the Bill has intensified anxieties about giving extra powers to a body that is unelected and so, in some senses, can legitimately be described as unaccountable. The authority includes representation from a number of interests, but its structure has no democratic accountability or legitimacy.

Now, as we introduce these new powers, would be a particularly poignant moment for the Broads Authority to reach out to the people who feel most concerned about the Bill, and to try to rebuild trust and create a good working relationship between all the interests on the broads. I am sure that other Norfolk Members would, like me, always be happy to facilitate discussion between the authority and people who have concerns.

I want to deal with the question of representation. I heard the response of the hon. Member for Norwich, North to my earlier intervention on that subject and I also heard what the former Minister, the right hon. Member for Cardiff, South and Penarth (Alun Michael) had to say, so I understand that it is a complex issue. There is concern about the role of parish council representatives on the board and whether, because of the competing interests involved, they would tilt the balance too much in one direction. However, I have to say that we are talking only about one or two members, so, come on, there is no good case for failing to provide that extra legitimacy.

I would like strongly to endorse the contribution of my hon. Friend the Member for Brecon and Radnorshire (Mr. Williams), which I was pleased to see supported by the hon. Member for North-West Norfolk (Mr. Bellingham). In particular, the idea of having a directly elected element on the board is important. It is interesting that the most recent additions to the national parks family have gone for direct election. That applies in Scotland, so would it not be great if Norfolk and Suffolk could lead the way in getting rid of the democratic deficit in England? It has happened in Scotland, so why on earth cannot we do the same in England?

If, as the Bill moves into Committee, the Broads Authority could seriously think about how to introduce such reform, it would send a powerful message about its willingness to listen and to take new ideas into account. If it is not possible to introduce that through the Bill, which would be sad, we should think about providing a means to introduce it at a later stage. I would be grateful if the Minister responded to that point in his summing up. If it can be done in Scotland, it can be done in England. It would give local communities within the broads area a direct voice on the management board of the Broads Authority.

Mr. Keith Simpson: The hon. Gentleman is making a powerful point, with a strong message endorsed by hon. Members associated with Norfolk. There are two parts to that message. First, we believe, in principle, that a parish or town representative should be on the board. That may be done by someone being drafted on

in the old way. Secondly, the mechanism for achieving that is also important. That powerful message needs to be taken back to the Broads Authority, which must take it into account.

Norman Lamb: I am grateful to the hon. Gentleman for reinforcing that point and I would like to congratulate him, along with the hon. Member for South Norfolk (Mr. Bacon), on securing this debate. They were determined enough to have the matter debated in the House and it is right that we have had the opportunity to do so.

Before I lose the thread about the inherent conflict between the competing duties, I want to make a further point. One of my constituents argued that there should be a way of resolving those conflicts—and, ideally, that it should be built into the Bill. He made it clear that, because of the absolute importance of navigation to the future of the broads, he was not arguing for the Sandford principle. He nevertheless made a compelling argument that when there are three competing duties and potential for tension between those competing interests, there should be some mechanism for resolving the conflicts between those duties. I would be pleased to hear the hon. Member for Norwich, North respond to that point.

On safety, as I have already said, I strongly support the case for the introduction of powers to enhance safety on the broads. The tragic accident that we witnessed some years ago demonstrates the case for that. I have been asked—again, I would be grateful if the hon. Member for Norwich, North responded to this point—whether it would not be possible to achieve the same thing through byelaws, which have democratic legitimacy through elected councils.

I am afraid that I was not convinced—I do not think that the hon. Member for Mid-Norfolk was either—by the efforts made by the hon. Member for Norwich, North to respond to my questions about the status of the legal agreement. What we have is a Bill that, on the face of it, introduces draconian powers—there is no doubt about that—in terms of access to land, directing the master of a boat and so forth. Those powers are ameliorated and controlled by way of the legal agreement that stands alongside them. Many people who have concerns about the extent of the powers that the Bill introduces say to me, "If the Broads Authority is content to have controls and restrictions set out in a legal agreement adjacent to the Bill, why can't those things be enshrined in the Bill itself to give satisfaction and reassurance to people?"

Dr. Gibson: May I attempt to answer that? It is quite complicated. I am told that, as soon as the Bill is passed, what are described as contracts will become legally binding. The reasons why their contents are not included in the Bill is that people may want to change certain aspects of those contracts without having to come back to look at the whole Bill again and without having this kind of session. That kind of agreement between two different bodies, whilst it is legally binding, is much better dealt with outside this kind of debate. I think that that was the intention in having the several contracts that have been drawn up.

Norman Lamb: I am grateful to the hon. Gentleman for that intervention and the reassurance, on the record, that the legal agreement is legally binding and is genuinely a legal agreement. That is quite important. I have heard it said before that it is a legal agreement, but as a lawyer myself, although I have to confess that my practising certificate has lapsed—*[Interruption.]* I am not a practising lawyer. As a lawyer myself, I am afraid that I do not yet understand the basis on which the agreement is a legal agreement. I do not understand the status of it as a legal agreement that can be relied on in court. I fully accept what the hon. Gentleman says—nobody wants these matters to go to court—but one has to have a legal agreement to reassure people and to guarantee the rights of people who are concerned about potentially excessive powers.

Mr. Keith Simpson: Listening to the debate between the hon. Gentleman and the hon. Member for Norwich, North, it seems to me that what we have is almost a memorandum of understanding, rather than some form of binding legal agreement. I am not being pedantic. I accept the fact that, as the hon. Member for North Norfolk (Dr. Gibson) suggested, this is something that will have to be pinned down. I genuinely cannot understand what may be the case at the moment, but, at some future point, the agreement surely has to be put into the body of the Bill.

Norman Lamb: I am grateful for that.

Dr. Gibson: I am not sure whether hon. Members have seen the agreements; I have had a look at them. I am quite sure that, in Committee, we can examine them in much more detail. I thought that perhaps the hon. Gentleman had seen them.

Norman Lamb: I am grateful for that. To answer the previous intervention, from the hon. Member for Mid-Norfolk, what we need is a legal opinion. We can have reassurances from the Broads Authority and from the hon. Member for Norwich, North, but we need a legal opinion that confirms how the agreements are legally enforceable. *[Interruption.]* The hon. Member for Waveney (Mr. Blizzard) is seeking to intervene from a sedentary position, but I cannot hear what he is saying, so we will move on. *[Interruption.]* He is attacking lawyers. Well, what's new?

I end this part of my contribution by making the point that those who have concerns refer me to the fact that common law rights freely to navigate tidal waters have existed for a very long time. People jealously guard their right to those entitlements, and with good reason.

I want to deal briefly with the navigation budget, and the concerns that have been expressed about it. As I understand it, the Bill will effectively merge the navigation account with the general account. Constituents have raised with me the real concern that there is a risk of the navigation budget being undermined once it is subsumed within the general budget. I shall read to the House a brief statement from a constituent, and I would like reassurance on the point that he makes:

"The Bill proposes repeal of that part of the 1988 Act which prevents funds intended for conservation to be drawn from the Navigation Account and for any deficit in the Navigation Account to be made up from the General Account. This is unacceptable."

[Norman Lamb]

We want to ensure that moneys for navigation interests are not filtered away over time and used for other purposes. Of course, equal status is still being given to the navigation duty under the Norfolk and Suffolk Broads Act 1988, but given the amount of money that needs to be spent on dredging to maintain the navigable waters, it is critical that people have reassurance on that point.

Jamie Campbell, a Norfolk sailor from Gorleston, has launched a petition specifically directed at the issue of the dredging of the broads. He argues that the Broads Authority has failed to dredge the broads adequately. I am told that the petition has 1,600 names on it; I have not seen it, and I am not in a position to say whether the concern expressed in it is legitimate, but the fact that so many people have seen fit to sign it suggests that the Broads Authority needs to take that concern on board and address it, if it is to reassure people, particularly given that the merging of the two accounts has caused many people concern.

As the hon. Member for Mid-Norfolk raised the issue of the extent of the powers given to authorised officers, I shall briefly mention it, too. People have raised with me the importance of ensuring that those who exercise the functions are properly qualified, as the duties require a considerable understanding of the broads. It is important to those who care passionately about the broads that people with proper qualifications perform those functions. Will the hon. Member for Norwich, North, provide reassurance about how those functions will be exercised?

I reassure hon. Members that I am coming to the end of my speech, but I want briefly to mention the Sandford principle. When the Bill sought to create a national park, an awful lot of anxiety was expressed about the proposal, and about the implication that the Sandford principle would apply. That, of course, fed the anxieties of the navigators, because to them it seemed like another step in the direction of damaging or sidelining their interests. I am just telling the House how they perceived the issues. Obviously, they were enormously reassured when the plan to create a national park was removed from the Bill, along with the Sandford principle. However, some people remain concerned that the Sandford principle could, in some way or other, be reintroduced by the back door. It has been suggested to me that if at some future date the Bill's name was changed so as to reintroduce the concept of creating a national park, the Sandford principle could be reintroduced. I do not think that that could happen, but I would be grateful if the hon. Member for Norwich, North, responded to that concern.

The hon. Member for Waveney keeps disappearing just as I am about to refer to him. He is obviously outside the Chamber fuming about lawyers. He mentioned funding for dredging, and called for a specific assurance from the Minister that DEFRA would acknowledge its responsibility in that regard. In a sense, the principle has already been accepted, because funding for dredging has already been provided on a three-year basis. All that we need now is for that principle to be confirmed for the future, and it is important that the Minister should reassure us on that.

It has been important to have this debate, and I again express my gratitude to those hon. Members who have ensured that we had this opportunity. The Bill provides genuine, valuable additional safeguards to people's safety and, for that reason, we should welcome it. That does not mean, however, that the concerns of those in my constituency and others are not legitimate or that they should not be properly addressed. I hope that we will receive reassurance on those points from the hon. Member for Norwich, North today and in Committee.

6.1 pm

The Parliamentary Under-Secretary of State for Environment, Food and Rural Affairs (Barry Gardiner): I congratulate not only my hon. Friend the Member for Norwich, North (Dr. Gibson) on his excellent speech but every Member who has participated in the debate. Like the hon. Member for North Norfolk (Norman Lamb), I pay tribute to the hon. Member for Mid-Norfolk (Mr. Simpson) for the way in which he has ensured that this important subject has been debated on the Floor of the House and had proper parliamentary scrutiny. The quality of the submissions that we have heard today and the detailed thought that has been put into them have proved him right in ensuring that we could have such a debate today—and, I hope, at a later stage, should we get a fair wind today to take the Bill up to the Committee corridor.

As the Minister with responsibility for the national parks and the broads, I should explain that the Government support the main aims of the Broads Authority Bill. Our report to the Committee will recommend two changes and highlight some areas in which we think that the Bill might be improved, but I am confident that there should be a satisfactory outcome in Committee, in line with the Bill that my hon. Friend the Member for Norwich, North has put to the House today.

The main aims of the Bill are to improve safety on the broads through a series of measures, including the licensing of hire craft and compulsory third-party insurance, as well as making improvements to the way in which the Broads Authority operates. The recent introduction of the boat safety scheme will ensure that vessels are properly maintained, as an MOT does for road vehicles. British Waterways and the Environment Agency already operate this scheme successfully, and I congratulate the Broads Authority on the measures that it is taking to bring the broads into line with other major navigation authorities.

Compulsory insurance will bring peace of mind to those who boat on the broads, especially those on lower incomes who might otherwise be fearful of having to meet the cost of any damage done to their vessel by uninsured users. DEFRA had considered including the boat safety and insurance provisions in the general directions powers in the Natural Environment and Rural Communities Act 2006, but I am told that time ran out before we were able to draft suitable clauses. It is gratifying that the Broads Authority Bill has provided another opportunity for the House to consider these issues so soon.

The Broads Authority has considered whether the safety provisions could have been dealt with through byelaws. That would not have been possible with some of them—for example, the introduction of compulsory insurance—and, although the boat safety scheme has now been introduced through byelaws, this is a rather cumbersome way of dealing with changes to the standards, as it requires the byelaws to be amended each time.

I am conscious that following the authority's extensive consultation on the Bill, there are a few individuals who still consider that the provisions are anti-libertarian and will infringe their civil liberties, but as my hon. Friend the Member for Norwich, North pointed out, some people still do not like seat belts, despite the number of lives that have been saved since they were introduced. There was a general consensus in the House today that any restrictions on the individual's liberty to navigate when and where he chooses must be reasonable and proportionate. I believe that the Broads Authority's proposals meet that test.

I fully recognise the extremely difficult role that the Broads Authority has to play in trying to manage expectations from a wide range of people, all of whom think that their particular activity should have precedence over any other. The stark reality is that no one activity has precedence, and I applaud the Broads Authority for the excellent way in which it meets those expectations in general. It is a difficult balancing act to perform, and on the whole, although qualms have been mentioned in the Chamber, the authority achieves that balance remarkably well.

Although the Broads Authority is not a national park in the legal sense because it was not designated through the procedure outlined in the National Parks and Access to the Countryside Act 1949, it has an equivalent status, and it is a much valued member of the national parks family, as my right hon. Friend the Member for Cardiff, South and Penarth (Alun Michael) so eloquently stated earlier. I can assure the House that the broads will not be changing their name. It is important that we continue to recognise their distinct status by giving them a distinct title.

Incorporating the words "national park" and "national park authority" in the names would wrongly imply that it was a standard national park and authority, exactly like the others. That is because national park authorities have two purposes—conservation and recreation. In cases of conflict, greater weight is always given to conservation, under the Sandford principle as enshrined in the Environment Act 1995. In the case of the broads, there is the third purpose—to protect the interests of navigation. We have heard much about the interests of navigation this afternoon. It is fundamental that we recognise that to introduce the Sandford principle would jeopardise the interests of navigation.

Each of the authority's purposes is equally important. Hence the Sandford principle cannot apply, and it would be inappropriate for the Broads Authority to call itself a national park authority. But that does not make the broads in any way inferior—or, indeed, superior—to a national park.

Concerns have been expressed about the amount of dredging that takes place in the broads. My hon. Friend the Member for Waveney (Mr. Blizzard) dealt extensively with that in his remarks. Some people consider that more dredging should take place. Although I welcome the implication that boaters are willing to pay more to navigate, the Broads Authority must strike a balance between the water depths that some users would like and the level of tolls that can be charged without driving boats off the system. The recently produced sediment management strategy and action plan provide a framework for the authority to manage its dredging responsibilities in the future.

The national parks and the broads are our "jewels in the crown". They contain some of the most celebrated and iconic scenery and cover about 8 per cent. of the landscape. In 2005 the Landscape Institute voted the national park movement the greatest beneficial influence on the UK's landscape in the past 75 years, so I am not surprised that any proposed changes to one of our internationally renowned assets should have generated such debate. However, I can assure the House that the proposed changes in the Bill make the broads a safer place. I commend the Bill to the House and I hope hon. Members will let it go forward to Committee.

I want to pick up on several points raised by hon. Members in the course of the debate. The hon. Members for North Norfolk, for Mid-Norfolk and for North-West Norfolk (Mr. Bellingham) talked particularly about parish representation. The Broads Authority has never included parish council representatives. It is reducing, at its own request, to 21 members. Nine are serving elected members from local authorities in the broads area, who might be reluctant to cede their seats to parish members; two are members of the navigation committee and therefore have their own incredibly important expertise in the context of the broads; 10 are appointed on the basis of open public competition and, vitally, represent our national interest in the broads. Those three groupings combine to make a very strong team. The national park authority performance assessment on the broads in 2005 commented that the organisation had made considerable strides in terms of strategy, planning and stakeholder buy-in, and that it should achieve considerable success in the future.

Of course, national appointments are open to all. If parish members wish to serve on the Broads Authority, they can always apply under the open competition that is available for those 10 appointed places. Several varying interests are represented on the authority at present. I will not name individuals, but if I allude to the range of expertise and experience that is represented, that will give the House an understanding of how important it is to have that variety of expertise available. We have a retired chief constable, a member of the National Farmers Union, a member of the Country Land and Business Association, a director of the Camping and Caravanning Club, and a magistrate. There are people with environmental and conservation expertise, as well as navigation expertise. By and large, the current structure works tremendously well.

Mr. Roger Williams: I pay tribute to the people who are appointed to the Broads Authority and to national park authorities; they bring huge expertise to those bodies. However, that does not necessarily meet the

[Mr. Roger Williams]

needs of the local community, who would feel that they should be directly represented on the board or committee concerned.

Barry Gardiner: I understand the hon. Gentleman's view. I would point out to him, however, that when the House considered the Natural Environment and Rural Communities Act 2006 it chose specifically not to go down the route of direct elections to national park authorities. In my own experience of matters that are open to public election, what invariably tends to happen is that party politics congregate around that election and can introduce an element which would be wholly unwarranted in such a situation. That may not happen, but then again it may. It is my preference, and one that the House has expressed on previous occasions, not to allow direct elections.

Norman Lamb: Would the Minister be prepared to consider the experience of Scotland, where such elections work rather well and have secured local communities' engagement in national parks, with high levels of interest in taking part in the elections? That brings with it a greater accountability of the national park to the local community, which is one—only one—of the interests with a right to have a say. I am slightly alarmed that in talking about the dangers of electing people, the Minister appears to be presenting a case against democracy. Surely we should have a little bit more faith in the electoral process.

Barry Gardiner: I hope that the hon. Gentleman will not wilfully misunderstand my remarks. It is clear that anyone can put themselves forward for appointment to the 10 places that are available on the Broads Authority. In the appointments procedure, people's specific expertise in the local area as parish councillors can be considered. Local parish councillors can submit themselves to the board in the normal process. There is no bar to learning from experience elsewhere; the hon. Gentleman specifically asked about that. We should be always be open to that, and to appropriating that experience if it is suitable in the circumstances. I simply underline the fact that the House has already expressed the view that direct election to national parks would be inappropriate.

Mr. Keith Simpson: I do not want to prolong the debate endlessly but let me make two points. First, I do not believe—I accept that it is a matter of opinion—that party politics would enter the process or that, knowing our Norfolk neighbours, it would put people off. Secondly, there is an important principle to consider. Why should parish and town councillors but not district councillors be appointed? The matter should be revisited. There is a strong body of opinion in Norfolk and Suffolk on the subject, and it will not go away.

Barry Gardiner: I hear what the hon. Gentleman says.

Mr. Roger Williams: The Under-Secretary says that the House decided against directly electing members to national park committees. That may be technically correct—I am not sure how the House's proceedings are reported—but the decision was made in Committee rather than on the Floor of the House.

Barry Gardiner: I do not dispute that; none the less, this democratic body reached the decision that I described.

The hon. Members for Mid-Norfolk and for North Norfolk spoke about draconian powers, especially in the context of byelaws and the common law right to navigate freely. Of course such a freedom exists in common law, but it is legitimate for Parliament to legislate to restrict that right when it considers it appropriate, especially when it is necessary for the reasons of public safety that we have discussed this afternoon. It is accepted that legislation should provide for imposing limits, making regulations and so on. That happens frequently with the roads, and there is no reason for it not to happen on the broads.

My hon. Friend the Member for Derby, North (Mr. Laxton) expressed his astonishment at the lack of safety enforcement powers. He made well the point that it is not draconian to have third-party insurance, to license craft or to insist on a boat safety system. It is right for the Broads Authority to have the powers to enforce that.

The hon. Member for South-East Cambridgeshire (Mr. Paice), like other hon. Members, raised the separate navigation account. He believed that such an account would ensure transparency, and ensure that all navigation income was spent only on navigation. I do not believe that we need a separate account to ensure that all navigation income is spent on navigation alone, but we all agree that it must be made absolutely clear and transparent that that should be the case. In passing, I also note that the safeguard of the navigation account was originally conceived for the benefit of non-boaters as much as for that of boaters. Clearly, some people wanted to be sure that boating was not being subsidised by rate payers.

The hon. Member for Mid-Norfolk raised the financial consequences of implementing the Bill. My right hon. Friend the Member for Cardiff, South and Penarth identified £100,000 of the £1.5 million largesse for precisely this purpose, so the cost will not come out of the annualised grant that is the authority's share of the national parks family pot.

The hon. Member for Mid-Norfolk also referred to newly acquired planning powers. In relation to the authority, the planning service, which was previously carried out by other local authorities, has been brought back in-house, but the Broads Authority has always had the responsibility for planning. The reference may simply have been a slip of the tongue, but I thought it important to correct that.

My hon. Friend the Member for Waveney referred to my visit to Oulton broad and Bungay in his constituency some months ago. I had a most enjoyable day, and came away with not only a better understanding of navigation and dredging than perhaps I had wished for hitherto, but an enormous respect for his detailed interest in and understanding of those matters. He has a compendious knowledge of dredging. In relation to funding, it is important for him

to understand that we believe that navigation income must equal navigation expenditure.

My hon. Friend the Member for Waveney asked specifically, as did several other Members, about consideration for funding for dredging alongside the share of the national parks pot to which I referred, much in line with the £1.5 million made available over the past three years. There is a case for dredging that is done for environmental benefits and biodiversity, and it is essential that we consider that. I am happy to give the commitment asked of me to the extent that, as part of the future comprehensive spending review round, we will consider separately the funding of dredging for environmental purposes and dredging for navigation purposes, which must be paid for from navigation income. We recognise, of course, that dredging for environmental purposes may have a beneficial effect on navigation, but we would look to do it for environmental purposes in the first instance.

My hon. Friend the Member for Waveney also asked about the waste framework directive, the treatment of such dredgings as waste and the increasing costs that that imposes. We all recognise that the cost of dredging, disposal and recovery has increased by an average of about 50 per cent., and that of dredging and disposal at landfill by 235 per cent. over the past four years. That is why navigation authorities consider both the economic and environmental benefits when carrying out dredging.

A body under the august title of the wet dredgings group—*[Interruption.]* I was sure that someone would ask me whether we have a dry dredgings group, and I am afraid that I do not know the answer to that question. The wet dredgings group, however, has been considering the issue. I have asked that it report to me and the Minister with responsibility for waste, my hon. Friend the Minister for Local Environment, Marine and Animal Welfare, by the end of next month. An informal consultation on proposals for exemptions from the waste management regime is ongoing. It will run until 8 June this year, and we may be able to make a clearer statement after that.

The hon. Member for North-West Norfolk raised the issue of Breydon Water and the lower Bure, and the agreement with Great Yarmouth port authority. We hope that a clause will be inserted in Committee providing for the authority not to set a date for taking over responsibility without written consent from the port authority.

6.25 pm

Dr. Gibson: I shall be as brief as possible. It is heartwarming to see so many Members here to debate a measure that I think will make a big difference to many lives. We may not be happy with every aspect of it, but in general we agree that people should be able to visit the broads, that beautiful part of the world, safely and enjoyably.

There has been full consultation about the transfer of Breydon Water and the lower Bure to the Broads Authority, and the authority has put in a great deal of background work, talking to organisations and so forth. For instance, it reached an agreement with Great Yarmouth port authority on the potential transfer of responsibility for navigation. No doubt that took a long time, but it happened, and it is now in the Bill. As for powers to enter adjacent waters, there have been a few problems with access, but there has been agreement following full consultation with the National Farmers Union. I have been assured that those agreements will be legally binding as soon as the Bill has been passed, although I hope that we will examine the details in Committee.

Norman Lamb: Will the hon. Gentleman explore the possibility of obtaining a legal opinion, so that we can understand the basis on which the agreements are legally binding?

Dr. Gibson: I am sure that we will do that. An opinion has been obtained by the authority, and sight of it can obviously be provided.

Transparency is everything in the Bill, not just in the context of what we are doing and why we are doing it, but in the context of the accounts. The transparency of the accounts has been guaranteed time and again, and I am sure that no national or local boating organisation would have agreed to or signed anything without that guarantee. We are not the fount of all knowledge, and the public and the organisations that are involved in these issues daily are as keen on openness and transparency as we are.

The authority has assured me that no increase in staff numbers will result from the so-called draconian extra powers—I shall omit the word "draconian" because I welcome the powers—and also that there will be no additional administrative costs, although we can probe those assurances in Committee. The authorised officers will be the existing staff officers. There will be no job advertisements, so the hon. Member for Mid-Norfolk (Mr. Simpson) need not consult the *Eastern Daily Press* if, as we hope, he is knocked out of his seat at the next election. The Broads Authority has been the planning authority since 1989, so there has been no dramatic change in that regard. The authority has a great deal of experience and its planning officers will ensure that it continues to be used to good effect.

The Minister referred to money and to parish councils and so forth. I am sure that we will revisit those issues repeatedly, but please let us have no more talk of proportional representation. Let us simply talk about how we can secure a world-class Broads Authority, carrying out a management function that will preserve a part of the world that really needs to be preserved. We must never return to the position of a few years ago, before we started to legislate.

Norman Lamb: Can I tempt the hon. Gentleman into saying whether, in his personal view, it would be good if we could get representation from town and parish councils on to the board, given that we are talking about only one or two members? Also, what does he think about whether there should be direct election of members of the local community?

Dr. Gibson: I am not allowed personal views, as the hon. Gentleman well knows, and when I express them I usually get my fingers burnt. What might happen if we were to open up membership to members of parish councils? I can think of other organisations that are also intimately involved in how the broads are run.

[Dr. Gibson]

Therefore, we might open up a hornet's nest in terms of the number of applications—I hope that some Members would be able to spend a lot of time making judgments about who gets appointed. As long as the functions of the Committee are right and there is openness and people can apply, we will have made a good start.

I am happy with how things are coming along. People will come forward with new ideas. We want to have an exciting Broads Authority which invites people to apply—by getting out adverts, for instance—because it needs various kinds of expertise. If we restrict its functions, no one will want to serve on it. I understand why the parish council members who have been in touch with Members want to be on the board, but there are many other types of people whom we also want to excite so that they can help the Broads Authority to move forward.

I thank Members for helping by raising issues in the debate, and I hope that we can agree to the Bill's Second Reading, form a Standing Committee and get down to the task of improving this part of the world, which we all love.

Mr. Keith Simpson: I wish briefly to make two points. First, I congratulate the hon. Member for Norwich, North (Dr. Gibson) on—

Mr. Deputy Speaker (Sir Michael Lord): Order. The hon. Gentleman has already contributed and this is a Second Reading debate. Therefore, as we have had the wind-up speeches, we must now put the question.

Question put and agreed to.

Bill accordingly read a Second time, and committed.

Ancient History A-Level

Motion made, and Question proposed, That this House do now adjourn.—*[Kevin Brennan.]*

6.32 pm

Mr. Michael Fallon (Sevenoaks) (Con): I am grateful to have this opportunity to raise the proposal to discontinue the subject of ancient history at AS and A-level. This extraordinary proposal has been sprung upon us by the Oxford and Cambridge exam board, OCR, which is the major provider of syllabuses and examinations in the classical subjects. According to its proposal, ancient history is to be scrapped as a separate subject and bits of it will simply be spatchcocked into a quite different syllabus—the syllabus for classical civilisation. That raises serious questions about the role of an exam board and the way in which exam boards are supervised by the Qualifications and Curriculum Authority.

There are a number of extraordinary features to do with this proposal. The first is that no warning was given. There appears to have been almost no prior consultation with the ancient historian community, and it is not at all clear how OCR came to take the decision to proceed with this proposal. Secondly, since the proposal has been produced it has been almost universally condemned—by the Council of University Classical Departments, the Joint Association of Classical Teachers, more than 2,000 individual petitioners to the Downing street website and in an early-day motion tabled by my hon. Friend the Member for Basingstoke (Mrs. Miller) and supported by other Members. It is especially noteworthy that this proposal has been opposed by the universities. We would expect that the universities had been properly consulted. A-levels prepare students for university entry, and the design and approval of a syllabus requires the involvement of the universities.

The third curious feature of the proposal—beyond the facts that there has not been proper consultation and that it has been almost universally condemned—is that no satisfactory explanation has been put forward in support of it. Certainly, the explanation cannot be the numbers involved. More people are studying ancient history than are studying classical Greek. Much more significantly, the number studying ancient history is going up—from 378 in 2001 to 701 in 2005. Even more significant than that increase is the fact that most of it has been within the state sector. The number studying ancient history in the independent schools has remained pretty constant, but there has been a dramatic increase in the number taking up ancient history at sixth-form colleges and colleges of further education. At Queen Mary's college in Basingstoke, for example—my hon. Friend the Member for Basingstoke cannot be with us tonight—more than 130 students are studying ancient history at AS-level. Indeed, ancient history there is now more popular than modern history. Its head of history says:

> "There is a huge demand to study this kind of history. For many students outside the private sector, this is the first chance to pursue their enthusiasm since year 4 or 5."

So it cannot be a question of numbers.

Nor can it be a question of finance. Of course, it is true that it is more expensive to set a syllabus and mark

an exam for a minority subject than for the more popular ones, but OCR—the exam board in question—made a profit last year of more than £2 million, so it is not a financial issue. The only excuse offered in support of this terrible proposal is that, as part of a general refreshment of its classical course, ancient history might somehow more conveniently be covered within the classical civilisation A-level syllabus.

That extraordinary proposition is worth examining in a little more detail. The classical civilisation course will now comprise some 10 units, but there will be no period papers among them. There will be no study of 5th-century Athens and nothing on republican Rome. With the exception of one unit—on Roman Britain—there will be no political history at all. Instead, history is to be treated merely as the context for literary study, or—even worse—simply tacked on to some of the other units. In the damning words of the proposed syllabus:

"This unit is also concerned with history."

One does not have to be my hon. Friend the Member for Henley (Mr. Johnson) to understand that literature cannot explain events. "The Aeneid" cannot explain the age of Augustus. We do not teach English history just through Milton or Shakespeare—of course we do not. Indeed, to treat ancient history in this way contravenes the subject criteria laid down for ancient history by the QCA. It requires, as a minimum, knowledge and understanding of the following: relations between Greek and non-Greek civilisations, Athenian democracy and society, the politics of Periclean Athens, the Peloponnesian war and its causes, the politics of republican Rome, the age of Augustus, the Julio-Claudian emperors, and political developments in the Roman empire. Those are the existing requirements, which this proposal contravenes.

The QCA set out those requirements because the study of ancient history is properly the study of primary sources. It is the attempt to construct a narrative of the past through the study of events and individuals, and to help answer the questions that still resonate today. Why did Athens invent democracy? Why was Caesar assassinated? How did Rome come to run the known world? How did Christianity survive the Roman empire? How did 700 years of Roman empire shape our modern Europe?

If this proposal is confirmed, the study of almost 1,000 years of history, from the time of the earliest Greeks to the last of the Romans, will be almost extinguished in our schools and then, of course, in our universities. That is an extraordinary discrimination. Because so few—fewer than 5 per cent.—of our state schools are able to offer the classical language, there are only two options for study of the ancient world available in the state sector in the colleges of further education and the sixth-form colleges. They are classical civilisation and ancient history. At a stroke, half of those options would be removed and that choice lost.

The proposal raises serious issues about the accountability of the exam boards, especially as OCR is the monopoly provider of the main classical subjects. It was the Minister's predecessor, answering my earlier debate on the withdrawal of the other exam board, the Assessment and Qualifications Alliance, from classics who said:

"Of course, if the AQA had been the only body offering classical subjects, the QCA would have acted to ensure that they continued to be available, as it would with other minority subjects."—[*Official Report*, 12 July 2004; Vol. 423, c. 1234.]

Well, we are now in that position. OCR is the only provider of ancient history, so I hope that the Minister will be able to reassure me that the QCA will intervene to block this proposal, if it is confirmed. I hope that he will be able to ensure that the QCA fulfils its obligation to minority subjects.

I ask the Minister to assist specifically on two points. First, will he write to the QCA to draw its attention to this debate and remind it of its responsibility to protect minority subjects that have a sole exam board provider? Secondly, will he facilitate a meeting between the QCA and those hon. Members who wish to see this proposal resisted?

This issue matters because ancient history is our past. The birth of democracy, the transition of Rome from a single city to the biggest empire the world has ever known and the rise of Christianity within that empire are critical events in shaping our European heritage and our British civilisation. How can we understand them properly if we cut ourselves off from our past? Nobody put that thought better than the Roman politician Cicero. For the benefit of others, I shall translate:

"To be ignorant of what occurred before you were born is to remain always a child. For what is the worth of human life, unless it is woven into the life of our ancestors by the records of history?"

If the board proceeds with this deeply flawed and philistine proposal, and if the QCA fails to intervene, not only will Cicero be proved right, but future generations of students will be denied the chance even to know who he was.

6.44 pm

Patrick Mercer (Newark) (Con): It is a pleasure to follow my hon. Friend the Member for Sevenoaks (Mr. Fallon). The Minister will be relieved to hear that I do not intend to iterate the points that he made so eloquently, but only to reinforce some of the personal comments that I have heard over the past few weeks about this issue.

From time to time, I have the privilege of being able to conduct people around Parliament, particularly constituents, and I am constantly appalled as an historian by how few of my Newark constituents understand that the practice of parliamentary democracy as we understand it in this country springs, at least in part, from events in the 17th century in Newark. Were it not for the stand that King Charles took three times against the parliamentarians, the parliamentarians' victory at Newark, and the King's abdication and subsequent execution we would not be doing what we are doing today. It worries me that schoolchildren from my constituency rarely understand that. It worries me even more that their understanding of history and, to be horribly parochial, of the Roman civilisation at the important Trent crossing-point at Newark, is even vaguer.

As I said, I am an historian. My son hopes to be a classicist. He is 15 years old, and he hopes to take an ancient history A-level so that he can prepare to go on to read classics at university. I had the pleasure,

[Patrick Mercer]

therefore, on Sunday of speaking to his classics master, Dr. Stephen Anderson, who is head of classics at Winchester college, and I made the points that my hon. Friend the Member for Sevenoaks has made very clearly today. Dr. Anderson is a man of deep learning, and he heads what I think is one of the most distinguished classics departments in the country. He aims to pitch the teaching of his boys so that they can go to the great universities to read the great subjects that comprise classics, which will prepare them in the broadest possible sense for the professions and careers that they will follow. His great disappointment is that the enthusiastic ambition of boys younger than my son who are coming forward to study the subject will simply not be fulfilled because it is about to disappear, without any consultation worthy of note, exactly as my hon. Friend said.

Extraordinary comments have been made about the proposal. I have mentioned the head of classics at Winchester, but Graham Able, head of Dulwich college, said that it reinforces his decision to opt out of the entire A-level system in favour of the new pre-U examination. He said:

"Ancient history is a bona fide academic subject in its own right whereas Classical Civilisation tends to be a watered-down version with less historical rigour."

I find it difficult to understand how ancient history, the syllabus for which covers 21 different aspects and eras of ancient Greek and Roman history such as the conflict of Greece and Persia in 499 to 479 BC and the reign of Nero, can be moved into the classical civilisation A-level, in which history, as my hon. Friend said, is dealt with in a series of units such as Romano-British society and history as depicted in the literature and archaeological record. How could we begin to understand the history of the first world war if all that was available to us as primary sources was the poetry? It is the work of distinguished and noble poets but, nevertheless, it does not provide a proper, thorough and rigorous historical understanding of the era in which so many kids are interested.

That brings me to a popular aspect of the A-level. What the films, "Zulu" and "Zulu Dawn", did for mid-19th-century British history, many recent blockbusters have done for ancient history. In my experience and from listening to what my hon. Friend has just said, it is apparent that more and more young men—it is principally young men, but there is a very encouraging number of young women—wish to study that desperately important subject. I suggest that it has been dumbed down, as there has not been any consultation, and very few people who are in a position to influence the syllabuses have been talked to in detail. That is a high-handed approach by the OCR, and it will leave many youngsters disappointed and frustrated, and many masters, dons and professors absolutely furious at the blunt, thoughtless and ignorant conduct of an examination board that has not been properly supervised.

I know the Minister well. He is a highly educated and extremely reasonable man, but please may we have a re-examination of the decision? I believe that ancient history is a superlative and deeply important subject. If we are to maintain our great schools and universities, this important qualification must be kept on the books.

6.50 pm

Peter Luff (Mid-Worcestershire) (Con): I am extremely relieved to speak third in this debate and still have something new to say. My hon. Friends the Members for Sevenoaks (Mr. Fallon) and for Newark (Mr. Mercer) both made fine speeches. I congratulate my hon. Friend the Member for Sevenoaks on securing this debate, and I shall not repeat any of his remarks. However, although the subject may not seem that important at first glance, in truth it is of profound importance to our culture and civilisation. I agree with what my hon. Friend the Member for Newark said about our lack of understanding of our own history. The events of 1265, the birth of this Parliament and the death in my constituency of Simon de Montfort are not remembered properly in Worcestershire, and I therefore empathise with what my hon. Friend said.

I am attending this debate primarily because I have received representations from two very powerful young women. One is a constituent of mine—I always listen to what my constituents say very carefully—and the other is my daughter. I leave it to the House to judge which is the more powerful.

Jennifer Harris is an A-level student in my constituency and she drew this matter to my attention in an e-mail on 31 March. She made a series of very important points that I hope the Minister will take on board and refer to the QCA and the OCR. She wrote:

"A collated 'Classics' course assumes that everyone is able to, and wants to do a generic course combining lots of disciplines."

That is manifestly not the case, and the examination board displays a misunderstanding of the purpose of the ancient history course. My constituent goes on to make the point to which my hon. Friend the Member for Newark referred. She wrote:

"Numbers taking ancient history are actually growing, spurred on by recent films such as 'Troy' and '300'".

I have not seen "300", but I did not much enjoy "Troy".

Patrick Mercer: "300" is very good.

Peter Luff: My hon. Friend says that "300" is very good. I know that it has caused a passionate debate in Iran, which shows how seriously that country takes ancient civilisation. On reflection, that also shows that by understanding ancient civilisation we can understand some of the passions currently being expressed in the middle east.

Jennifer Harris goes on to state that getting into summer schools for university ancient history courses requires much advanced preparation. Speaking about a summer school in ancient Greek at Reading university, she says that she was

"strongly encouraged to apply early due to competition for places."

That shows that ancient history is a subject that is growing in popularity. She then points out:

"There will inevitably be a negative effect on university intake, as fewer people are in a position to apply for or know about ancient history degrees."

If we cut off the supply of people reading the subject at university, we will also cut off the supply of academic expertise in the longer term. That is another damaging effect stemming from the decision.

Miss Harris makes her most important point when she writes:

"Athenian democracy, the Roman republic and empire, the battle of Thermopylae, the rebellion of Spartacus: all these were covered in the Ancient History syllabus, soon to disappear from schools. The politics and events of the ancient world have proved that they can never become irrelevant. The fact that these are 'dead' civilisations makes if anything a positive difference: as T.S. Eliot said, 'through their death we have come into our inheritance'."

That is the point: what we enjoy today is built on those foundations. If we do not understand them, we risk losing something tremendously important and valuable.

My daughter Rosanna took her ancient history A-level four years ago. She intervened in her busy working day today to lobby me hard on this subject. Her point was that the study of ancient history is not just another A-level subject, but is rooted in proper historical method. It is a history course, first and foremost: the subject may be ancient, but the course is about the historical method, which is a tremendously academic discipline in its own right.

I have come across a website compiled by a young man who has been commenting adversely on the proposal. He has said that ancient civilisations offer a more attractive, interesting and vibrant way to study historical method than more modern civilisations. We are understandably obsessed with the Nazis and more recent events, but the events of the ancient civilisations are more compelling, fascinating, and powerful. They therefore provide a greater incentive for students to study the historical method. We are losing not just ancient history, but, more generally, a whole tranche of historians and all that they bring to our society.

My daughter points out that she learned not only history, but politics with huge relevance to modern politics. She learned about art, architecture and literature. She also learned about geography, because an understanding of the geography of Gaul is tremendously important when studying the difficulties of Julius Caesar in de Bello Gallico. She said that the course was her grounding for life, which I respect.

A document on the OCR website describes the aims of the course in language that is every bit as persuasive and passionate as that used by my hon. Friend the Member for Sevenoaks. The words in the document are the justification for continuing the course. The document makes the points about historical method that I have already made and then says:

"The study of Ancient History in these specifications contributes to an understanding of spiritual, moral, ethical, social and cultural issues by ... requiring the study of societies and cultures that are alien to the student's own, and of their moral and ethical values and religious beliefs ... promoting awareness of aspects of human life other than the physical and material—

how important that is—

"encouraging insight into the context in which men and women have displayed outstanding creativity ... revealing the moral and ethical issues involved in acts of war and violence, and underlining the responsibility of individuals and societies for such acts".

The document also says that understanding is developed by

"investigating techniques of persuasion and the way in which moral and ethical issues may become obscured in political argument"—

there are many shades of our modern political debates in these justifications—

"giving students the opportunity to become acquainted with the deep analyses of individual human behaviour and of the behaviour of human societies offered by"

a variety of historians and poets, and

"fostering understanding of the difficulty of applying notions of 'proof' or 'certainty' to the study of past events, and of the provisional nature of historical judgements".

The document thus sets out a powerful list of reasons to keep this intellectually demanding and rigorous course, which is flourishing in the modern world, alive and well.

However, interestingly, and perhaps more controversially to my hon. Friends, the killer argument is made in paragraph 2.2 of the document, which is titled "The European Dimension". I will quote the passage at length because it makes the point better than I would by paraphrasing it:

"The achievements of the Greeks and the Romans provide the foundation upon which the modern European world is built, and the culture of Europe has been in continuous dialogue with the culture of ancient Greece and Rome since antiquity. The Roman Empire provided a model of a united Europe which profoundly influenced subsequent European history and which continues to influence European fears and aspirations today. An understanding of Greek and Roman history is basic"—

I emphasise the word "basic"—

"to a proper understanding of modern Europe. The European dimension therefore pervades these specifications."

Those are not my words or those of the people who have lobbied me—my daughter and constituent—or my hon. Friends, but the words of the examination board that intends to abolish the subject.

I echo the pleas of my hon. Friends to the Minister. I ask him please to talk to the QCA and the examination board and to use all his powers to persuade them that this is a serious error of judgment that will have profound and serious consequences for the long-term future understanding of what we are. The words of T.S. Eliot are powerful and should be heard by the examination board:

"through their death we have come into our inheritance".

6.58 pm

The Minister for Schools (Jim Knight): I congratulate the hon. Member for Sevenoaks (Mr. Fallon) on securing the debate. I note that he has a masters in classics and ancient history from St. Andrews, and he spoke with the authority of someone who has a thorough grounding in, and passion for, the subject. I was expecting to hear from the hon. Member for Henley (Mr. Johnson), who is another classics scholar. It was good to hear from the hon. Member for Newark (Patrick Mercer). He has a masters in modern history, so he is not quite up to the mark of the hon. Member for Sevenoaks, yet he spoke with a passion that was informed by the experience of his constituents and of his son. The hon. Member for Mid-Worcestershire (Peter Luff) was informed by his daughter's experience. The hon. Gentleman is, of course, an economist, but I will not criticise that because I am a geographer. We have had a helpful and interesting debate and I welcome the opportunity to address the concerns raised and to clarify the Department's position.

[Jim Knight]

Reference has been made to the popularity of films such as "Gladiator" and "300", a film my son described as the best film he had ever seen—he is only 16.

It being Seven o'clock, the motion for the Adjournment of the House lapsed, without Question put.

Motion made, and Question proposed, That this House do now adjourn.—*[Kevin Brennan.]*

Jim Knight: The popularity of those films demonstrates the public's abiding interest in ancient history. Some people are even prepared to suffer less successful epics such as "Troy", or even "Alexander", which I thought a fairly execrable effort, in the interests of soaking up the classics. Popular writers such as David Gemmell are engaging new generations with fictionalised versions of the period, so the issue is certainly important.

More broadly, all periods of history continue to inspire and attract young people to study the subject, not only to gain knowledge and understanding of our past, but to acquire the essential skills that history offers. They range from the ability to analyse evidence and test its validity, to the ability to persuade and write critically, often instilling in young people a healthy scepticism as well as a sense of awe about human achievement and progress. That is even before we reflect on the comments of the hon. Member for Mid-Worcestershire about understanding present-day Europe—I am sure he will be recommending the study of ancient history to all his party colleagues.

Although we do not have specific data on entrants to ancient history degrees, the number of 18-year-olds choosing a history degree has gone up by more than 13 per cent. since 2002. That interest and enthusiasm is replicated in schools and colleges, as we have heard. History A-level is the sixth most popular choice, with more than 40,000 candidates in 2006. In the same year, more than 200,000 young people chose a history GCSE.

Nevertheless, when we compare that overwhelming enthusiasm with the figures for ancient history A-level, the picture in terms of numbers is not so rosy. In fact, only 424 students chose that option last year, but there has been growth. I have seen claims of a 300 per cent. increase in ancient history candidates since 2000, but we need to be careful not to double-count candidates in year 12 who are taking their AS exams. I am advised that, according to our figures, the like-for-like increase since 2000 is nearer 9 per cent. However, it is an increase, and an important one. I realise the popularity of the subject in some sixth-form and further education colleges, such as Queen Mary's college, Basingstoke—a fine establishment where I once worked. I was pleased to revisit the college earlier this year to open a new maths and art block, when I was reacquainted with an old friend, Tom Pearson, the head of history to whom the hon. Member for Sevenoaks referred, and who subsequently e-mailed me to lobby me about the issue and, indeed, was the first person to raise it with me.

With that in mind, and as part of the ongoing overhaul of A-levels, the awarding body, OCR, is, as we have heard, proposing to redesign the suite of qualifications it offers in classics. However, I stress that the discontinuation of ancient history is only a proposal, not a foregone conclusion—[Hon. Members: "Ah."] OCR is consulting the QCA about the matter at present, so this is exactly the right time to raise concerns in the House with OCR and the QCA.

As Members are aware, awarding bodies such as OCR are independent organisations regulated by the QCA, so Ministers cannot directly intervene in their decisions, although I hope to offer some comfort as to what I propose to do. Nevertheless, the process of revising the qualifications in classics, involving not only OCR and the QCA, but also interested stakeholders, will ensure that any changes will not—I hope—have a detrimental impact on provision.

I shall outline the proposed changes. OCR has proposed four different A-level paths, which it believes will cover the full range of classical studies. Students would be able to follow a subject-specific pathway and gain A-level Latin, classical Greek or classical civilisation, or study units from different pathways and gain an A-level in classics. That last qualification is new and will enable students to study more than one subject area. The distinction between the A-levels in classics and in classical civilisation is that the former would require students to study one of the classical languages.

Central to those proposals are the principles of greater flexibility for schools and greater choice for students. In that respect, they are very much in tune with the whole package of reforms to education for young people between 14 and 19. Through different combinations of units, students—guided by their teachers, of course—can put together a programme that appeals to their particular interests, focusing on anything from archaeology through to history and to culture. Alternatively, they can look more broadly across the themes without specialising. I am sure that hon. Members who are sitting up and looking with such interest might well argue that ancient history should be part of that mix, and I am sure that they will pursue that argument.

Looking at the proposed course content, I can assure the hon. Member for Sevenoaks that there would be an opportunity for those students attracted to the more popular elements of ancient history to pursue their interest within the different pathways that I have outlined. For example, there is a unit covering the Greek historians Thucydides, Herodotus and Plutarch. Another unit, "City Life in Roman Italy" looks at the cities of Pompeii, Herculaneum and Ostia. Yet another looks at Roman Britain and would cover, for example, the invasions of Caesar and Claudius, Boudicca's rebellion and the Hadrian and Antonine walls.

Part of the rationale for the reforms, I am advised, is to attract increasing numbers of students to the classics. Because of the greater choice and flexibility that I talked about, young people would be able either to focus on their particular interest, such as the elements of ancient history that are retained, or to cover a broader range of topics. But, like the hon. Gentleman, I want to be assured that opportunities to study ancient history are preserved and that those changes will achieve the right balance between attracting new candidates and preserving the credibility and quality of the qualification. I know that that concern is shared by the OCR and the QCA.

Since OCR made these proposals to the QCA at the end of March, the QCA will now be considering whether any amendments should be made before it accredits them. OCR, too, will be listening to feedback—I am sure that it will be listening to the comments in our useful debate—and is likely to put forward its own amendments. While it is clear that the proposed changes that I have outlined cover ancient history to some extent, I want OCR and the QCA to look very carefully at whether that is sufficient. I am therefore encouraged to hear– as, I am sure, will be the hon. Gentleman and his hon. Friends—that OCR is seriously considering whether it would be appropriate to reinstate ancient history as a title. I would call on OCR and the QCA to make sure that the views of the hon. Gentleman and his colleagues are recognised in their ongoing discussions to resolve the issue.

I will write, as requested, to those bodies to draw attention to the points made in our debate. Indeed, I am happy to facilitate a meeting between the hon. Gentleman, his hon. Friends, myself and the QCA to discuss the matter and see whether more can be done on this important subject.

In conclusion, although Conservative Members and I may not have reached the perfect heights of Socratic dialogue today, the very fact that we are here exemplifies the democratic principles established in Athens and continued down to this day. The importance of those early civilisations cannot be over-emphasised and it is essential that young people today have the opportunity to study the themes, institutions and people from the ancient world, all of which have helped to shape our modern world.

I am certain that OCR and the QCA will resolve this question in a way that meets the needs of future students by ensuring that the qualifications offered cover a comprehensive and rigorous curriculum. I am hopeful that their solution will attract more students to this important subject. If, in doing so, we can satisfy all Members, as well as the wider classics community, on the subject of the future of the teaching of classics, I would be absolutely delighted.

Question put and agreed to.

Adjourned accordingly at nine minutes past Seven o'clock.

House of Commons

Thursday 26 April 2007

The House met at half-past Ten o'clock

PRAYERS

[MR. SPEAKER *in the Chair*]

Oral Answers to Questions

EDUCATION AND SKILLS

The Secretary of State was asked—

Reading Recovery

1. **Mr. Graham Allen** (Nottingham, North) (Lab): When he expects the additional funding for reading recovery announced by the Chancellor of the Exchequer to be made available. [133952]

The Secretary of State for Education and Skills (Alan Johnson): Funding for the national roll-out of "Every Child a Reader" will be made available over three years from 2008-09. We are exploring the most effective ways of helping children who will benefit most from intensive literacy support. We are discussing with "Every Child a Reader" partners how we can reach the greatest number of children. I am pleased to confirm that we have invited Nottingham to take part in the third and final year of the pilot this year.

Mr. Allen: The reading recovery programme, "Every Child a Reader", is a welcome development, and I thank my right hon. Friend and his team, along with the Chancellor of the Exchequer, for introducing it. In a constituency and city such as mine, one in eight youngsters cannot read their first lesson at secondary school, so there is still a great deal of work to do. What can my right hon. Friend do, first, to train reading recovery co-ordinators effectively, and secondly, to roll out a programme to train teachers so that they can begin to expand the reading recovery programme to ensure that all our young people can read properly?

Alan Johnson: My hon. Friend has been a champion of the education cause in Nottingham. Matters have improved to a huge degree, but there is still an awful lot that we have to tackle. We have placed Nottingham in this project because it is designed specifically for the kinds of problems that he experiences there, as do I in the city that I represent, Hull. This is a partnership with the KPMG Foundation aimed at getting to children in their first year at school to ensure that they have the best possible foundation and that, later on, they do not need the kind of remedial and catch-up attention that gets more difficult the older the child gets. From this September, my hon. Friend will see the implementation of the "Every Child a Reader" policy, which includes the part-funding of a project leader, followed by its rolling out to 20 specialised teachers in 20 schools in Nottingham. Thereafter, it will be rolled out nationally. I undertake to keep a personal eye on how it is going in my hon. Friend's constituency.

Secondary School Standards

2. **Andrew Selous** (South-West Bedfordshire) (Con): What steps his Department is taking to raise standards in secondary schools. [133953]

The Minister for Schools (Jim Knight): Since 1997, education has been this Government's top priority. We have doubled spending per pupil, there are now 36,800 more teachers, and figures published today show a growth in the school work force of 17,300 in the past year alone. I hope that the hon. Gentleman will join me in congratulating staff and pupils in his constituency on the consequent improvement of 15 per cent. more 14-year-olds achieving the national standard in English and maths. We will continue to raise standards through more choice between schools for parents, more choice of qualifications for pupils, and record investment in personalisation in staff and in buildings.

Andrew Selous: With reference to the previous question, I can tell the Minister that even in leafy south Bedfordshire, in one of my local upper schools recently a quarter of the children were unable to read properly. Five million adults in this country are functionally illiterate, many of whom are parents of secondary school children who are themselves struggling with reading. Will the Minister redouble his efforts across Government to address adult illiteracy so that we can break that cycle of deprivation?

Jim Knight: Although I am disappointed that the hon. Gentleman did not want to join me in congratulating staff and pupils in his constituency on the improvements over the past 10 years, I accept that we need to focus efforts on adult basic skills. That is why we are concentrating our budgetary priorities in that area to do everything that we can to ensure that adults who, perhaps because of inadequacies in the education system prior to the past 10 years, are not reading and writing well, receive all the help that they can get.

Mr. Adrian Bailey (West Bromwich, West) (Lab/Co-op): In my constituency, there has been an historical legacy of young people leaving school early to go into industry, so education has not been very highly regarded. Over the past few years, however, there has been a dramatic improvement in the number of young people getting GCSEs and A-levels and going to university. If we are to build on that, it is a question of changing aspirations. What are the Government doing to lift people's aspirations in constituencies such as mine?

Jim Knight: I am grateful for my hon. Friend's question and I join him in congratulating his constituents on the improvements in education in the past 10 years. He is right to raise the issue of aspiration. The way in which the excellent leaders in some of our new schools, such as academies, have raised pupils' ambitions is a consistent

feature that I note on my visits. That is why we are extending some of the thinking behind academies to trust schools, and getting universities and employers involved so that young people in more disadvantaged areas can see themselves going to universities and into well paid employment, thanks to the involvement of such partners.

Mr. David Heath (Somerton and Frome) (LD): Standards are not directly related to resources, but they help. Does the Under-Secretary recall receiving a letter from Mr. Glyn Ottery, the chair of the Somerset Association of Secondary Heads, who points out that, because of the underfunding in Somerset compared with other areas—he acknowledges the increase in funding—his school, Stanchester, receives £254,740 less each year than the English national average? How can that extraordinary differential be justified?

Jim Knight: I shall have to dig out the letter from Glyn Ottery, but I will ensure that it has my personal attention when we consider the reply. The figure that comes to mind for the improvement in resources in real terms per pupil in Somerset is approximately £1,000. However, I accept that we do not fund equally on a per pupil basis throughout the country. We are currently consulting on school funding—I am examining closely the way in which we balance the need to achieve stability across the system with any need for redistribution to ensure that areas of deprivation, especially within authorities, get the necessary money.

Kerry McCarthy (Bristol, East) (Lab): I was pleased on Monday to welcome the Secretary of State to the city academy in my constituency. He was especially impressed to learn that, last year, it managed to send 43 students to university compared with only seven a few years ago. I know that my hon. Friend the Under-Secretary has also visited the city academy. What lessons does he believe that schools such as the academy can teach other schools in Bristol so that they achieve a similar increase in standards?

Jim Knight: My hon. Friend is right. Bristol academy was the first academy school that I visited and it was instrumental in persuading me of the success of the academies programme in raising aspirations—the phrase of my hon. Friend the Member for West Bromwich, West (Mr. Bailey). The lesson that neighbouring schools can learn—I hope that academies will continue to work more closely with them—is first, to realise that, in difficult areas such as parts of Bristol that are served by the academy, it is possible for children to envisage themselves going to university and getting highly paid jobs; and secondly, it is to ensure that such ambition is embedded throughout the work force and in our approach to all children.

Mr. David Willetts (Havant) (Con): Educational standards cannot be raised unless there is good order in the classroom. That means that the worst behaved children may have to go to pupil referral units so that they do not disrupt the education of others. Surely those units are meant for children who are badly behaved, not for those who have a medical condition, which has led to a statement of special educational needs. Ofsted has warned that pupil referral units are the least successful setting for children with such statements. Does the Under-Secretary agree that it is wrong for children with such statements to be taught alongside violent and disruptive children in pupil referral units?

Jim Knight: The hon. Gentleman may be interested to know that the proportion of pupils with statements of special educational needs in pupil referral units has declined from 22.5 per cent. under the Tories in January 1997 to 15 per cent. in January 2006. It is important that children, regardless of their special educational needs, are clear about the discipline code in a school. If they breach that, heads should be free to exclude, subject to an appeals system in which a small percentage of appeals are upheld. If that means that they need to go to a PRU, so be it, as long as it ensures that it delivers personalised education. Ofsted finds that nine out of 10 PRUs are satisfactory or better.

Primary School Standards

3. **Mr. Mark Harper** (Forest of Dean) (Con): What steps his Department is taking to raise standards in primary schools. [133954]

The Minister for Schools (Jim Knight): The hon. Gentleman will be pleased to hear that primary standards in English and mathematics are at their highest ever. We are improving the quality of teaching and learning, with ongoing training and support for teachers.

I hope that the hon. Gentleman will join me in congratulating pupils in his constituency on improvements in results at age 11 of 13 per cent. and 11 per cent. more pupils achieving the national standard in English and maths respectively. Following Jim Rose's independent review of early reading, new teaching guidance called "letters and sounds" will be launched this month further to support the teaching of phonics.

Mr. Harper: I do indeed congratulate teachers and pupils personally when I visit schools in my constituency, which I do regularly. Last year, 35 per cent. of children at key stage 2 had a reading and writing standard below level 4. What progress is being made in the roll-out of synthetic phonics to train teachers to address the reading and writing problem in primary schools?

Jim Knight: The hon. Gentleman is right: Jim Rose's review was instructive, and we will issue guidance shortly and provide teachers with primary framework packs to help them in teaching, for example, English and maths. That guidance focuses on the use of synthetic phonics, and will ensure that best practice is rolled out across the country to continue to improve reading, alongside the measures to which the Secretary of State referred in response to the question of my hon. Friend the Member for Nottingham, North (Mr. Allen).

Mr. David Kidney (Stafford) (Lab): Has my hon. Friend yet had the opportunity to read the letter that I sent him following my visit to Doxey primary school in Stafford, in which I praised the staff and especially the

leadership of the school for its fantastic improvement in performance over the past five years? I have noticed in Staffordshire, as the hon. Member for Somerton and Frome (Mr. Heath) has in Somerset, that the success of schools is constrained by the low funding that they currently receive. In the context of the review of funding being carried out by my hon. Friend, does he buy the argument that those of us in areas that have traditionally been low-funded could contribute much more to the Government's agenda of raising standards if we were better funded?

Jim Knight: Clearly, we are into the school funding lobbying round. I congratulate staff, governors, pupils and parents at Doxey primary school on its excellent results and on the excellent value for money that they represent, set against the funding that the school received. Our primary focus in funding is deprivation: we need to ensure that those who suffer disadvantage are funded to tackle that disadvantage, wherever it is found. As I consider the results of the consultation due for completion at the end of May, I will look at whether we are properly targeting deprivation, including in counties such as Staffordshire.

Sir George Young (North-West Hampshire) (Con): Is the Minister concerned at the growing number of primary school children being excluded from school? Does he have any plans to deal with that increasing problem?

Jim Knight: The right hon. Gentleman is right that exclusions of primary school children have increased, but it is a very small number: I think that 0.03 per cent. of primary school pupils are being permanently excluded. We do have some concerns about that, so we have asked our national strategies team to look at where such exclusion is concentrated and consider what interventions might be necessary.

Andrew Miller (Ellesmere Port and Neston) (Lab): More than 30 Members on both sides of the House, and the Department, have supported the competition being run by the parliamentary information technology committee in partnership with E-Skills UK, the sector skills council for IT. Does my hon. Friend agree that the engagement of Members in such exercises, working with their schools, can help to promote higher standards in this vital area? Will he take this opportunity publicly to support the competition and encourage other Members to sign up for it?

Jim Knight: Certainly. I warmly commend to Members on both sides of the House the parliamentary IT committee's competition for schools, which is a significant initiative. The roll-out of IT, with billions of pounds invested in information and communications technology in schools, is reaping results. Yesterday, I met the supplier of IT—RM—to schools in Newham, where half of primary schools have received the IT and half have not. The effect on the results of those schools in Newham that are using IT well is highly significant. We all need to have due regard to that in our constituencies.

Sarah Teather (Brent, East) (LD): In 1997, the Prime Minister promised to eradicate classes of more than 30 in primary schools to raise standards. Today's figures show, however, that half a million primary school children are still taught in such large classes, rising to a shocking one in four at key stage 2. After 10 years of the Labour Government, why are they still failing on the basics?

Jim Knight: We are not failing in the basics. Today we announced the best-ever adult:pupil ratio—one in 73 classes at key stage 1 consists of more than 30 pupils, as opposed to one in five 10 years ago. Obviously we want to reach a point at which no child aged five, six or seven is in a class of more than 30, but there are constraints in, for instance, rural primary schools with very few teachers. It is difficult to adjust staff:pupil ratios just like that, but I think we are making excellent progress in delivering our promises.

Poorer Students

4. **Stephen Williams** (Bristol, West) (LD): What discussions he has had with vice-chancellors of Russell Group universities on increasing the number of students from poorer backgrounds who are accepted for study. [133955]

The Minister for Higher Education and Lifelong Learning (Bill Rammell): The Government have made a clear commitment to widening participation in higher education. I regularly have discussions with vice-chancellors and others throughout the sector about how we can help more people from under-represented groups, particularly young people from poorer backgrounds, to participate in higher education. The discussions focus on raising aspirations and opportunities to attract more applications. The document "Widening participation in higher education", published last November, describes the actions that we are taking.

Stephen Williams: As the Minister will know, whenever universities consider the potential of students from state schools whose grades may be slightly different from those of students from independent schools, they get into trouble with certain sections of the press. Does he not think that the introduction of an A* grade at A-level will make the life of admissions tutors at some Russell Group universities much more difficult, given that in the first few years there will probably be a disproportionate success rate among independent school students?

Bill Rammell: I think there is a general consensus that there is a strong case for the A* grade. The key judgment will concern the level at which the threshold is set. I am sure that, as well as taking a range of other initiatives, we can continue to promote the widening of participation. I agree that university admissions tutors have always made judgments both about individual students' attainment to date and about their potential to develop, and some of the initiatives that UCAS has been taking will help to inform those judgments.

Ms Dari Taylor (Stockton, South) (Lab): The Minister will be pleased to learn that in Tees Valley the number of university applicants from low-income families has increased by more than 48 per cent. That startlingly good result was achieved primarily through the Aimhigher programme, which has inspired

youngsters and schools to have self-belief. Will the Minister visit us in Teesside and look at the examples that we can provide? We would love to share them with everyone. Will he also tell us what additional support will be given to the Aimhigher programme?

Bill Rammell: As my hon. Friend knows, I visited Teesside university with her recently, and I will seek a further opportunity to do so.

The Aimhigher programme has been a real success story in promoting aspiration among under-represented groups, and we should continue to support it. We should also celebrate yesterday's announcement of a significant increase in the number of university applications for next year. The number of applications for places at English universities has risen by 6 per cent., and—crucially—the proportion of applicants from lower socio-economic groups has not only not fallen but actually increased. That demonstrates emphatically that critics of the new system are wrong.

Mr. James Clappison (Hertsmere) (Con): I agree with the Minister that the A* grade will help universities to assess the merits of applicants, but does he think that students applying to university should be judged on whether or not their parents went to university? A yes or a no would be helpful.

Bill Rammell: I think that UCAS's recent decision to include information about parental participation in higher education may prove to be a useful tool in helping university admissions tutors to make judgments. They have always made judgments about both attainment to date and potential to succeed. If there is no previous experience of higher education in a young person's family, an admissions tutor will be able to provide that person with a taster course, or put him or her in touch with a student ambassador. That can help young people to achieve their full potential.

Mr. Brian Jenkins (Tamworth) (Lab): Will my hon. Friend ask the Department to conduct a review to establish the merits of the system in the state of Texas, where, as he knows, the top 10 per cent. of students who leave colleges have an automatic right to enter any university? That has proved to be a boon for university outcomes in the state.

Bill Rammell: My hon. Friend and I have discussed that subject. University admissions are, rightly, a matter for university authorities. Nevertheless, we must have available as much data as possible, to ensure that the widening participation initiatives that we undertake are as effective as possible.

Mr. Boris Johnson (Henley) (Con): Does the Minister agree—I think that he does—that one of the key problems facing the Russell Group universities is the comparative flight in the maintained sector away from the crunchy subjects that those universities value, such as mathematics and sciences and ancient and modern languages? What can the Minister do to avert that flight, and in that context does he not agree that it is tragic that there are plans to get rid of ancient history A-level, as that will intensify the dominance of a small number of schools in the Latin and Greek classics and close down a possible route to university for children in the maintained sector, which is potentially deeply socially regressive?

Bill Rammell: We must do everything that we can to encourage young people from all backgrounds, and in particular state schools, to apply to university. The evidence shows that there has been a significant improvement in attainment over the past 10 years which is helping to fuel an increase in applications. In respect of the crunchy subjects that the hon. Gentleman mentions, I hope that he welcomes the significant increase in applications for physics, chemistry, mathematics and engineering science that there have been for next year, and which are part of a three-year trend. On the hon. Gentleman's specific question about ancient history, I know that he and my hon. Friend the Minister for Schools discussed that last night, and that we are looking at that issue.

Mr. Dennis Skinner (Bolsover) (Lab): Is it not becoming increasingly obvious that the kids who go to Eton school and are educated beyond their intelligence—like some Members who serve on the Opposition Front Bench—are being given additional opportunities to go to the posh universities, while working-class kids do not get the same chance? Will the Minister reverse this process?

Bill Rammell: I want applicants from all backgrounds and all schools to progress to university and to fulfil their potential. It is crucial that we help those from the poorest backgrounds to achieve that, and the Government are doing everything we can in that respect. The fact that there are increases in the numbers of applicants from state schools and from lower socio-economic groups demonstrates that we are making genuine progress.

School Meals

5. **Bob Russell** (Colchester) (LD): What plans he has to ensure that all schools provide hot meals. [133956]

The Parliamentary Under-Secretary of State for Education and Skills (Mr. Parmjit Dhanda): We do not require hot meals to be served in schools, but we encourage their provision through funding. Transitional funding for school food—£220 million for 2005-08—is conditional upon local authorities developing plans to begin the reintroduction of hot meals. In addition, schools and local authorities are encouraged to use their capital funding to ensure that adequate kitchens are in place. That will be supported by an additional targeted capital fund for school kitchens from 2009.

Bob Russell: I am grateful to the Minister for his answer so far as it goes, but I am sure that he is aware that three years ago this month Conservative-controlled Essex county council scrapped the school meal service for primary schools. Many schools have made alternative arrangements, but not all of them have done so, as some do not have sufficient resources or capacity. I ask the Minister to consider in particular three such schools: Montgomery infant, Montgomery county junior and St. Michael's primary. Those schools draw pupils predominantly from families whose fathers and mothers are in Her Majesty's armed forces, so while dad is sent off to Iraq or Afghanistan the children do not have hot school—

Mr. Speaker: Order.

Mr. Dhanda: We are working closely with the School Food Trust wherever there are gaps in provision with regard to hot meals in schools, at both primary and secondary level. However, we should keep this issue in context, as there have been developments in recent years, not least the additional funding worth almost £500 million from 2005 through to 2011. The national picture is that hot meals are not served in 5 per cent. of primary schools and 0.1 per cent. of secondary schools, which equates to three secondary schools. Having said that, I accept that there are issues and pockets of problems that we have to tackle, and we are doing so in a number of ways, not least through our capital programme and the devolved formula capital, which is devolved directly to schools. As I said, we also aim to announce later this year specific targeted capital for school kitchens.

Mr. Speaker: I call Mr. Humfrey Malins.

Mr. Malcolm Moss (North-East Cambridgeshire) (Con): You have done that to me twice now, Mr. Speaker.

Does the Minister share my deep concern at the ongoing decline in the take-up of school meals, and is it not doubly ironic that the imposition of the deep-fried standard has actually contributed significantly to that decline? Will he adopt a more co-ordinated approach with Ministers from other Departments with an interest in this matter and review and reconsider that standard? Will he also prioritise the provision of ovens, so that the switch away from deep-frying facilities in our schools can be speeded up?

Mr. Dhanda: On deep fried, we are doing exactly the right thing. The provision of chips, for example, is limited to twice a week, and we would not want to encourage—as some would—chips being passed through the school gates. We are taking exactly the right steps, working with the School Food Trust to ensure high nutritional standards in schools.

On take-up, I think that the hon. Gentleman is referring to a BBC survey at the back end of last year. We anticipated take-up issues arising in the early stages—that is not uncommon—but we are working with the School Food Trust to get some more up-to-date information, and I am confident that we will meet the demanding target that we have set of a 4 per cent. increase in the take-up of school meals by March 2008, and a 10 per cent. increase by autumn 2009.

Miss Anne McIntosh (Vale of York) (Con): Is the problem not twofold? First, not enough families are having a hot meal at night together at home, where children can learn the basic social skills and table manners that they should learn. Secondly, too many children are snacking on junk food on the journey to and from school. The Government's own figures, published in the School Food Trust survey in April of last year, show that 51 per cent. of parents of children at secondary school are giving them up to or more than £5 a day so that they can buy these products. Will the Government take measures to encourage families to eat at home at night round the table?

Mr. Dhanda: We are certainly taking measures to reduce snacking on poor-quality foods. Later this year, new standards will be put in place, which the hon. Lady will doubtless welcome, on tuck food in schools. We will also introduce as part of our five-point plan the entitlement to cook in schools. That will ensure that children from the age of 11 through to 16 are taught to cook a nutritional meal at school, which they can then do at home. Hopefully, that will have a knock-on effect, so that children can make use at home of their education in nutritional values. I am sure that that will make a big difference not just in school, but at home.

Apprenticeships

7. **Tony Lloyd** (Manchester, Central) (Lab): How many people under 25 years old were engaged in apprenticeships in (a) 1997 and (b) the most recent period for which figures are available. [133958]

The Parliamentary Under-Secretary of State for Education and Skills (Phil Hope): I am delighted to be here—[Hon. Members: "Hear, hear!"]—and to be telling my hon. Friend that the growth in apprenticeships since 1997 has been a major success story. In England at the end of 1997, 75,000 young people aged under 25 were engaged in apprenticeships; by the end of last year, 254,000 were so engaged. I am also pleased to be able to tell him that the proportion of young people completing their apprenticeships is now a record 59 per cent.

Tony Lloyd: May I say how delighted I am to see the Minister in his place? What he has told us about today is a genuinely significant achievement. Ten years ago, when this Government came to power, we simply were not training our young people in skills for the future. However, does he not accept that for a significant part of the population, at least—young women—we are still not doing enough in the provision of apprenticeships in engineering and construction, for example? If we are to bridge the skills gap that exists and will continue to exist, we must close the gender gap. What can we do about that?

Phil Hope: I thank my hon. Friend for his kind remarks. He is right; although some 47 per cent. of entrants to apprenticeships are young women, there is still an imbalance in the occupations that they take up. We are drawing up an action plan across Government with employers and the Learning and Skills Council to market to particular groups, such as young women, the benefits of taking up an apprenticeship—one of which is higher pay in construction and engineering, which my hon. Friend mentioned. We also want employer champions, especially women who have come through the apprentice system and are now leading figures in those industries, to tell other employers that they are not tapping into 50 per cent. of the work force and to explain how they could improve their productivity and profitability by utilising the talents of young women.

Justine Greening (Putney) (Con): Is the Minister aware of the excellent scheme at Battersea power station, in which many of my constituents are involved? It is about getting women into construction. I recently went round the power station with many women who live in Putney but work in Battersea. Does he think that lessons from that scheme can be applied to other developments elsewhere?

Phil Hope: I am aware of that scheme and, indeed, we launched our further education White Paper at that location because we wanted to celebrate the success of such schemes. It might be helpful if the hon. Lady were to have a word with the hon. Member for South Holland and The Deepings (Mr. Hayes), who unfortunately published an article recently that described apprenticeships disparagingly. He wrote that

"much training dubbed 'apprenticeship' is not worthy of the name."

That is not a helpful contribution to attracting young people to apprenticeships.

Mr. Bill Olner (Nuneaton) (Lab): I, too, welcome the Minister back. The figures are astounding, from 75,000 to 254,000, as he mentioned. However, we need to go further, because we still have an enormous skills shortage, especially of electricians, plumbers and other such trades. I wonder whether we should have some sort of scheme in which the apprenticeship starts in the last year of the child's secondary education, so as to start it earlier. Is the Department doing any work on that?

Phil Hope: I thank my hon. Friend for his kind remarks. We have a scheme called the young apprenticeship scheme, with 10,000 young apprentices aged 14 to 16 in different parts of the country. The scheme equips them well for making the choice at the age of 16. We want to go further: the Leitch report on the future of skills recommended an expansion of apprenticeships to some 500,000 a year by 2020. That is a big challenge to all employers and training providers. It is a challenge that we have endorsed and we will bring forward proposals on how to achieve that step change in the delivery of apprenticeships in this country.

Mr. John Hayes (South Holland and The Deepings) (Con): It is great to see the Minister back. I know that the whole House shares my warm personal regard for him, but I am sure that he would not expect me to pull my punches. Despite his bluff and blather, the fact is that we are training fewer people in higher level technical skills. The take-up of advanced apprenticeships has crashed by more than a quarter and is now below its 1997 level. The adult learning inspectorate report exposed the fact that one can complete an apprenticeship without setting foot in a workplace. Does not that tell you, Mr. Speaker—a model of the apprenticeship system—and the House that these are virtual apprenticeships, barely worthy of the name? Written answers from Ministers also show that employer engagement is falling. Will the Minister admit that the number of people in apprenticeship training at all levels is declining?

Phil Hope: The hon. Gentleman is factually incorrect and has just insulted hundreds of thousands of apprentices, employers and those on whom apprentices rely for their training and support, who are doing a fantastic job. It is not possible to complete an apprenticeship without having to set foot in the workplace: one has to be in work to complete an apprenticeship. I hope that the hon. Gentleman will take this opportunity to apologise to those people for his factual inaccuracies and disparaging remarks about apprenticeships and join the Government in celebrating their success. Half of the UK team that we are sending out to Japan to compete in the world skills championship—at the highest level possible—are young apprentices, so we can celebrate huge success in the training investment by this Government.

Pupil Behaviour

8. **Mr. Andrew Robathan** (Blaby) (Con): What recent representations he has received on standards of pupils' behaviour in schools. [133960]

10. **Andrew Gwynne** (Denton and Reddish) (Lab): What new powers he plans to give teachers to control and discipline disruptive pupils. [133962]

The Secretary of State for Education and Skills (Alan Johnson): This month, we have given school staff a new statutory power to discipline pupils for misbehaviour on and off school premises. We have widened the scope for detentions, and established a new legal defence for confiscation. Next month, we will give heads the statutory power to search pupils for weapons without consent.

In respect of representations, in 2006-07 my Department replied to 307 items of public correspondence about discipline in schools. That was a 35 per cent. reduction on the previous year.

Mr. Robathan: I have to say that I have not noticed a reduction. When I go to schools—in Leicestershire, not in the inner city—I get representations from teachers who tell me, for instance, that they are sworn at by pupils under the age of 14 three times before the start of the school day. I understand that one child under the age of six is expelled for bad behaviour each week. Are we not developing an anti-learning culture in our schools, where respect for teachers and authority is diminishing? The Government have offered some good new initiatives, but they also tend to mouth platitudes. They have taken no real action to sort out classrooms disrupted by poor behaviour so that those pupils who wish to learn can get on and do so.

Alan Johnson: There speaks the authentic voice of Colonel Blimp, from the saloon bar of the Dog and Duck somewhere in Leicestershire.

Mr. Robathan: Answer the point!

Alan Johnson: The hon. Gentleman is not a good example of good behaviour in public school education. I can tell him that the idea that we are all going to hell in a handcart in respect of behaviour in schools is not just an insult to teachers, head teachers and today's youngsters; it is simply not true. There has probably been the equivalent of the hon. Gentleman in every previous Parliament who pointed to a previous generation when behaviour was perfect. For the record, Ofsted measures pupil behaviour and has done so for some years. Most pupils behave well for most of the time, and the overwhelming majority of schools are orderly places. Indeed, the proportion of education in both secondary and primary schools that is satisfactory or better has increased and not declined.

The very important point is that behaviour and discipline in school is one of parents' major concerns. That is why we have provided the powers that were

recommended to the Conservative Government by the 1988 Elton report that came out of a committee of inquiry. Nothing happened then, but the powers that we have made available are relevant to the hon. Gentleman's question, as they give teachers and head teachers the right to deal with bad behaviour outside the school gates. Those powers enjoyed all-party support and came into effect on 1 April. They will add to the existing powers that teachers have to reduce bad behaviour in our schools.

Andrew Gwynne: Reddish Vale technology college in my constituency has made great strides in reducing disruptive behaviour through the use of extra-curricular facilities, such as the on-site farm, to give disengaged pupils wider experience. However, does my right hon. Friend agree that the new powers to discipline, the parenting contracts and the other powers that he has just mentioned are intended to complement and not detract from the efforts to tackle disruptive behaviour being made by schools such as Reddish Vale?

Alan Johnson: I agree with my hon. Friend that the powers are intended to complement schools' work in that regard. From September, schools will be able to make parenting contracts in respect of behaviour without excluding the pupil involved. The anomaly in the current system is that parenting orders can be introduced only after pupils have behaved so badly that they have reached the stage of exclusion. The basic message is that parents have a responsibility when children behave badly. An important element of that is the fact that parents are included in the process through mechanisms such as parenting orders and an insistence that they go into schools to talk about their children's bad behaviour. Teachers up and down the country are introducing innovative ways to ensure that their schools maintain an exemplary level of behaviour.

I congratulate the school to which my hon. Friend referred. My hon. Friend the Minister for Schools says that he has visited it and that it is an excellent example of the work going on throughout the country.

John Bercow (Buckingham) (Con): Of course it is vital to distinguish between the disruptive child and the disabled child. Given that a number of children with disabilities, including those with the hidden disability of speech, language and communication impairment, have often been inappropriately physically restrained by staff who wrongly think that they are simply being naughty, will the Secretary of State heed the pleas of TreeHouse, the National Autistic Society and the Advisory Centre for Education—not to mention parents—who want the guidance on physical restraint to be made statutory, compliance with it to be monitored and training provided to staff so that they may effectively and fairly implement it?

Alan Johnson: The hon. Gentleman raises an important point and we need to keep the issue under review—it is constantly raised with me by parents. Getting the balance right and ensuring that we have the right level of competence and skill to distinguish between the child with genuine behavioural problems and the child who is badly behaved is something that educationists have been trying to achieve for a long time. The hon. Gentleman's proposal for resolving the issue is one view of how we can deal with it and I promise him that I will look into it personally and come back to him.

Pupil Exclusions

9. **Mr. Andrew Love** (Edmonton) (Lab/Co-op): What steps he is taking to assist those pupils excluded from school to re-integrate into full-time education; and if he will make a statement. [133961]

The Minister for Schools (Jim Knight): From September, schools and local authorities will be required to arrange suitable full-time education for all excluded pupils from the sixth day of exclusion, which is a considerable improvement on the current expectation that local authorities do that from the 16th day of exclusion for permanently excluded pupils only. We shall also require schools to hold reintegration interviews with the parents of pupils excluded for fixed periods to discuss how their child's behaviour can be improved.

Mr. Love: Is my hon. Friend aware of the EAR to Listen independent advocacy pilot projects being carried out by Save the Children up and down the country, including in my constituency? The projects have achieved a great deal of success in maintaining vulnerable young people in a school setting rather than their being excluded. Can he look at that experience to see whether it can be adopted as best practice?

Jim Knight: I am grateful to my hon. Friend for drawing the Save the Children advocacy project to my attention. The scheme sounds excellent and I want to find out more about it to see whether there is good practice that we can extend elsewhere, so I have asked an official to attend the next Save the Children advocacy steering group on 1 May and to report back to me about the project.

Mr. Andrew Mackay (Bracknell) (Con): As I think we all agree, first, that it is right to exclude disruptive children from school and, secondly, that we must reintegrate them as quickly as possible, may I suggest to the Minister that the state does not always know best? There seem to be many good voluntary organisations and I wonder whether they have sufficient support from his Department.

Jim Knight: I agree with the first part of the right hon. Gentleman's question. As he advises the leader of his party—to whom I listened on the "Today" programme on Monday—perhaps he could advise him that heads can exclude. We are backing heads when pupils' behaviour warrants exclusion. We have made it clear that heads can permanently exclude pupils who are disruptive or violent, even for a first or one-off offence, and we have greatly limited the powers of appeals panels, to which reference was made, to return excluded pupils to the classroom. The vast majority of the 9,440 pupils permanently excluded each year are not returned to the classroom; in 2004-05 that happened in only 110 cases—1.2 per cent. of exclusions. On the point about the voluntary sector, we are interested in that sector and want to work well with it across Government. That is something I regularly discuss with the Minister in the Cabinet Office with responsibility for the third sector across Government.

SEN Resourcing

11. **Andrew George** (St. Ives) (LD): What recent assessment he has made of the resources available to schools with above average levels of special educational needs and statemented pupils. [133963]

The Minister for Children and Families (Beverley Hughes): It is for local authorities to decide, in consultation with their schools forums, on the distribution of funding to their schools, taking account of local needs and circumstances. However, we know that local authority budgeted expenditure on the education of children with special educational needs has increased from £2.8 billion in 2001-02, when data were first available, to £4.5 billion in 2006-07, which reflects the 47 per cent. real-terms increase in the total revenue funding per pupil since the Government came to power.

Andrew George: Welcome as that additional funding is, the Minister will be aware through correspondence with her Department—as well as from my argument that Cornwall should get a fairer share of the schools budget—that because of how the formula is cut, schools such as Pendeen in my constituency, where more than half the pupils have either special educational needs or a statement, face severe financial challenges at present. If, as the Government say, "Every Child Matters", what reassurance can the Minister provide that the formula will be set in such a way that in schools such as Pendeen SEN will be met? Will she agree to meet me and my constituents from Pendeen to discuss the challenges that they face?

Beverley Hughes: The hon. Gentleman will know that elements in the funding from central Government to local authorities represent deprivation, which is an issue at Pendeen, and special educational needs. I know that the situation in Pendeen is as he describes and that a significant proportion of children are not statemented but have SEN. The issue is that the roll of pupils is falling, which explains the current budget problems in the school. The local authority is, however, fully aware of that and has visited Pendeen school very recently to talk to the head teacher about what can be done to meet the current position, which is reflected in other small schools in Cornwall. I would certainly be happy to meet the hon. Gentleman if that is what he would like.

SOLICITOR-GENERAL

The Solicitor-General was asked—

Human Trafficking

17. **Mr. Anthony Steen** (Totnes) (Con): How many charges of human trafficking the Crown Prosecution Service successfully pursued in each of the last three years. [133944]

The Solicitor-General (Mr. Mike O'Brien): I regret that the Crown Prosecution Service does not hold information in the precise form requested. Human traffickers are sometimes prosecuted for other offences, ranging from rape to immigration offences. However, CPS records show that the number of charges for trafficking for sexual exploitation in the last three years were: 16 in 2004-05; 65 in 2005-06; and 116 in 2006-07.

Mr. Steen: That does not quite square with the answer that I was given by the Home Office in October, which stated that

"30 convictions for trafficking for sexual exploitation"—[*Official Report*, 23 October 2006; Vol. 450, c. 1682W]

took place in total in the last three years, and that there were only 16 cases in that time, even though the Home Office admits that 4,000 women a year are being trafficked through our ports of entry. That means 12,000 women coming through, but only 30 convictions. Is that because trafficked women do not feel safe giving evidence against their traffickers and have no safe haven in Britain if they do give it; is it because the police do not give much priority in the overall scheme of things to pursuing traffickers; or is it, finally, because the Crown Prosecution Service is neither motivated nor up to the job of ensuring that traffickers are brought to court, charged, prosecuted and sentenced?

The Solicitor-General: The point that I emphasised was that the figures I provided were charges. I will have a look at the answer that the hon. Gentleman received from the Home Office. The difficulty is that traffickers are often prosecuted under a range of different provisions and it depends precisely on the list of charges to which the answer was related.

On the wider issue, human trafficking clearly harms individuals—and the whole of our society, for that matter—and the CPS will prosecute if there is a public interest in doing so, as there invariably will be, where there is sufficient evidence to secure a prosecution. The hon. Gentleman will be aware of the case of Luan Plakici who was sentenced to 10 years in the Crown court for organised trafficking. As a result of the Attorney-General's reference, that was increased to 23 years, so we have had a number of very considerable successes. The hon. Gentleman is right to say that we need to do more and we are doing more. Indeed, the UK Borders Bill will do more to enable us to carry out prosecutions.

Let me also say that I hope that signing up to the European convention on human trafficking will, when mandatory reflection periods come in, give victims more confidence to come forward and report these issues. Hopefully, that will result in more prosecutions.

Victims Surcharge

18. **Dr. Brian Iddon** (Bolton, South-East) (Lab): What assessment he has made of the likely impact of the victims surcharge on prosecutions. [133945]

The Solicitor-General: It is expected that the victims surcharge will generate up to £16 million to provide better services for the victims of crime, including £3 million for witness care units to encourage and support victims and witnesses in giving evidence, £3 million to provide independent domestic violence

advisers, and other funding to help victims organisations. Supporting and helping victims and witnesses within the criminal justice system is an important aspect of getting more successful prosecutions.

Dr. Iddon: It has of course been extremely difficult to secure prosecutions in certain areas of criminality, especially domestic violence and rape. I welcome the implementation of the victims surcharge. Does the Solicitor-General agree that we will be able to expand the network of voluntary organisations that support victims and encourage them to come forward, given that fear and the possibility of stigma sometimes prevent people from bringing cases to trial?

The Solicitor-General: My hon. Friend is right. The proper long-term funding of witness care units will help witnesses and victims to come forward, especially regarding cases of rape. The extra funding for independent domestic violence advisers, who we hope to have in place in 64 sites where we have established specialist domestic violence courts, will help victims of domestic violence. Securing funding for victims organisations is an important step that I hope will enable those who support victims to know that funding will be in place in the longer term. Those who offend will be in a position where they will make a contribution to supporting victims.

Philip Davies (Shipley) (Con): Will the Solicitor-General explain why the victims surcharge is being levied on people who commit offences that often have no victims, such as motorists, yet not on those who commit offences that always have a victim, such as rapists?

The Solicitor-General: I do not accept that there is never a victim in motoring offences. Motoring offences are not victimless crimes. Some 3,201 people were killed on Britain's roads in 2005, while 28,954 people were seriously injured and the total number of casualties was 271,000. Other so-called victimless crimes cause harm and create a cost to society through bringing the offender to justice and enforcing the sentence imposed. Money from the surcharge is going directly to help victims services—I think that the hon. Gentleman ought to be supporting that.

Law Officers

19. **Helen Goodman** (Bishop Auckland) (Lab): What the Government's policy is on whether the Law Officers should be parliamentarians. [133947]

The Solicitor-General: As was the case under previous Administrations, the Government's position is that Law Officers should be Members of one of the Houses of Parliament so that they are accountable to this House and the other place for decisions that are reached and may be questioned about them.

Helen Goodman: I am grateful to my hon. and learned Friend for that answer. Obviously, there are arguments on both sides, but I understand that the Solicitor-General has come to this House on three occasions to answer questions about the controversial decision not to prosecute British Aerospace. Had he not been a Member of this House, who would have been able to answer our questions about that problem?

The Solicitor-General: My hon. Friend makes a good point. As soon as the Serious Fraud Office took its decision to halt the investigation regarding BAE Systems, I came to the House—the Attorney-General went to the House of Lords—to explain the decision in person. There have been three debates in this House and three in the other place on that decision in which we have participated. We have corresponded with a large number of Members of both Houses. That happens only because the Law Officers are Members of Parliament and directly accountable to it for the work of the Serious Fraud Office and the other main prosecuting authorities. That would be lost if the Law Officers were taken out of the picture and out of Parliament.

Mr. Dominic Grieve (Beaconsfield) (Con): I agree entirely with the Solicitor-General. In the circumstances, would he care to comment on the views held by the Minister of State at the Department for Constitutional Affairs, which has been advocating that the Law Officers should be taken out of Parliament altogether and should cease to be Members of the Lords or the Commons?

The Solicitor-General: The Government have set out our position with clarity.

Andrew Mackinlay (Thurrock) (Lab): I take a different view entirely. I think that all Ministers, not only Law Officers, should not be Members of the House. That is part of the problem. If I am the Minister for paper clips and statues, the only thing that I can talk about is paper clips and statues. If I am a Government Whip, I cannot say anything at all—I tell a lie; I could move that the House adjourns. We want Ministers out of the House, but we want to bring them to account in the House for their stewardship, whether they are Law Officers, Foreign Office Ministers or Home Secretaries.

The Solicitor-General: My view is that Ministers should be accountable in this House. They should be able to answer questions from Members such as my hon. Friend. The Law Officers have to decide on controversial issues and we want to ensure that they have to come to this House and the other place to answer questions on them. It is all about accountability. In a sense, people can pay their money and take their choice, but accountability is important in this place and we can provide it.

Mr. David Heath (Somerton and Frome) (LD): I, too, agree that accountability to this House on the part of Law Officers is extremely important. In that context, the Attorney-General has, rightly, made it plain that were the dossier from the Director of Public Prosecutions on the cash-for-peerages investigation to be passed to him for decision, he would take independent counsel's advice. In light of the accountability of the Attorney-General to the House, will he make that advice available to Members, either immediately if no prosecution takes place, or, if it does,

on a Privy Council basis until such time as the trial would not be prejudiced by the contents?

The Solicitor-General: It is premature to speculate on precisely what will happen in this case. The police file has gone to the CPS, and the hon. Gentleman will appreciate the fact that the Law Officers have not yet seen any of the evidence. The Attorney-General has said that if he is consulted he will take advice from senior independent counsel. He has undertaken to consult Opposition spokesmen for the Law Officers' role on the choice of counsel. He has said that if the decision is taken not to prosecute, he would wish to publish counsel's advice in so far as it is in accord with the principles of justice. That will ensure that the whole process is as objective and transparent as possible.

Business of the House

11.33 am

Mrs. Theresa May (Maidenhead) (Con): May I ask the Leader of the House to tell us the forthcoming business?

The Leader of the House of Commons (Mr. Jack Straw): The business for the week commencing 30 April will be:

MONDAY 30 APRIL—Consideration in Committee of the Finance Bill.

TUESDAY 1 MAY—Conclusion of consideration in Committee of the Finance Bill.

WEDNESDAY 2 MAY—A motion to approve a European document relating to the protection of critical infrastructure, followed by consideration of Lords Amendments to the Welfare Reform Bill, followed by a debate on Sri Lanka on a motion for the Adjournment of the House.

THURSDAY 3 MAY—A debate on policing in London on an Adjournment of the House.

FRIDAY 4 MAY—The House will not be sitting.

The provisional business for the week commencing 7 May will include:

MONDAY 7 MAY—The House will not be sitting.

TUESDAY 8 MAY—Opposition Day [10th Allotted Day]. There will be a debate on a Liberal Democrat motion, subject to be announced.

WEDNESDAY 9 MAY—Remaining stages of the UK Borders Bill.

THURSDAY 10 May—Consideration of Lords Amendments to the Justice and Security (Northern Ireland) Bill, followed by consideration of a resolution on rating (empty properties)

FRIDAY 11 MAY—The House will not be sitting.

Mrs. May: The website TheyWorkForYou.com has been threatened with legal action for repeating what was printed in *Hansard*. Will the Leader of the House make a statement about the application of parliamentary privilege to organisations with a licence to reprint *Hansard*?

This week, it has emerged that lives have been put at risk by leaks about anti-terrorist operations. Peter Clarke of the Metropolitan police said:

"The people who do this...are beneath contempt"

and "put lives at risk." Yesterday, the Prime Minister refused to guarantee that the leaks did not come from Ministers, civil servants or special advisers, yet he refused to order a full-scale inquiry. Contrary to assurances given by the Home Secretary to my hon. Friend the shadow Attorney-General, it is reported today that the source of the leaks is the Home Secretary's special adviser. Why are the Government refusing an independent inquiry? On 6 February, Liberty submitted a freedom of information request in relation to media briefings on the raids. An answer has been delayed by the Home Office not once but twice, and is now due on 3 May. Will the Leader of the House guarantee that the Home Office will reply on 3 May, and that the Home Secretary will make a statement to the House at the first opportunity?

On Tuesday, Lord Woolf, the former Lord Chief Justice, said that the split of the Home Office is

"a very big change for our constitution",

but that

"There has been no debate. Parliament has not considered this".

Will the Leader of the House commit to a debate in Government time on the restructuring of the Home Office? May we also have a statement from a Minister from the Department for Constitutional Affairs on judicial independence? The changes must not go ahead without our ensuring that proper safeguards are in place.

When people vote in next week's local elections, they will do so without knowing the full extent of the Labour tax bombshell that awaits them. That is because the Chancellor's Lyons review, carried out at a cost of £2.25 million, has been buried, at least until after the local elections, but official Treasury documents show that although the 2007 council tax revaluation in England has been postponed, council tax inspectors are already maintaining and further improving the extensive electronic database of every home in England. That database will include details of home improvements and photographs, and will catalogue the bedrooms, bathrooms and attics of every home. If the Orwellian Chancellor will not make a statement to the House on the future of local government finance, will his campaign manager, the Leader of the House, make one? If voters do not know about Labour's council tax bombshell, they do know that Conservative councils have cheaper council tax, cleaner streets, less litter, less graffiti and less fly-tipping, so may we have a debate on best practice in local government?

The issues that I have mentioned are typical of the Government's attitude to scrutiny; there are sham consultations and policies that nobody wants, and there is no chance for scrutiny by Parliament. Perhaps it is little wonder that the Secretary of State for Wales has said:

"We at the top of the party and government have lost touch with...the country."

If they want to get back in touch with the country, why do they not stop lecturing and start listening?

Mr. Straw: That is another wonderful pay-off line—absolutely terrific. *[Interruption.]* Oh, good; one person on the Opposition Benches says that they think that it was good, too. That is better than usual.

To deal with the serious point that the right hon. Lady made at the beginning of her remarks, I gather that there was a report that the website, TheyWorkForYou.com, is being sued for defamation for repeating what was printed in *Hansard*. I am grateful to the right hon. Lady for giving me notice of the issue. The position is made very clear and is spelled out in "Erskine May", which says that

"the publication, whether by order of the House or not, of a fair and accurate account of a debate in either House is protected by the same principle as that which protects fair reports of proceedings in courts of justice...This is a matter of common law, rather than of parliamentary privilege."

The matter is privileged, and we will obviously watch that action with great care, but our democracy could

[Mr. Straw]

not work if fair and accurate reports of our proceedings were subject to attack from people moving defamation proceedings.

May I deal with the other issues that the right hon. Lady raised? First, she made some wholly unsubstantiated allegations about the leaks of advance counter-terrorism operations, which we all wholly deprecate and deplore. My right hon. Friend the Prime Minister, contrary to what she said, said that as far as he was aware, he was able to give a guarantee that the leaks did not come from any Minister, civil servant or special adviser. The Leader of the Opposition asked exactly that, and the Prime Minister said:

"The only guarantee that I can give is that as far as I am aware, they did not".—[*Official Report*, 25 April 2007; Vol. 459, c. 931.]

That, I should have thought, was pretty categorical. Secondly, those are very serious allegations, and I agree with those who say that if they are that serious, they should be investigated by the police, not by a conventional inquiry. The right hon. Lady's third point was about the split in the Home Office—

Mrs. May: It was Liberty's freedom of information request.

Mr. Straw: I shall follow up Liberty's FOI request, but I can say no more about it, as I do not have any particular knowledge of it.

The right hon. Lady asked about the division of the Home Office and the establishment from 9 May of a Ministry of justice. There was indeed a statement about the establishment by my right hon. Friend the Home Secretary, and a parallel statement in the other place by the Lord Chancellor. I cannot give a guarantee, but I shall certainly give consideration to the question of whether a debate is possible. As for judicial independence, the right hon. Lady is tilting at windmills, because she may remember the supreme court Act—if that is not correct, it is an Act that was passed in 2003—which provided for the establishment of the Department for Constitutional Affairs and of a supreme court. The independence of the judiciary, which in practice has always been guaranteed by our constitution, is now clearly and categorically enshrined in statute. The duties of the Lord Chancellor and of the proposed Secretary of State for Justice are enhanced and set out, too.

On the right hon. Lady's final point, in seeking to curry favour with Conservative candidates, she resorted to fantasy. She said that Lyons was buried: Lyons has been published—it was published on the day of the Budget. I have a copy, and I have already read most of it, so I am sorry that she has not entertained herself as I have done. She invited me to have a debate—it is not my responsibility any more, but I am delighted to have a debate any time at all about local government finance. Many of us were Members of Parliament when the Conservatives rammed through the poll tax, first, in Scotland, before the 1987 general election, and then in England and Wales, leading to mounting panic among Conservative Members of Parliament as well as incredible opposition from Labour Members of Parliament. That brought down the then Margaret Thatcher and led to the collapse of the Conservative party.

John Bercow (Buckingham) (Con): She is still Margaret Thatcher.

Mr. Straw: The hon. Gentleman is quite right. I should have said, "Baroness Thatcher".

On value for money, the figures show year after year after year that council tax costs people less with Labour authorities. The average council tax is much lower under Labour. We provide better value for money, and if I were Leader of the House—*[Laughter.]* I am the Leader of the House, so I am going to mention it, but if I were shadow Leader of the House, I would be more concerned about the antics of the Leader of the Opposition. The *Daily Mail* headline on page 28 says: "Another day, another... stunt for Cameron". The right hon. Member for Witney (Mr. Cameron) travelled 100 miles to paint an already white wall in a desperate effort to get some votes for the Conservatives.

Mr. Fraser Kemp (Houghton and Washington, East) (Lab): Wearside Women in Need, an outstanding project in my constituency, has recently won a substantial grant from the Treasury Invest to Save programme to build a hostel for the perpetrators of domestic violence. I invite the Leader of the House to add his support to that of Northumbria police, the city council and other organisations for the project. It is probably the first of its kind in the world, and certainly the first in the United Kingdom, and will enable perpetrators of domestic violence to be given help so that we can try and deal with the root causes. When we can evaluate its impact, will he provide an opportunity for all Members of the House to benefit from the scheme and its objectives?

Mr. Straw: The project sounds to me like a very important one. I am happy to wish it the best. I accept that for all such projects, effective evaluation is needed, including by the House.

Mr. David Heath (Somerton and Frome) (LD): The Leader of the House said that he deprecates and deplores the leaks about anti-terrorism operations. Will the Home Secretary come to the House on Monday to confirm that a police investigation has been launched along the lines that the Leader of the House described?

Further on the Home Office, may we have a debate on printing facilities in the Home Office and whether they are fit for purpose? The Home Office is obliged by law to lay before the House at six-monthly intervals a report on the costs of ID cards. That has not been done. The deadline has been missed. In addition, a commitment was made by the Home Secretary on 10 January that 27,500 files on offences committed abroad would be added to the police national computer within three months. That is another deadline that has passed. Will the Home Secretary report on both issues on Monday?

May we have a debate on coroners? That is a subject which causes concern to many people around the country, not just in the context of the inquest into Princess Diana's death, but the deplorable backlog in military inquests, which still persists and causes enormous distress to many families. May I add to that another instance of malfunction in the coroners

system—the after-effects of the awful train crash at Ufton Nervet, which the right hon. Gentleman will recall? Families in Devon who lost family members in that train crash went to the High Court to secure legal aid for representation at the inquiry, and have now been told that the Government intend, disgracefully, to appeal against that grant of legal aid. One family which lost a mother and a daughter in that crash will not be represented, if the Government have their way.

Lastly, may we have a debate on engineering and innovation, this being science and engineering week? Many right hon. and hon. Members had the opportunity last night to visit the Institution of Mechanical Engineers and saw an excellent exhibition, including my constituent, Andy Green, exhibiting a remarkable vehicle that does 5,353 miles per gallon, which ain't bad. We often fail to recognise the critical role that engineers and scientists play in our society, dealing with problems that face us in the future. May we have a debate on the way that we encourage engineering in this country and encourage people to follow that career path?

Mr. Straw: I cannot give any undertaking that the Home Secretary will be able to make a statement on Monday. He has always been assiduous in responding to requests from the House, but I can make no promise about that. On printing and the six-monthly report, I will follow that up. Either I or the Home Secretary will write to the hon. Gentleman.

On coroners, the Lord Chancellor is well aware of the backlog of inquests, particularly military inquests dealing with deaths in action. It is partly for that reason that my right hon. Friend the Secretary of State for Defence made arrangements to shift the site of the incoming flights carrying the coffins of those who have been killed in action from Brize Norton to Lyneham. We hope that that is working better, but all of us are extremely anxious to ensure that, first, there are prompt inquests and, secondly, that they are thorough and that, when they take place, they show proper respect to the young man or woman who was killed in action and to their families and comrades.

I am afraid that I will have to write to the hon. Gentleman about the train crash in Devon—[HON. MEMBERS: "In Berkshire."] I am sorry; that is why I knew nothing about a train crash in Devon. The train crash in Berkshire is a different matter. I will take it up with my right hon. Friend the Secretary of State for Transport and the Lord Chancellor.

I agree with the hon. Gentleman about engineering and innovation. We will have to look to see whether there is an opportunity for a debate, but all of us need to understand and appreciate the extraordinary role that science and engineering have made in the development of our society. I recognised that last Friday when I was privileged to open the new exhibition on Blackburn's textile heritage. As everyone in the House should know—I think that most do—the industrial revolution and therefore Britain's greatness began in Blackburn.

Andrew Miller (Ellesmere Port and Neston) (Lab): May I agree with the right hon. Member for Maidenhead (Mrs. May) that we should have a debate on local authority best practice so that, in particular, I can raise the issue of recycling by local authorities to bring to people's attention the fact that Ellesmere Port and Neston borough council is the most improved council in England in respect of its recycling targets? That is a good reason why people should consider voting Labour next week.

Mr. Straw: I agree with both things that my hon. Friend has said. The council has had an extraordinary improvement in its recycling rate. I also point out to him and the House that, 10 years ago, just 7 per cent. of waste was recycled; now it is more than four times that amount.

Mike Penning (Hemel Hempstead) (Con): Last year, I asked the Leader of the House if we could have a debate on leniency in sentencing guidelines. This followed a case in which a gentleman—I call him a "gentleman"—raped a 12-week-old baby and will serve less than four years in prison. On Friday in Plymouth, a mother, a grandmother and two aunts were sentenced to 100 days' community service and a one-year suspended sentence after they filmed their forcing their children to fight each other. One child was in nappies and in tears throughout the event. May we have a debate on this sort of sentencing?

Mr. Straw: First, I said last week that I would write to my right hon. and learned Friend the Attorney-General about what had been said. I have done exactly that, and either the Attorney-General or I will write to the hon. Gentleman.

Secondly, all of us understand and, to a degree, share the concern about such reports, but we must also bear it in mind that it is fundamental to our constitution that judicial decisions in trial at the point of sentence are made independently. We cannot get into a position of second-guessing those decisions simply on the basis of newspaper reports. Members are right to echo concerns and raise their own concerns about such cases, and I do not criticise the hon. Gentleman for what he has done. However, ensuring that there is a proper separation is vital for everybody. Of course, I will ensure that my right hon. and learned Friend the Attorney-General is again made aware of the hon. Gentleman's concerns.

Mr. Tom Watson (West Bromwich, East) (Lab): I know that my right hon. Friend is doing everything he can to consider a debate on Darfur, so will he consider extending the remit of that debate so that we can discuss genocide education in the United Kingdom? Does he share my astonishment that a motion supported by the Conservatives, the Liberal Democrats and the Labour party on Sandwell council this week in favour a holocaust memorial day in Sandwell was not supported by the British National party? Does he think that holocaust denial in the UK is a great threat to our democracy and peace and that we should do everything that we can to educate our young people?

Mr. Straw: Yes, I do. I share my hon. Friend's concern about the issue, but I am afraid that I am not surprised by the circumstances, because the BNP is a fascist party.

John Bercow: Neo-Nazis.

Mr. Straw: The BNP is, as the hon. Gentleman said, a neo-Nazi party. When people read through its sedulous literature, they need to be very careful to appreciate and understand exactly what it is that they might be voting for and not vote for it.

Sir George Young (North-West Hampshire) (Con): Can we have an early statement from the Leader of the House and then a debate on the report by Sir Hayden Phillips on party funding, which was published last month? The Prime Minister has charged the Leader of the House with finding a resolution to that vexed problem and we need to know whether he will discharge that responsibility before he moves on to pastures new.

Mr. Straw: Whether I do, in fact, discharge those responsibilities remains to be seen. However, we do not need a debate, because I can give the right hon. Gentleman an answer straight away.

I am currently doing my best to discharge those responsibilities. I have already had a preliminary meeting with representatives of the other two main parties and Sir Hayden Phillips has written to the three parties proposing a series of meetings to try to seek all-party agreement. They will take place very rapidly and, I think, without question while I am in this post.

Mrs. Betty Williams (Conwy) (Lab): Leaving aside a particular case on which I have written to you, Mr. Speaker, and on which you have given me advice to refer the matter to the Parliamentary Commissioner for Standards, may I ask my right hon. Friend whether we can have a debate on the new communications allowance? It appears that there is a lack of understanding by individuals and political parties about the permitted use of their logo. I have informed the hon. Members for Caernarfon (Hywel Williams) and for Meirionnydd Nant Conwy (Mr. Llwyd) that I am raising the matter today with you, Mr. Speaker.

Mr. Speaker: Order. The hon. Lady should not refer to any hon. Member regarding this case. Just in case other Members think that I am giving such advice, I also say to her that I have not advised her to take the matter up with the parliamentary commissioner. I said that the matter that she brought before me was not for me, but for the parliamentary commissioner. However, it is entirely a matter for her or any other hon. Member whether they make a complaint to the commissioner. The Speaker will never invite hon. Members to do that.

I have written to the hon. Lady about this matter, and I know that she is aware of the contents of my letter. She will do best to wait until she receives the letter. I do not wish the Leader of the House to respond to her point.

Mr. Andrew Mackay (Bracknell) (Con): As the head of Scotland Yard's counter-terrorist unit has made it absolutely clear that a leak could have put lives at risk and as *The Guardian* this morning has alleged that the Home Secretary's special adviser could have been the person who caused the leak, is it not strange and unfortunate that the director of Liberty's request under the Freedom of Information Act dated 6 February has not been dealt with by the Home Office? Will the Leader of the House assure us that he will not only look into the matter, as he has promised he will, but make a statement very soon indeed—in the next few days—on what the outcome is? It is unacceptable that this Freedom of Information Act request is being delayed; it is harming good government.

Mr. Straw: I have already given an answer to that. However, I point out that under the Freedom of Information Act members of the public, including the director of Liberty, have clear rights to seek information, but public authorities—in this case, the Home Secretary—have rights to consider the application and, in appropriate circumstances, to resist it. I do not know anything in particular about this case, but that is the Act that this House and the other place agreed to.

Tony Lloyd (Manchester, Central) (Lab): The Leader of the House will no doubt have followed the story of the proposed takeover of Boots by KKR, which would be another private equity financing deal. Although he will know that KKR has made certain guarantees about job security—they are very welcome—does he recognise that there is disquiet about private equity companies because the work force, suppliers and customers have much less certainty about the future strategy of such companies? Is it not time that we had a debate in this place to discuss the impact of these companies on the British economy?

Mr. Straw: Of course I recognise the anxiety that a work force always feel when there is a change in ownership. However, private equity companies say that their record in terms of job creation is better than that in the economy as a whole, and that needs to be weighed in the balance. I cannot promise a specific debate on the issue, but with ingenuity and the agreement of the Chairman of Ways and Means, my hon. Friend might be able to find an opportunity to raise these concerns during the consideration in Committee of the Finance Bill at the beginning of next week.

Mr. James Clappison (Hertsmere) (Con): May I support the request for a debate on the splitting up of the Home Office? No doubt the Leader of the House will loyally defend that, but is he aware that he is alone among former occupants of the post of Home Secretary in advocating it? The unlikely alliance of my right hon. and learned Friend the Member for Folkestone and Hythe (Mr. Howard) and the right hon. Members for Norwich, South (Mr. Clarke) and for Sheffield, Brightside (Mr. Blunkett) is far from alone in questioning the wisdom of changes that will lead to one Department, the Home Office, being in charge of reducing offending, and another Department, a Ministry of justice, being in charge of reducing reoffending.

Mr. Straw: I saw that comment too. I do not feel lonely, but I am always grateful for the consideration that the hon. Gentleman shows for my welfare. If we examine experience elsewhere in other Organisation for Economic Co-operation and Development countries, we see that the exact dividing line between interior and justice Ministries varies. In some countries, the prison and probation services and the lead on criminal justice are with the Ministry of the Interior; in most countries, however, it is with the Ministry of Justice. That is what

is to happen here. I do not believe that it is an earth-shattering change. Of course, there were bound to be some transitional issues, which are being worked through carefully. This has happened with considerable notice—unlike, if I may say so, many changes to the machinery of Government that happened under the Conservative Administration whom he will recall, which happened just like that.

Keith Vaz (Leicester, East) (Lab): Although I completely support the creation of a Ministry of justice, I also support the call by the shadow Leader of the House and the hon. Member for Hertsmere (Mr. Clappison) for a debate on the matter, bearing it in mind that this week Lord Woolf said that in his view Britain's unwritten constitution was being changed without consultation. Clearly, we need to modernise the system and to have a separate ministry of justice, but it is important that the House debates these issues before, in the words of the Home Secretary, they are fully embedded by the end of June and beginning of July—although the change will take place on 9 May. Please may we have that debate as soon as possible?

Mr. Straw: As my right hon. Friend will understand, I cannot promise a debate, but I certainly take note of the view expressed on both sides of the House about the need for one.

Mr. Richard Benyon (Newbury) (Con): On a point of clarification, the point that the hon. Member for Somerton and Frome (Mr. Heath) made about the Upton Nervet rail crash concerned my constituent, David Main, who received an assurance from the Legal Services Commission that he should receive public funds to cover his time at the inquest. That was opposed by the Department for Constitutional Affairs. We need a debate into the increasingly bizarre decisions being taken by that cash-strapped Department. It has taken the matter to judicial review and lost, and is now appealing, which is costing it much more than it would cost to give Mr. Main the money. Meanwhile, the inquest is being held up for all the victims of the rail crash. Will the Leader of the House make that point in his communication to the Lord Chancellor?

Mr. Straw: I understand, of course, the concerns that the hon. Gentleman raises and the distress to his constituents. I promise to raise the matter with my right hon. and noble Friend the Lord Chancellor. Before doing so, it would be convenient for me to have a word with the hon. Gentleman at the end of this session.

Ann Coffey (Stockport) (Lab): Next Thursday, I will visit Larkhill primary school in my constituency, where the children are having a mock election, to talk to them about their manifestos. Does my right hon. Friend agree that that is an excellent example of the practical application of the citizenship agenda in schools, which encourages children to be engaged in the democratic process at an early age; and will he make time for a debate on citizenship in the House?

Mr. Straw: Yes, I do agree. The earlier that we are able to provide children with good teaching stimulation about being good citizens, the better it is for this country. I am of a generation—my hon. Friend is not quite of that generation, but approaching it—*[Interruption.]* I was trying to be helpful, but I withdraw that outrageous slur. I put my foot in it, and then did so again. I shall just speak for myself. My hon. Friend will not remember this, but in the 1950s, following the terrible divisions of the war, there was a very intense view about the importance of citizenship. I remember that it was a subject that was given the highest priority at the primary and secondary schools that I attended. We want to get back to that.

Tony Baldry (Banbury) (Con): Can we have a debate on open government? Oxford Radcliffe Hospitals NHS trust has set up two working parties, one to look at the future of maternity services and the other to look at the future of children's services at Horton general hospital in my constituency. It refuses to publish the names or professional qualifications of the members of those working parties, or even to acknowledge a request for that information under the Freedom of Information Act. Can the Leader of the House think of any conceivable justification for my constituents not knowing the names and qualifications of the members of those working parties, who are going to determine the future configuration of health and hospital services in the general hospital in my constituency?

Mr. Straw: No, I cannot. It may well be that the health trust or the health authority has a good explanation, in which case it is up it to give it. The Act is there to ensure that such information is made available; it certainly has been in my area.

Anne Moffat (East Lothian) (Lab): May we have a debate on the potential break-up of the United Kingdom? Does my right hon. Friend share the concerns of 150 Scottish business people, the Scottish Trades Union Congress and serious commentators such as the *Financial Times* that those promoting the break-up of the UK are embarking on a dangerous journey that would be disastrous for the people of Scotland?

Mr. Straw: Yes, I hope that we can in time have a debate on exactly that. There is no doubt at all that a break-up of the United Kingdom, the separation of Scotland, or even an Administration in Scotland dominated by a party that is seeking separation would be bad news for Scotland. I note that Mr. Jim Mather, the Scottish National party's enterprise spokesman, as quoted yesterday in the *Financial Times*, says that he would use "fiscal fairy dust" to help the economy of an independent Scotland. He says:

"There is no orthodoxy we will not challenge"

and then raises the possibility of increasing indirect taxes to try to fill the black hole in Scotland's public finances that would occur were there to be an SNP-dominated Administration.

Miss Julie Kirkbride (Bromsgrove) (Con): May I press the Leader of the House again on whether the Home Secretary should make a statement next week about an inquiry into the leak at the Home Office? Yesterday, the Prime Minister pressed Conservative Members for evidence on this matter, but surely we have plenty. We know that a leak to the media took

[Miss Julie Kirkbride]

place even before the arrests were undertaken. We know that that leak was not authorised by the police. We know that very few people were in a position to know that sensitive information. We know from other areas of Downing street and Whitehall that it is easy to track communications between individuals using electronic devices. Given the importance of this matter and that lives could have been put at stake, as the police said yesterday, will the Leader of the House press his colleagues to come forward with a leak inquiry?

Mr. Straw: I do not diminish for a second the seriousness of what took place. It is precisely because I regard it as very serious that I think that the appropriate avenue, if there is any prima facie evidence, is a police inquiry rather than a leak inquiry.

Jim Sheridan (Paisley and Renfrewshire, North) (Lab): May we have a debate on the exploitation of migrant workers in this country? My right hon. Friend may have seen the recent investigative report by the BBC. Although the Gangmasters Licensing Authority is working hard to eradicate the problems of the exploitation of migrant workers, he will be aware that its remit covers only the agricultural industry. There is now clear evidence that gangmasters are moving into the construction industry, endangering the lives of not only migrant workers but indigenous workers, and are using migrant workers to undermine and undercut the wages and conditions of indigenous workers. It is time that we extended the Gangmasters (Licensing) Act 2004 to cover those working in the construction industry.

Mr. Straw: First, I think that the House will commend my hon. Friend for promoting the Bill that set up the Gangmasters Licensing Authority and for his concern about the issue. Secondly, I have seen the reports and I believe that the House would wish the matter to be debated, albeit perhaps in Westminster Hall or on the Adjournment, not necessarily in a full debate here. The issue is important and I know that my right hon. Friends the Secretary of State for Work and Pensions and the Secretary of State for Trade and Industry are also concerned about it.

Mr. John Hayes (South Holland and The Deepings) (Con): The Leader of the House knows that in December last year the Government began a consultation about giving votes in local and general elections to convicted prisoners. That followed an extraordinary judgment by the European Court of Human Rights that we should overturn the Forfeiture Act 1870, which forbids prisoners the vote. Given that the Liberal Democrats are going around the country campaigning for that—they want murderers, paedophiles and rapists to be able to vote—it is a matter of concern.

Mr. Heath: Rubbish.

Mr. Hayes: I hope that we will be told in a statement how long the consultation will last and given a guarantee that the House will have a chance to debate the matter. I also hope that the Leader of the House will give a personal assurance that he opposes the proposal as fiercely as I am sure most hon. Members do. I certainly do, as do my constituents.

Mr. Straw: I entirely share the hon. Gentleman's concern. I heard from a sedentary position a denial of the Liberal Democrat policy, but it is clear. Kirsty Young asked:

> "Lib Dems' policy as I understand it is that criminals should be allowed a vote. Is that right?"

The former leader of the Liberal Democrats replied: "Yes, that's correct." More recently, we heard some wonderful Lib-Demory from the home affairs spokesman:

> "Accepting that the bulk of prisoners should retain the right to vote, whilst a minority of serious offenders should not, is a nuanced response to a difficult issue."

It is the usual story from the Lib Dems. They say one thing and want another when it becomes uncomfortable.

The hon. Member for South Holland and The Deepings (Mr. Hayes) is right: Liberal Democrat policy is to allow not only those who have been convicted but those who are serving a sentence for paedophilia, robbery, burglary and so on to have a vote while they are in prison. It is not a policy that I support.

John Bercow (Buckingham) (Con): May we please have a debate on sex education in schools? Given that a recent online survey of no fewer than 2,200 university students undertaken by the Terrence Higgins Trust in conjunction with the National Union of Students found that 10 per cent. of those students did not know how to put on a condom correctly, 16 per cent. mistakenly thought that wearing two condoms at once was safer than merely wearing one, and almost 25 per cent. wrongly supposed that other forms of contraception would effectively protect them from sexually transmitted diseases, is not it imperative that the House debate the issues and consider the priority given to the subject, the funding provided for it, and whether such education should be made compulsory in all schools?

Mr. Straw: The hon. Gentleman raises an important issue. We are all concerned about the transmission of such diseases. We have done a lot, as did the previous Government, on education about sexual health. I will consider a debate but I cannot promise one.

Justine Greening (Putney) (Con): May we have a debate on young people and social mobility? I am sure that the Leader of the House knows about the research that the Centre for Economic Performance, which is part of the London School of Economics, conducted last year, which showed that social mobility in Britain is declining. Clearly, the issue is complex and requires a cross-departmental response, but may we have a debate to flush out the issues and find some consensus on the action that needs to be taken?

Mr. Straw: The hon. Lady raises an important issue. I am willing to consider whether we could hold a debate on it, perhaps in Westminster Hall.

Mr. Philip Hollobone (Kettering) (Con): Will the Leader of the House be kind enough to draw to the attention of the Secretary of State for Transport

the chaos surrounding the hastily announced closure of the driving test centre in Kettering on 15 June? Anyone who wants to take a driving test will have to go to the Wellingborough test centre, which clearly does not have the capacity to deal with the thousands of my constituents who want to take their test in the near future. The situation is serious and I would be most grateful for appropriate Government action to tackle it.

Mr. Straw: The hon. Gentleman will appreciate that I am unsighted about the specific issue that he raises, but I am happy to pass it on to my right hon. Friend the Secretary of State for Transport.

Mr. David Gauke (South-West Hertfordshire) (Con): May we have a debate on Government policy on leak inquiries? In recent years, the Government have undertaken leak inquiries into relatively minor matters such as details of the refurbishment of 10 Downing street, but they will not undertake an inquiry to find out, on the balance of probabilities, what happened in the case of the leaks to which Deputy Assistant Commissioner Peter Clarke referred. Those leaks have put people's lives at risk. Does not the right hon. Gentleman agree that Government policy on leak inquiries is to hold one if the leak embarrasses the Government but not to hold one if the identity of the leaker would embarrass them?

Mr. Straw: I do not accept that. I know that it is the standard Tory line because the Conservative brief on the issue came my way, as they often do.

Dr. Julian Lewis (New Forest, East) (Con): Hold a leak inquiry.

Mr. Straw: No, I own up—there is no need for a leak inquiry.

My point is not that the allegations are trivial—they are not—but that it is precisely because they are serious and potentially involve interference with a criminal investigation that, if anyone has prima facie evidence, not simply newspaper reports, it is a matter for a police inquiry.

Philip Davies (Shipley) (Con): May we have a debate on midwifery? Not enough student midwives are being trained and a significant number who are trained have no jobs at the end of their training due to a freeze on midwifery jobs. Given that the Secretary of State for Health made another eye-catching headline a priority over Easter, may we have a debate to find how she will fulfil her promises without tackling the shortfall in midwives?

Mr. Straw: I accept that there is a problem in some parts of the country. Last time I examined the figures, I noted an increase in the number of midwives in training. My right hon. Friend the Secretary of State for Health is genuinely concerned to ensure continuing improvement in midwifery services. If the hon. Gentleman has specific problems and lets me have details, I will follow them up.

Grant Shapps (Welwyn Hatfield) (Con): New data out today from all the police forces in the country show that a policeman is being assaulted on Britain's streets every 20 minutes. Given that the Home Office has introduced 50 Acts of Parliament, many of which were designed to help protect our police, perhaps we can have a debate on the extent to which legislation—as opposed to encouraging social responsibility—can be used as a means of preventing the attacks rather than simply a means of protecting the police when they happen.

Mr. Straw: I would be delighted to have a debate comparing our record on reducing crime with that of the previous Administration, under whom crime doubled in 18 years. Any attack on a police officer is deplorable, but the last time I examined the figures, I was struck by the fact that improvements in safety, equipment and training for the police and the much tougher sentences included in the 50 or so criminal justice measures, meant that attacks and assaults on police officers had decreased, as had injuries and days off work.

Point of Order

12.18 pm

Mr. John Hayes (South Holland and The Deepings) (Con): On a point of order, Mr. Deputy Speaker. At Education questions earlier today, I raised the issue of apprenticeships and said that some were being completed without a foot being set in the workplace. The Minister who replied denied that, and I fear that he may have inadvertently misled the House, as the adult learning inspectorate warned in 2006—

Mr. Deputy Speaker (Sir Alan Haselhurst): Order. I have to tell the hon. Gentleman that the Speaker has ruled on more than one occasion that a point of order cannot be used as a means of continuing an argument and that other ways are open to him to correct the record if he believes that that is justified.

Defence in the UK

Motion made, and Question proposed, That this House do now adjourn.—*[Tony Cunningham.]*

12.19 pm

The Minister of State, Ministry of Defence (Mr. Adam Ingram): I welcome this opportunity to debate defence in the United Kingdom. I know that the House will echo the sentiments that the Prime Minister expressed at yesterday's Prime Minister's questions, marking the recent loss of service personnel in Iraq. The three personnel were brought home earlier today, and our thoughts are with their families at this difficult time.

The House often—and rightly—discusses military operations abroad. I again pay tribute to the tremendous work that personnel from all three services are doing in the most difficult of environments in Iraq and Afghanistan and to their achievements there and elsewhere serving on our behalf. We should not forget that they could not achieve so much overseas without the right training and support at home. Nor should we overlook the huge contribution our forces make to this country, its success and its prosperity.

First, second and last, defence in the UK is defined by the people of the armed forces and the civilians who support them: almost 390,000 in all, nearly 200,000 of whom are regular military personnel. If we include their families, the community is very substantial indeed—probably about 1 million. When the wider community of veterans and their families is included, defence in its wider sense represents a very significant proportion of our society.

I want to focus on issues related to people: how we look after them, train them and respect them. Above all, defence in the UK is about people and their communities. Military bases the length and breadth of the country, from Lossiemouth to Portsmouth, Brize Norton, Catterick, Harrogate and Winchester—north, south, east and west—make a major contribution to local communities and local economies.

The backdrop to all that is that all three services are in a state of major change, as is the Ministry of Defence itself. Each of the three services is reviewing its structures and basing. The naval base review is currently ongoing to establish the most effective way—in terms of capability and cost—for the Royal Navy to meet its future requirements. It is a complicated and wide-reaching review, and when it is completed later this year the House will be duly informed of our findings and conclusions.

The restructuring of the Army, through the future Army structure and the future infantry structure, will enhance the operational effectiveness of the Army as a whole, ensuring that it is properly configured in this era of joint and expeditionary operations. It will also improve stability for our soldiers and their families in the long term. When the process is completed, Army personnel will no longer be subject to constant relocation. We are planning the establishment of super garrisons, with comprehensive modern facilities. That will help to make life more stable for personnel and their families, improving continuity in schooling and access to dental and medical care, and helping our people to put down roots.

Tony Baldry (Banbury) (Con): When does the Minister envisage bringing back the British Army on the Rhine, given the extra costs of those personnel serving there rather than here? If he is thinking of super garrisons, will he please consider Bicester in the list? It was a super garrison for the Romans, and it would be an ideal super garrison location for the UK Army in the 21st century. *[Interruption.]*

Mr. Ingram: As the Under-Secretary of State for Defence, my hon. Friend the Member for Halton (Derek Twigg) says, "What have the Romans ever done for us?" The hon. Gentleman makes a valid point, however, and we are considering relocating a sizeable number of personnel back from Germany. We benefit greatly from our presence in Germany, not just because of the quality of our basing there, but because of the extent of the training estate. Clearly, having people close to good training environments is essential. All 22,000 personnel in Germany will not be returning, but we are considering relocating a sizeable component, and the German authorities at both federal and local level have been notified of that. We have employed many people there over the years, and we must also consider the impact on their communities.

As for Bicester, nothing is ever ruled in or out. If a defence estate is available, we always consider whether it is where the best fit can be achieved. Off the top of my head, I cannot say whether anything has been specifically planned for Bicester along the lines suggested by the hon. Gentleman, but I will always consider any good ideas.

Mr. James Gray (North Wiltshire) (Con): The Minister is right that the super garrisons must be based near the best possible training facilities. I can think of no better place, however, than RAF Lyneham, which he has announced will close in 2012. Has he given any thought to what will happen to Lyneham after the RAF pull out in 2012?

Mr. Ingram: I think that the hon. Gentleman knows that we are considering Lyneham, and a number of options, and one main one, have been examined. All of this is in the early stages, however, and I will deal later with the extent of the process, the way in which assets are released and how best to allocate them. As ever, we will keep all those who have a shopping list on what we should do in defence up to date as best we can. I have initiated a proactive process, because sometimes in the past we have tended to be behind the curve in notifying local communities and in planning. Clearly, that is not desirable, and if there is an early indication of a possibility of relocation, we should talk about that as early as possible, as it may save the closure of a school or something else. We are conscious of that issue, and the response of communities is helpful.

Ms Dari Taylor (Stockton, South) (Lab): I feel obliged to get involved in this debate about new training facilities, as it is an important one. Recruitment in the north-east is probably the strongest in the country, so should not any new training establishment be in the north-east, and particularly in Stockton, which had an RAF base that was second-to-none during the second world war?

Mr. Ingram: I may not get beyond page three of my speech if I accept every intervention on the quality of existing or past bases. My hon. Friend is right to raise the issue, however, and, as I said, we consider what assets we have and where the best fit is. We try to consider the quality of life of the families involved, as well as value for money. Sometimes, we might be prepared to make a move at a later stage than when a particular asset is available, and an asset cannot have a planning blight on it. Defence Estates and its broader reach involves a complicated picture, and that is why a committee of senior personnel in the MOD considers all those matters. It is a complex grid, but intense effort is put into trying to get the best solution. But, as ever, the request made by my hon. Friend has been absorbed.

In addition to the Royal Navy and the Army, the Royal Air Force has been conducting a review of its airbases to ensure that service units are combined for maximum efficiency and operability. The aim is to reduce running costs by seeking to rationalise around fewer sites, while continuing to deliver operational outputs and meet future challenges. Twelve airfields have been, or are being, disposed of, two more have been closed, and we are planning to dispose of a further 10 by 2010.

The House will be aware of some of the decisions that have been taken on long-term basing of our RAF aircraft: Lossiemouth will be the base for the joint combat aircraft; Kinloss for the Nimrod fleet; Brize Norton for the air transport fleet; Leuchars and Coningsby will host Typhoon; and Waddington will be the base for our intelligence, surveillance, target acquisition and reconnaissance assets. The underlying drive is to maximise the resources available to the front line, to deliver operational effect rather than administrative overhead. All three services have made great progress in that. The Navy and RAF have combined their operational and personnel commands and the Army is following suit.

In the interim, that has meant significant upheaval for a large number of our personnel, military and civilian. The long-term gain, however, is to achieve the best military fit and the best solutions for our service families. All those decisions and others that will follow will define the long-term lay-down of our defence estate. We generally welcome the good and harmonious relations that we have with the communities neighbouring our bases. In a number of cases, the defence presence is a major part of the local economy, sustaining communities and improving the quality of life in the area.

For the vast majority of our personnel and their families, the United Kingdom is home. I am aware that despite the huge sums that we are investing in accommodation—£700 million in this year alone, and £5 billion over the next decade—there is much more to be done. In the past six years 20,000 new single living bed spaces have been provided, and a further 20,000 will be delivered in the next five years. In the same period, we have upgraded 12,000 family quarters across the United Kingdom. In the past six months we have opened new single living accommodation at Colchester, Honington and Woodbridge, to name just three locations. This is all part of our commitment to deliver better homes to our people and their families.

[Mr. Ingram]

Getting the whole estate up to the required standard will not be achieved overnight; a long history of underfunding means that it will take years to put things right. However, after a difficult start the new maintenance regimes for service family accommodation in England and Wales have made real progress, and we will continue to refine and improve them.

We also recognise the need to improve the support that we give personnel who wish to buy their properties. We have worked with the Department for Communities and Local Government to gain access to the key worker living programme, which has given service personnel a new way of gaining access to affordable housing in all English regions and, to an even greater extent, in London and the south-east and east of England.

Mike Penning (Hemel Hempstead) (Con): Can we learn from the mistakes of past Governments as well as the present Government? We should think very carefully when we sell off married quarters because bases are closing. The Minister mentioned the new accommodation that we have built at what was RAF Woodbridge, but we have just sold much accommodation—for instance, at RAF Bentwaters, just a few miles down the road. That seems completely illogical.

Mr. Ingram: I think it has been recognised that it was a fundamental mistake to sell off all the housing.

Mike Penning: It was done under this Government.

Mr. Ingram: I will not engage in a debate about the apportioning of blame. The hon. Gentleman asked whether we could learn lessons, and the answer to that is yes. There is an imbalance between the location of some accommodation and the location of our requirements, and we need to think about innovative solutions. I mentioned the key worker living programme, which allows personnel to buy properties with considerably less capital than they would otherwise need. They can buy between 25 and 75 per cent. of a property on which they will pay a mortgage, and pay subsidised rent on the remainder.

As the hon. Gentleman implied, no one has a monopoly on good ideas, and we are still looking for good and better ideas. We must be imaginative and innovative, and think not just about the here and now but about the profile of the next 10, 15 or 25 years. We must find better answers than we have so far, because this is undeniably an important issue.

Mr. Mark Lancaster (North-East Milton Keynes) (Con): I accept what the Minister is saying, but may I ask for a degree of flexibility in budgets? I accept that some RAF stations will close over the next 15 or years. There is little point in investing in SLAM—single living accommodation modernisation—for those stations, but if budgets were flexible enough, existing accommodation could be upgraded slightly to meet the purposes of the next 15 or 20 years.

Mr. Ingram: I do not disagree with the hon. Gentleman. We need to take a hard look at this, because I do not think we have got it right yet. We know the extent of the problem, as do service personnel. I know the hon. Gentleman served in Afghanistan, although I assume that he does not live in service accommodation.

There is a great deal of catching up to be done, and we do need to be flexible. We cannot deny that money is an issue—some of the improvements involve considerable cost, and if we did spend money and the improvements proved nugatory people would say we had misspent—but I take the view that it is better to look after people now as best we can, and I agree with the hon. Gentleman that we should think of better ways of doing that.

We have a duty to provide our personnel, both at home and on operations, with the very best medical treatment, and I believe that that is exactly what they get. The Royal Centre of Defence Medicine, which is fully integrated with the University Hospital Birmingham NHS Foundation Trust, gives our personnel access to a world-class pool of expert consultants. The priority for our wounded personnel is the best possible treatment, and nowhere is better equipped and able to provide it than the centre at Selly Oak. As people begin to recover, a military environment becomes increasingly important. As and when patients' clinical needs allow, they are brought together in a military-managed ward.

The use of military doctors and more military nurses, and the bringing together of military patients, enables personnel to benefit from a military environment while still having access to the resources and facilities that are available in a leading NHS hospital. There has been much comment, often well-intentioned but ill-informed, on whether that is the right approach. The service medical community believes that it is, and having seen the excellent facilities myself and spoken to staff and patients, I agree. As the Chief of the General Staff, General Sir Richard Dannatt, said in March:

> "There is nowhere better in the country, nowhere more expert at polytrauma medicine, than that hospital in Selly Oak, that's why our people are there."

Dr. Liam Fox (Woodspring) (Con): The Minister is absolutely right to say that a military environment is far the best environment for the recovery of those who have been injured fighting for our country. Does he acknowledge, however, that we are talking about not just a military-managed but an exclusively military unit where all the patients are military, rather than there being a mix of military personnel and civilians?

Mr. Ingram: Yes. We are thinking about how such a facility could best be delivered. It is definitely ruled in, not ruled out. Obviously there are staffing and other issues to be addressed, but any such facility, if it is established, is likely to form part of the Selly Oak centre. The train has left the station; we are simply trying to find the best solution.

The Ministry of Defence's Defence Medical Rehabilitation Centre at Headley Court is the premier facility for the rehabilitation of injured service personnel. There is nothing quite like it in the national health service, and facilities and staff are second to none. Its main purpose is to provide rehabilitation for those with complex injuries, including amputees and

brain-injured patients. It also houses a new complex rehabilitation and amputee unit, which provides high-quality appropriate prosthetics and adaptations, manufactured on site and tailored to individual patients, for service personnel who have suffered amputations.

At the heart of our responsibility to the armed forces is ensuring that they are trained to meet every situation that they may face. The training that our forces receive must be tough to prepare them for the demands of operations. We are always looking for opportunities for improvement, and ensuring that training adapts to reflect the increasingly joint nature of military operations.

The defence training review will transform the way in which we undertake specialist training for all three services. Earlier this year we announced the decision to centre the engineering and technical training currently carried out at various locations around the United Kingdom at St. Athan in south Wales. That will reduce the number of sites for specialist training by a third. St. Athan will become a centre of excellence, with modern facilities and modern living accommodation. The process will begin in 2008, and will last five years. Our ambition is that by 2013 the new training academy will be fully operational. The result of the changes will be continued world-class training for our personnel, but in world-class facilities.

I must emphasise the importance of training, tactics and procedures—TTPs—for the protection of our forces on operations. Too often, discussion of force protection becomes a debate about equipment. There is no doubt that that is important, but TTPs are as important, if not more so. The theatre-specific training that our people receive at UK facilities before they deploy—on Salisbury plain, or at Stanford or Hythe—is crucial to minimising the risks they face in Basra or Helmand. An important part of our commitment to our people is making sure that new recruits are properly looked after. They find themselves in unfamiliar surroundings, and often they are having their first experience of living away from home. The scale of this issue is significant. Last year, we recruited more than 13,000 to the Army alone, and 19,000 people across all three services. We have had to learn the tragic lessons of Deepcut—but learn them we have. I recognise and accept that there were deficiencies in resources and funding, but now we are doing a huge amount to ensure that those deficiencies are avoided in the future.

The second report of the adult learning inspectorate—an independent body which we asked to look at what we did in training—was published on 6 March 2007. It identified areas of concern where further improvement was required, and I assure the House that we are focusing our efforts on finding answers to those concerns. However, the report also recognised the "extraordinary strides" forward taken in the past two years in the welfare of recruits. Against a backdrop of fiercely competing priorities, not least operations, we have invested some £73 million of additional funds in trainee welfare alone to date, with a further £50 million planned in the coming four years. One important recommendation was that there should be an independent service complaints commissioner. We are now in the process of recruiting for that post.

Mr. Mike Hancock (Portsmouth, South): Like the right hon. Gentleman, I hope that the lessons from Deepcut and in respect of the duty of care have been learned, but one of the issues that was raised time and again was the way in which potential recruits were judged before they joined the forces. Is the right hon. Gentleman satisfied that lessons about the early judgment of the suitability of potential recruits to the armed forces have been learned, and is he also satisfied that we now have in place the right sort of training for the recruiting officers who carry out that task? Do they now have the expertise to make better judgments than they might have done in the past?

Mr. Ingram: The hon. Gentleman raises two important points. He is right in what he says about the pre-selection assessment. Gaining access to medical records is important, although that is not the only concern, and we now have in place the required process to be able to do that. We are much more conscious of how we assess young people who want to join—people who want to join are not always young, but the most vulnerable ones are likely to be young persons.

I have forgotten the hon. Gentleman's second point. If he reminds me what it was, I had an answer to it which I will then give him.

Mr. Hancock: It was on the training of the trainers.

Mr. Ingram: Yes, the quality of instructors was identified as an issue, and, in response, we put in place a more extensive and better selection process for those taking on the instructor role. We are now in the process of establishing a training school—it will be open soon—specifically to train the trainers. That is crucial. Such steps take time, however: we have to get the infrastructure in place, and then we have to find the trainers to train the trainers. A huge amount of effort has gone into addressing the issue, and I am grateful for the support that I have received from all parts of the House in trying to improve matters.

On recruitment and retention, as of 1 January 2007 the armed forces trained strength stood at 97.1 per cent. of the requirement. I would never deny that we face challenges in recruitment and retention. Competition is tough because we have a strong economy, because more people are going into further education and because our personnel are in high demand in the civilian world, but we are making progress. The number of those in training has risen by almost 2,000 since January 2006. Exit rates, which were increasing, have now steadied: 500 fewer soldiers left the Army this quarter than in the same period last year, and voluntary outflow dropped over the last quarter. On 1 January 2007, there was a deficit in respect of the armed forces full-time trained strength of 5,330; three months earlier the deficit was 6,330. There are therefore signs that retention initiatives are working; they are one of the tools that we are employing, and they appear to be having an effect.

Tony Baldry: The Minister is referring to the regular Army, but the Territorial Army is also an important part of defence of the United Kingdom. My hon. Friend the Member for North Wiltshire (Mr. Gray) wears the tie of the Honourable Artillery Company,

[Tony Baldry]

and I am proud to be wearing today the tie of the Sussex Yeomanry. When I enlisted in the Sussex Yeomanry, the TA would have deployed as complete units to reinforce the British Army of the Rhine. That is no longer the ORBAT, or order of battle—that is no longer the case. Many men in the TA find after doing six months of active service in Iraq or Afghanistan that it is difficult for them to do another tour, for family or work reasons. There is a continuous haemorrhaging of personnel from the TA. What do the Government intend to do about that?

Mr. Ingram: I could ask, "What do we all intend to do about it?" There is an issue: clearly, we have a particular problem in terms of TA recruitment. It is one of the reasons why we have restructured the TA to make it more integrated into the one Army. That is beginning to pay off. Recruitment strength is currently standing at about 79 per cent., which is very low, but in 2006 we had the best recruiting period since 1999. Therefore, we must be doing something that is beginning to have a beneficial impact, but we face an uphill struggle. Interestingly, as Members will be aware, we are increasingly using reserves across all our theatres of operation—and reserves are queuing up to serve. I agree that we must address the specific issue that the hon. Gentleman raises. I am unsure whether there are simple or off-the-shelf solutions. We must have intensive recruiting efforts, and we need to keep on articulating that the reserves are important and emphasising what people can get back from serving the country.

Let me now return to our commitment to our military personnel. We are seeking to support them, which is why we agreed a new tax-free operational allowance last year. That was well received. It is also why we have agreed an above-inflation pay increase for all service personnel—an increase of more than 9 per cent. for most of the junior ranks. That is the biggest military pay rise in four years, and the biggest in the public sector. It is well deserved.

We must consider how we support the families of servicemen and women who die in service because giving proper support to such families is part of our debt to those who have given their lives. We must provide support from the time when the tragic news must be conveyed to the next of kin, through to the potentially difficult experience of a coroner's inquest and beyond. We have well-established welfare systems in place to support family members, and we keep them under constant review to ensure that they are fit for purpose—and, again, if lessons need to be learned, we will do so. One aspect of our support mechanisms is military visiting officers, who provide a crucial liaison between the families and the services. If necessary, they will guide families through boards of inquiry and inquest procedures. They stay with the family for as long as the family wishes. That is a difficult task, but those who are asked to do it do so willingly and in a professional manner.

Let me now turn to operations in the UK.

Mr. Lancaster: Will the Minister give way?

Mr. Ingram: No, I want to make progress.

Dr. Fox *rose—*

Mr. Ingram: I shall give way to the hon. Gentleman.

Dr. Fox: I wish to ask a question before the Minister moves on from inquests. As he knows, a large amount of the work of the Oxford coroner will now be transferred to Wiltshire. Can he give the following simple commitment to the House today? Will that increase in work load be matched by an increase in resources?

Mr. Ingram: I can tell the hon. Gentleman that I recently had a meeting with the Minister of State, Department for Constitutional Affairs, who has departmental responsibility for the coroners. We are looking at a number of issues that we must address. We have not quite got the best solution, and we will make a statement, probably as a written statement, on the next developments.

In terms of resources, a process was put in place to try to ensure that the inquests were held nearer to where the families lived, so that the burden did not fall on one coroner and his staff. We have put in additional resources and those resources must match the demand, if the demand increases. We have shown that we learned that important lesson across Government. We need now constantly to monitor the situation. It is not just about speeding up the process; it is also about the quality of the support that we provide to families and the quality of the coroners themselves, who have to understand what are very complex issues. We give a lot of specialist help to coroners, so that they understand the environment in trying to comprehend whether an equipment failure, for example, has occurred. We have ramped up our efforts, and I have direct responsibility for much of the effort that is being made to deliver on these issues. As ever, if we find faults, they will be corrected. It is not that we do not understand the importance of these issues; sometimes, we have to learn a new lesson, and we will.

Let me now turn to operations within the United Kingdom—operations that protect us all in one way or another. Our armed forces support the police and security services in combating terrorism. Over recent years their capabilities, ranging from air defence to bomb disposal, have proved invaluable in preparing for, responding to and deterring violence specifically aimed against British citizens. I am extremely pleased that our longest running military operation—Operation Banner, in Northern Ireland—will, on current progress, draw to an end this year. Force levels, which numbered 28,000 at their peak in the 1970s, stand at around 7,000 and will reduce to 5,000 in the summer. We will maintain troops capable of being deployed in the event of large-scale public disorder, although they will not necessarily be based in Northern Ireland. I pay tribute to the 763 members of the armed forces and the 303 members of the security forces who lost their lives as a result of the violence in Northern Ireland. Without their sacrifice, and the efforts of more than 300,000 military personnel who served in the Province over the years, the current peace would not exist.

Twenty-four hours a day, 365 days a year, our forces provide an emergency search and rescue and mountain rescue service. In 2006, military search and rescue units

were called out 1,900 times, assisting 1,500 people, mostly around the UK. Just three weeks ago, the Royal Navy and the RAF contributed to the rescue operation after the Norwegian ship Bourbon Dolphin capsized off the Shetland Islands with tragic loss of life. Royal Navy divers undertook repeated searches of the submerged vessel for signs of life. Our servicemen and women are acting with courage and professionalism daily here in the UK, often putting the lives of others before their own.

The Royal Navy continues to ensure the freedom and security of our territorial waters. The ships of the Portsmouth-based Fishery Protection Squadron enforce fisheries quotas and boundaries on behalf of the Department for Environment, Food and Rural Affairs. They make an important contribution to the conservation of our fishery stocks. This financial year, crews have boarded 1,332 vessels, detecting 221 infringements.

On bomb disposal, units from the three services assist the civil authorities by providing emergency explosive ordnance disposal teams. Some 2,700 such tasks were undertaken in the last financial year.

The Royal Air Force continues to defend the skies of the United Kingdom. While the threat of a wholesale assault has diminished, a wide variety of numerous incursions remain that, between them, the Civil Aviation Authority, the police forces and the RAF monitor, investigate and intercept if necessary. This remains a 24-hour task, for which the RAF maintains Tornado—and, soon, Typhoon—fighters at very high readiness.

A different type of operation, but one that contributes significantly to the UK's economy, is equipment procurement. Defence makes an important contribution to local economies throughout the country, and to our national industrial base. It supports more than 310,000 jobs in UK industry and commerce. We spend some £14.5 billion directly with UK firms each year, on everything from boots to nuclear submarines.

In many towns across the UK, the most visible defence presence is a volunteer reserve unit. Our volunteer reservists serve the community, their employers and the armed forces. The skills that they acquire as part of our forces—in leadership, for example—make them more effective employees and better citizens. Reservists are performing superbly alongside their regular comrades in Cyprus, the Balkans, Iraq, Afghanistan and elsewhere. Their qualities are of the highest standard, as the recent awards for heroism of a military cross and a Queen's gallantry medal stand testament to.

Mr. Tobias Ellwood (Bournemouth, East) (Con): I am grateful to the Minister for giving way. He spoke briefly about procurement, and I am a bit concerned that he has already moved on to a more general subject. May I bring him back to procurement and ask him to take this opportunity to update us on what is happening with the F-35 and the elusive aircraft carriers?

Mr. Ingram: I thought that that question, which contained a barb about aircraft carriers, was going to be helpful. We have made it consistently clear that we are committed to those aircraft carriers. A number of factors have to be taken into account, and we will announce the decision when we are ready to do so. The hon. Gentleman will just have to wait, like everyone else, for that announcement. I stated earlier that we have decided where the joint combat aircraft is going to be based, and a very clear commitment has been given in that regard. *[Interruption.]* The hon. Gentleman asks when that aircraft will be ready; on timing, I should point out that this is a complex piece of equipment. I do not have a specific answer on the question of the second engine, but I will write to him giving the best information that we have at the moment. I understand that he is going to Washington. As ever, we encourage people visiting the United States to promote British industry as best we can.

On volunteers, there are of course the 130,000 young volunteers of our cadet forces—the second biggest youth organisation in the country. The cadet forces are based in more than 3,000 towns and cities throughout the UK, and they provide valuable skills and experience for young people from all backgrounds. I would also like to pay tribute to the thousands of volunteers who give up their time to work with these young people.

Richard Ottaway (Croydon, South) (Con): Will the Minister give way?

Mr. Ingram: No, I want to make progress.

I cannot comment on the contribution of defence to this country without talking about our armed forces veterans. As a mark of how seriously we take this issue, the Under-Secretary has the specific role of veterans Minister. This post was first created in 2001, and it has proved its worth year after year. The reason is simple. Our veterans—young and old—are an asset to the country. Many of the young men and women who enter the forces emerge as skilled, responsible and highly qualified members of society. Of course, this year is a special year for many of our veterans, as we remember the Falklands conflict on its 25th anniversary. The sailor, soldier or airman of today is the veteran of tomorrow. We must make sure that we accord our veterans respect and care—at the level of involvement that they desire. In recognition of this, we have designated 27 June as Veterans day, which provides us as a nation with the opportunity to celebrate their contribution, to learn from their experiences and to respect their service. Last year, we held a very successful event in my constituency, and we intend to make it even more successful this year. We will probably be inundated with applications from people who want to participate. There are very good examples of such events, and we have also initiated a national campaign to encourage greater engagement. Members of this House have a major role to play in that regard.

As I said at the outset, defence is above all about people—people from communities throughout the country who join our forces to serve their country. They rightly expect the support of the British public and of this House. I know how important that is to them as they go about their difficult and dangerous duties on our behalf. Their reputation has been built on the sacrifices made and achievements accomplished over many years, but also on the immense contribution that they make to the United Kingdom. This Government recognise that operational success depends on the quality of our people.

[Mr. Ingram]

We acknowledge our responsibility to ensure that they and their families are properly looked after. We must and will meet that responsibility.

12.58 pm

Dr. Liam Fox (Woodspring) (Con): I begin by echoing the Minister's words about the sadness that is felt in all parts of the House concerning the service personnel who have been killed in recent days. All Members will have the families and friends of those personnel in our thoughts and prayers.

This is an opportunity to make a wider point about the dedication and courage of our armed forces. In an era in which fewer and fewer people in our society have direct contact with the armed forces, too few nowadays understand the pressure on personnel—both regulars and reserves—and their families. Too many people believe that security is a right, and that freedom can come without any cost. We therefore need to remind the British public at every opportunity that security is a contract that has to be renewed by every generation, and that in our armed forces we have those with the skill and courage to make the sacrifices necessary to maintain our freedom and security. I am sure that both sides of the House will want that message to go out loud and clear.

I agree with the Minister's final sentiments about the importance of veterans, the need for respect for veterans and the need to improve the services to them. In the years ahead, our society will have to come to terms with the changing pattern of veterans. Instead of being elderly citizens, such as those represented at the cenotaph, there will be many more younger veterans who will place different demands on the services we offer, and for a much longer time. The veterans of the Falklands, the Balkans and the first and second Gulf wars will put an increasing burden on many of the services that we have a duty to provide. The nature of the disabilities that they experience will also change. Indeed, it has been striking, for those of us who have visited the injured in theatre, Selly Oak or rehabilitation, that the equipment provided, such as body armour, has reduced the number and types of disability. I hope that society will understand that we will need to provide a range of new services and support to those who have made sacrifices on our behalf.

Mr. Ingram: As well as the equipment provided to personnel, the quality of the medical support in the field is important, as I am sure the hon. Gentleman will agree.

Dr. Fox: Indeed. I have witnessed that and I commend the professionalism of those involved—some of whom have left the NHS to work full-time in our medical services on the front line. For instance, our field hospital in Basra has the notable distinction of not having had a single case of methicillin-resistant Staphylococcus aureus in the past four years, which is an example for the NHS to follow.

Today's debate is a useful opportunity to discuss a range of defence issues other than those of Afghanistan and Iraq, which we have debated at length in the House. I shall touch on issues relating to welfare, the overstretch of our forces, procurement and the defence aspects of energy security—all issues that we should spend more time discussing in the House. Welfare issues cannot be separated from those of recruitment and retention—on which the House constantly focuses—because it is common sense that the easiest way to have a problem with retention is to have unhappy service families. In turn, the easiest way to have unhappy service families is to have unhappy service personnel. Therefore, it is incumbent on us to ensure that we consider the continuum of the services that we provide to service families.

It would be churlish not to recognise the considerable amount of work that is being done in terms of service housing improvements. However, it would also be unfair to neglect to mention that the Armed Forces Pay Review Body said in its latest report that

"a significant number of Service personnel and their families are likely to be housed in poor quality accommodation for 20 years or more."

It also said that more than half of single living accommodation is bottom grade. I accept that much has been done in that area, notwithstanding the limitations on finance that the Minister mentions, but we need to give a higher priority to the quality of housing offered to our service personnel and their families. It will be a central element in our ability to retain numbers in our armed forces at a time when demography is against us in the years ahead.

Linda Gilroy (Plymouth, Sutton) (Lab/Co-op): Does the hon. Gentleman welcome the fact, as I do, that the MOD is exceeding its improvement targets by, for example, upgrading 1,705 service family houses instead of 600, which is a considerable achievement?

Dr. Fox: As I have just said, I welcome the efforts that the Government are making. Indeed, I have visited some excellent new service accommodation, but the programme is still moving too slowly. Although I welcome the Government's positive efforts, I am sure that the Minister would agree that they should be speeded up to ensure that the problem is dealt with as quickly as possible.

In my previous incarnation as a practising family doctor, I spent part of my time looking after the joint service Royal Army Educational Corps at the Defence School of Languages at Beaconsfield in south Buckinghamshire. In the morning I looked after the armed forces and in the afternoon I saw their families in my civilian practice. It seems to me that even now there is too much of a dislocation between the health care given to the personnel and that given to the families. I shall give just one example. All over the country, service families come to MPs' surgeries with the same problem. A family member is put on an NHS waiting list for treatment. The family is then moved to another part of the country and they go to the bottom of the waiting list there. They can be perpetually on a waiting list, penalised for being a member of a service family and never getting the health care they need. It cannot be beyond the wit of Government and the civil service to construct a scheme that means that service family members are not disadvantaged in that way. It is preposterous that every week constituents come and

tell Members about the same problem, but nothing happens. I want to make a special plea to the Minister to make representations to the Department of Health to come up with some method to ensure that those people do not continue to be disadvantaged in that way.

Mr. Ingram: I agree with the hon. Gentleman's general sentiment and we are aware of the problem. Indeed, efforts have been made to find an answer. Given the hon. Gentleman's experience, perhaps he could suggest how we could overcome the issue of clinical judgment. How can we impose on doctors a decision different from the one that they want to make?

Dr. Fox: I am not sure that that is what needs to be done. It would be easy, in the system of maximum waiting times that the Government have introduced, to transfer patients from one list to another on the basis of how long they have waited, not even taking into account the medical circumstances and prioritisation that should take place. It should not be beyond the wit of Government to devise such a scheme. My hon. Friend the Member for Forest of Dean (Mr. Harper), the shadow Minister for armed forces families' welfare, is considering that, and the Government might like to talk to him about some of our ideas on that issue. We would be willing to share them with the Government.

Mr. James Arbuthnot (North-East Hampshire) (Con): My hon. Friend has just made an extremely interesting point that almost exactly parallels the experience that the Defence Committee found in the education service. Children with a statement would need another statement done when they moved to a different authority. The message for Ministers is that they need to make a special effort to talk to other Departments whose work has such a direct impact on the armed forces.

Dr. Fox: My right hon. Friend is correct and has saved me from making that exact point. The issue cuts across several Departments, which is why the Leader of the Opposition has appointed my hon. Friend to his post. We require proper co-ordination across Government to deal with service families. Educational attainment and issues such as statementing are as important as NHS waiting lists. If we are serious about addressing the welfare issues that affect service families, top of our priority list must be proper co-ordination between Departments to ensure that they are not penalised in education, health or any other sphere because of their relationship to service personnel.

Mr. Lancaster: My hon. Friend is right to make the link between support for families and retention. May I draw his attention to the way in which the Royal Air Force is dealing with the issue? The traditional welfare officer, who was probably a senior RSM type and not very approachable, has been done away with. Instead, the RAF is actively recruiting professional civilians to fulfil that role, with a much greater response from families.

Dr. Fox: It would be a very good thing if relationships on the ground could be improved, but my point is that we need co-ordination at Government level. There has to be better integration between Departments in Whitehall, and they must have a better understanding of the problems that we are discussing today. This is not a party issue: rather, it is a structural problem inside Government that needs to be dealt with as a priority.

The Minister talked about health care for our armed forces, and the question of why we do not have independent military hospitals arises regularly. It is worth pointing out to those who ask that question that a district general hospital treats about 120,000 patients every year, whereas the Army has fewer than 100,000 members in total. We must accept that the reality is that that makes it impossible for defence medicine to be carried out as it used to be.

Having said that, however, I want to return to what the Minister said about military-managed units. The difference between those units and ones that are exclusively military is very important, as General Sir Richard Dannatt made very clear. On 13 March, he said:

> "I have every confidence that in three years time we will not just have a military managed ward but effectively a dedicated military ward where our people will be exclusively attended to."

That is what the Opposition want, but on the very next day—14 March—the Prime Minister told the House that,

> "if, for example, there are spare beds within such a ward and the staff are required to look after a civilian patient, it would be wrong to say that such a bed could not be used for a civilian patient."—[*Official Report*, 14 March 2007; Vol. 458, c. 281.]

The two assertions are not compatible: the Prime Minister's concept is fundamentally different from the one put forward by the Chief of the General Staff. The Government must decide whether or not they believe in exclusively military units. The Opposition strongly urge them to understand the importance of having units that are not just military managed but are exclusively military. I hope that the new Prime Minister—whoever that may be—will make that a priority.

Another specific point that I want to make is that our defence medicine runs the risk of falling behind best practice in other parts of the world. In particular, I bring to the Minister's attention the problem of traumatic brain injury as it affects our armed forces in theatre. He will know that improvements in the quality of body armour mean that more troops are likely to survive blast injuries, but also that they have increased the risk of concussion and other traumatic brain injury.

In the US, protocols have been brought in already to test those who have suffered blast injuries both when they are in theatre and when they leave it. I am advised that the MOD has said that it will wait to see the results of the US programme before introducing similar protocols here, but there is already a large body of medical evidence that the US approach is the clever thing to do. If we wait to get the US results, we risk repeating what happened with post-traumatic stress, when we waited a long time after the end of the Vietnam war before recognising it as a disorder. The quicker we can bring the protocols into play, the better, and the smaller the number of injuries likely to escape detection.

I hope that the Minister will reconsider his approach to this matter, and that he will return to the House and tell us that the US programme can be adopted by the UK in the near future. If we fail to do so, we run the

[Dr. Fox]

risk that people will suffer long-term psychological or physical damage that could be prevented. It would be a failure of the Government's duty of care if American troops were able to avoid such damage yet British troops were not.

I turn now to the issue of overstretch.

Mr. Bernard Jenkin (North Essex) (Con): Before my hon. Friend moves on from post-traumatic stress, does he share my concern that there is not enough support when they return from theatre for service personnel who may be suffering from that disorder? Is it not extraordinary that the Government do not take a more hands-on approach to the problem in respect of personnel who remain in the armed forces, and in respect of those who leave and who have suffered injury?

Dr. Fox: My hon. Friend makes an extraordinarily important point that gives me an opportunity to praise the fine work of organisations such as Combat Stress. However, the treatment for mental illness available in this country is generally completely substandard, and I have campaigned for a long time for better health services here. They remain the Cinderella of the health care system, and the flaw is often that we ask mentally ill people to get in touch with the facilities that are available, even though, almost by definition, they lack the insight or ability to access those services. It is therefore incumbent on our welfare and medical services, whether in the military or outside, to make sure that they extend a helping hand to the people who may be suffering, instead of waiting for those people to make contact. Given that studies in the US show that up to 12 per cent. of Iraq veterans return with some sort of psychological disturbance, we must make dealing with those who suffer from post-traumatic stress or other psychological illnesses a priority right across our health services.

The problem of overstretch is one that we have discussed many times in this House. The Government produced the strategic defence review at the beginning of their period in office. Many people considered it to be a very good review, and in my view it is one of the two best reviews that have been compiled since the second world war. From the SDR emerged the defence planning assumptions, but the trouble is that the Government have exceeded those assumptions for the past five years and the Opposition maintain that the Government have not increased defence funding in line with that.

In a written answer of 16 April, the Secretary of State for Defence made an interesting statement. He said:

> "The level of operational deployments is reducing and we judge that it will return to within the level assumed in our planning assumptions."—[*Official Report*, 16 April 2007; Vol. 459, c. 124W.]

When will that happen? The Under-Secretary will respond to the debate, and I hope that he answers that question. If the Government believe that they are returning to levels of deployment that are within planning assumptions, the House has a right to see the evidence, and the time scale within which that might occur. The Opposition believe that the operations in Afghanistan and Iraq have never been funded fully by the Treasury and that, as a consequence, there has been salami slicing in the rest of the armed forces.

When the Under-Secretary gets to his feet this evening, I hope that he will tell the House what is the Government's estimate of the cumulative cost of operations in Afghanistan and Iraq to date. Perhaps he would even like to answer that question now, as I am sure that someone is scuttling away to get the answer at this very moment.

A number of practical problems have arisen as a result of overstretch, and we have discussed them many times in this House. For example, there is no excuse for the length of time that it took to get the requisite amount of body armour into theatre. There can be no excuse either for the slow progress that was made towards getting the correct number of armoured vehicles into theatre, or for the continuing lack of helicopters to which those of us who visit—and my colleagues have made many visits—constantly allude.

Mr. Nicholas Soames (Mid-Sussex) (Con): Does my hon. Friend agree that one of the problems with planning operations is that the Ministers no longer listen to defence chiefs' advice as they used to? The planning for the Afghanistan operation left troop numbers woefully short. Does he agree that Ministers should have listened more carefully to the military advice?

Dr. Fox: It would be with some fear that I disagreed with my hon. Friend about anything, but I am sure that he is right about this matter. Many of us who have followed the Afghanistan operation from the beginning have felt that Government planning has tended towards the rosy end of expectations. When Ministers were advised that matters might turn out less optimistically, they ignored that advice, largely for political reasons. The fact that we have had to make two reinforcements in Afghanistan is testimony to exactly the point that my hon. Friend makes. I fear that in the months ahead we may see further deployment of British troops for precisely the reasons he gives.

Tony Baldry: There is another point that the Government need to take into account. We have to make sure that our NATO allies play fair with us. In Afghanistan so many other NATO countries have so many caveats that it is always UK troops who have to step up to the plate, and as the costs of operations fall where they lie the UK Army has to meet the lion's share, which means that there is a double hit in terms of overstretch.

Dr. Fox: As my hon. Friend knows, I have made that point in the House on a number of occasions, and I have recently discussed it with our colleagues in Washington, Canada and Germany, because there is no doubt that it goes to the core of NATO's continued existence. If NATO is to continue as an effective alliance, we need effective burden sharing. Communal security means communal burden sharing, so we need to look at a number of elements.

It is clear that public opinion in Britain, America, Canada and the Netherlands—the countries with the heaviest load in the south of Afghanistan—is offended

by the fact that so many caveats are attached to so many of the other forces operating in the country, even though they are our allies and partners in the operation. For example, the idea that some troops should not operate after dark seems nonsense to a country such as the UK. Not only do we have courageous and professional forces operating in Afghanistan, but our costs in terms of fatalities and casualties are much greater than for other countries.

It is important that there is a wider debate in NATO, and I regret that the Riga summit in November missed a huge number of opportunities. It should have dealt with NATO's role, decision-making structure and funding. Proper burden sharing is needed, and there are questions about how NATO should undertake greater expeditionary activity and who should bear the costs, as well as who should be responsible for the defence of continental Europe. Those issues are parts of the burden that must be shared and we should be clear about all of them. An incoming Conservative Government would regard them as a priority, and we are actively discussing them with all our NATO partners to ascertain whether there is common ground for a wider look at how we carry out that burden sharing. All my colleagues on the Conservative Benches believe that if we cannot achieve better burden sharing it will be deeply damaging for NATO in the future.

Mr. Kevan Jones (North Durham) (Lab): It is easy for the hon. Gentleman to perpetuate such myths for media attention and headlines, but what does he think the problem in Afghanistan actually is? General Richards appeared before the Defence Committee on Tuesday afternoon and when he was asked about caveats, said clearly that they were not an issue. Will the hon. Gentleman comment on that?

Dr. Fox: That is one of the few occasions on which anyone in the military in Afghanistan has said such a thing. When I have spoken to the military, they have said that caveats are a major issue in Afghanistan. Indeed, not only are they are a major military issue but, more important, they are a major political problem in NATO, as has been said. They affect public willingness in countries making the biggest military contribution in terms of personnel and expenditure. Funding and fighting are linked in NATO, so because we do more of the fighting we have to do more of the funding. Until those political problems are sorted out, it will be increasingly likely that public opinion in the countries making the biggest financial contribution will be that those countries are in an alliance where not everyone is pulling their weight. Given NATO's geopolitical importance, it is vital that we stop that mindset taking hold.

Mr. Arbuthnot: I asked General Richards the question on Tuesday. I think I asked, "Is there anything you'd like to say about caveats, or has it all been said?" and I think his answer was, "Well, actually it's all been said." *[Interruption.]* There is a major issue: the Germans are required to consult and to obtain the permission of the Bundestag for everything they do militarily, so if they have difficulties with further troop deployments, would not it be possible for them to be encouraged to increase dramatically the amount of work and resources they are putting into improving the police force in Afghanistan, which is now the second greatest threat the Afghan people face?

Dr. Fox: That there is such a clear difference between the Opposition and the Government in the interpretation of what was said merely reflects the realities of politics under new Labour. We need to be sensitive in this debate to the fact that attitudes towards the military in other countries can be very different from those in the UK. Countries with conscript armies, for example, find things more difficult politically, as do countries with coalition Governments. Although we sometimes have differences of view in the UK, in general there is broad consensus on military matters and foreign policy. We should not take a punitive approach to those countries, saying, "This is what will happen if you don't contribute more." We need to draw up a menu of ways in which they can contribute that takes into account the political realities and traditions of their country. Clearly, however, there must be burden sharing in one way or another. The current conditions cannot continue, because they cause much frustration and resentment among some of the most important NATO partners.

I am a great supporter of NATO; it is the one organisation that has truly worked in a multilateral way and I desperately want it to continue to succeed. Dealing with the some of issues that my right hon. Friend and others raised must be of the utmost priority.

Mr. Ellwood: Will my hon. Friend give way?

Dr. Fox: If my hon. Friend will permit me, I want to make some progress.

The Minister talked about January's surplus and deficit figures for trained strength and manpower requirements. I can help him by giving him some news. He mentioned a 5,000 deficit in January, but I can give him the figures for March, which show that the deficit has increased to 6,240. The Navy is 1,780 below strength, the Army is 2,500 below strength and the RAF is 1,900 below strength, so the position is somewhat worse than he said.

I am giving those figures for a specific reason, however, as I want to hear the Minister's view about the problems that may affect numbers in the future, especially in relation to South African and foreign and Commonwealth personnel. The right hon. Gentleman will be aware that when the South African President signs a Bill into law, more than 900 service personnel—mostly in the Army, which is already 2,500 under strength—will be unable to serve. They make a huge contribution to our special forces, but the control the South African Government would assert will be incompatible with the soldiers' oath of allegiance to the Queen. The Government have been investigating the matter for some time. Will they tell us what they intend to do? We cannot simply stand by and watch the strength of the Army drop by another 900.

What impact will the decision about South African personnel have on other Commonwealth personnel? Will a precedent be set? What effect might it have on numbers? That is one of the most important points that the Minister needs to address. Things are happening quickly and they will have a major impact, so we need to know exactly what the Government's plans are.

Mr. Ingram: The hon. Gentleman raises an important point. We are in close touch with the South

[Mr. Ingram]

African Government and we propose to send out—when they are ready to accept it—a study team to look at the implications of the proposed legislation. We take the matter seriously and are working to reach the best conclusion with the South African Government, who are good friends of ours.

Dr. Fox: Notwithstanding the Minister's answer, we need to know what the Government intend to do if it is decided that it is no longer possible for South African personnel to serve in the UK Army. Will we offer them citizenship or simply accept a decline in Army numbers? What impact will there be on other Commonwealth serving personnel? It is a live issue and we need further details.

I want to say a few words about the UK defence industry, defence employment and procurement. Too often we forget just how important the defence industry is for the United Kingdom. The UK is the world's second largest defence exporter after the US. The 2004 Oxford Economic Forecasting report for the Defence Industries Council showed that, in 2002, defence exports totalled some £4.1 billion and contributed some £2.8 billion to the balance of trade against a deficit of £8.7 billion.

Regional employment and the impact of defence spending is particularly felt in the north-west, Scotland and my own region of the south-west. In 2004, the value of defence aerospace exports alone amounted to almost £6 billion, and of the top 100 companies defined globally by defence revenue, 10 are UK based: BAE Systems, Rolls Royce, QinetiQ, Smiths Group, VT Group, Cobham, GKN Group, Babcocks, Ultra Electronics Holdings and Meggitt. Those are businesses that the UK should be proud of.

In the south-west, not least in the Bristol area, and in the north-west, which I visited this week, there is, of course, a keen interest in defence procurement issues.

Mr. Kevan Jones *rose—*

Dr. Fox: In the north-east, as the hon. Member for North Durham (Mr. Jones) is no doubt about tell me, there is also a keen interest in those issues and their likely effects on employment. I believe that nowadays not even the most unreconstructed trade union leader believes that the role of the MOD should be to create jobs in the defence industry. There is a keen awareness that the best way to maintain jobs is to develop quality products that fulfil the needs of our armed forces and that exportability is key to work force stability and preferable to public money being used for labour market reasons rather than defence capability alone.

The Government are to be commended for the defence industrial strategy and the work done by Lord Drayson, which has made an important contribution to the debate about future procurement—*[Interruption.]* No, there is no but. There will always be a tension between the need to maintain sovereign capability and the need to provide value for money for taxpayers. There is a balance to be struck between those who say that we must make everything in the UK to guarantee our total sovereignty and those who say that we should buy everything off the shelf in order to lower the cost to taxpayers.

The answer to the problem was to some extent laid out in the defence industrial strategy. Clearly, we need to maintain sovereign capability in areas that are vital to our long-term defence. I believe that areas such as submarines and avionics clearly fall into that territory, although, as was mentioned earlier, the joint strike fighter is a case where we are looking to a partnership with the US for the shared technology for what will probably be the last manned fighter that we build. That may provide a useful model for the UK's future procurement strategy. On the other hand, it would be nonsense to say that body armour or trucks fall into the category of sovereign capability. In those and other areas, it makes sense to buy equipment off the shelf and ensure that it is made speedily available to our forces, rather than to invest in programmes in what would effectively be reinventing the wheel.

Looking ahead to the necessary procurement processes and the strategic threats that we are likely to face, the priorities for a future Conservative Government would be capability, interoperability, adaptability and exportability. We actually wish to see an expansion of Britain's defence exports because that is the best guarantee of long-term sustainable jobs, but for my Treasury colleagues, there are also potential benefits to the taxpayer in a well thought out procurement programme. Let me provide two examples.

The Hawk, developed under MOD funding in the 1970s, cost a total of £1.2 billion for development and production. Subsequently, more than 800 were sold around the world to customers including the US navy, Australia, Switzerland and South Africa. The value to the UK economy amounted to more than six times the initial cost and the estimate of the return to the Treasury for those exports was about twice the initial outlay. That meant benefits to our defence base, benefits to our armed forces and benefits to our taxpayers.

Linda Gilroy: I share the hon. Gentleman's concern about exportability, not least because of the supply chain in the south-west. Does he agree with and welcome what the Government said in their response to the Select Committee about small and medium-sized enterprises and their work with the defence supply network? That should ensure that, as well as the large industries, the small businesses also prosper. Many of them are the employers in our area.

Dr. Fox: The hon. Lady is exactly right. Small businesses are the bedrock of our economy and whenever we can help them, we should. Now is an appropriate time to pay tribute to the large number of small defence businesses in the UK. They are often niche businesses, and they are vital not only to the economic well-being of the country, but to our research and development base and the well-being of much larger companies inside and outside this country. The hon. Lady might want to get in touch with the Chancellor of the Exchequer to ask why he was so harsh in the Budget with the income and taxation of small businesses.

Harry Cohen (Leyton and Wanstead) (Lab): Will the hon. Gentleman give way?

Dr. Fox: No, not for the moment.

Another example is the Tornado. The cost of development and production to the UK was about £7 billion, while exports to Saudi Arabia under Government-to-Government arrangements based around the Tornado have been worth some £40 billion to the UK economy over the past 20 years.

Not only does a healthy defence sector provide the UK with a high defence capability, but it provides a strong R and D platform for Britain's other industries, and it can maintain prosperity for the individuals in the industry and for taxpayers as well. However, a poorly thought through programme can be expensive to both industry and the taxpayer. We will be looking for major improvements in the procurement process as part of our review of defence and security policy.

Mr. Kevan Jones: I totally agree with support for the British defence industry, but can the hon. Gentleman explain why his party is playing politics with issues around arms exports to Saudi Arabia? We also had a ludicrous debate in this place about the export of radar systems to Tanzania. That is clearly playing politics with the issue and possibly damaging UK jobs.

Dr. Fox: I not only refute but resent the implication of that question. Conservative Members have never played politics with that particular issue in any way and would never seek to undermine either the security or the prosperity of this country. The hon. Gentleman might want to have a word with the leader writers of *The Guardian*.

The final matter I want to deal with is energy as a security issue. There is now broad agreement about the environmental consequences of our addiction to oil and gas, but there are other immediate reasons to reduce our dependence on fossil fuels. Foremost is our national security. In the years ahead, national security, economic security and energy security will become increasingly synonymous. Our addiction to oil and gas means that we are increasingly dependent on the stability of producer nations to ensure continuity of supply. Additionally, we are increasingly exposed to the risk that these nations will use the supply of energy as a tool of foreign policy. Such "resource nationalism" has already become a cause of alarm in certain vulnerable states. We need look only at the actions of Russia towards the Baltic States, Ukraine or Belarus to see the phenomenon in action.

There are two reasons why energy security has become a more urgent problem for the UK. The first is our increasing dependency on energy imports. Last year we became a net importer of gas and we are set to become a net importer of oil by 2010. Secondly, globalisation has brought a downside as well as an upside. I refer to our sophisticated interdependence and our inability to insulate ourselves from sudden downturns or disasters elsewhere. We are all competing for the same natural resources to feed our economies and we are more vulnerable to interruption of supply—either due to problems with supply itself or with distribution. The House can debate the global economy on a wider basis, but I believe that we have not yet developed the structures necessary to deal with the downside risk exposure that it brings.

I shall focus briefly on Iran and Russia in relation to the military aspects of that particular threat. The United States Central Command—CENTCOM—military command in the middle east watches Iran very carefully. A recent report stated:

> "While generally thought to be for defense, Iran continues to build a credible military capable of regional power projection. It has the largest military capability in the region and a record of aggressive military action in and around the Arabian Gulf... Iran's ground forces are arrayed across the country with the majority of combat power along the Iran-Iraq border".

We know that, potentially, Iran is capable of internationalising any dispute by blocking the straits of Hormuz, for example.

All that is troubling and has been debated before, but what should be even more troubling to the House is the extent to which we have funded this defence capability. Iran's oil revenue has risen from $23.7 billion in 2003 to $47 billion in 2005. That economic windfall enabled the Iranian regime to undertake a spending spree on defence. Its defence budget has gone up greatly and it has purchased missile technology and small vessels in particular. Following assistance from North Korea, China and Russia, many analysts now consider Iran to be increasingly self-sufficient in the production of ballistic missiles. Obviously, that capability has received increased attention as a result of the country's nuclear ambition.

Over the past five years, Europe alone has pumped $50 billion into the economy of Iran and an astonishing $232 billion into countries of the former Soviet Union—mainly Russia. Those are the figures for spending on crude oil alone; they do not even take into account financial transfers resulting from the sale of gas or petroleum products. For every $1 increase in the price of a barrel of oil, an extra $1 billion goes into the Kremlin coffers. That windfall has been used in both Russia and Iran to finance military build-up.

In other words, we in the west are in a security Catch-22. Our dependence on oil means that we cannot avoid paying whatever price is demanded of us, which leads to huge financial flows out from our economy into the economies of oil producers, some of which might be hostile to us, and the money then finances a defence build-up. That situation is part of the threat that this country faces, so we need to understand and deal with it as a matter of urgency before it becomes even more detrimental to our national security. We believe that dealing with the situation should be the responsibility not of the EU, but of NATO, for the prime reason that that would bring Norway and Turkey into the process at a time when Turkey especially feels alienated.

As I said earlier, this country has benefited from a largely bipartisan approach on defence. Although there have been minor differences between the parties on the way in which we carry out the defence of our country, we seldom disagree about strategic issues. The Government will continue to get our support when we believe that they are doing the right thing, as they have done on Afghanistan, notably, and Iraq. However, if we are to defend our country successfully in the future, we must ensure that the welfare problems relating to our service personnel and their families are properly addressed and that procurement is dealt with sensibly and more efficiently. Operationally, we must understand that we cannot continue

[Dr. Fox]

to overstretch our armed forces as we are doing now. We cannot continue to fight the battles in theatre that we are fighting without putting in place sufficient investment to ensure that we are able to carry out our mission successfully and guarantee the safety of the troops who put their lives and limbs on the line for the security of this country.

1.42 pm

Sarah McCarthy-Fry (Portsmouth, North) (Lab/Co-op): As we heard from the speeches of the Minister and the hon. Member for Woodspring (Dr. Fox), defence in the UK offers us myriad themes to discuss. I want to talk about the defence industry in the UK for two reasons: first, a reducing number of people in the UK have any experience of armed service, so the defence industry is many people's closest link to defence in the UK; and, secondly, this gives me another opportunity to raise points about the naval base review and Portsmouth naval base.

I want to consider defence procurement by focusing on how we get the best value for money and maximise the resources going to our front-line servicemen and women. After all, roughly two thirds of last year's defence budget was spent on defence procurement and logistics. I represent a naval constituency in which much of the local economy depends on defence. Significant numbers of serving and ex-serving naval personnel live in my constituency and 10 per cent. of our residents depend on the defence industry.

The naval base in my constituency is under threat as a result of the naval base review. I will not go into a great amount of detail because I have raised the matter in debates in both the Chamber and Westminster Hall, with support from the hon. Members for New Forest, East (Dr. Lewis) and for Portsmouth, South (Mr. Hancock). However, I want to make a comment in the wider context of defence procurement. I have said before in the House that value for money in the public sector means economy, efficiency and effectiveness. Economy means not paying £5 for something that can be bought for £3. Efficiency means getting the most out of resources without waste or duplication, while effectiveness is about delivering on goals and strategic objectives. I wholeheartedly agree with that, but in the case of the naval base review, I want to ensure that we do not sacrifice our effectiveness—our strategic military objectives—for the sake of some superficial perceived efficiency. It might look very attractive on the face of it to close one of our three naval bases to avoid duplication, but I think that I have demonstrated on many occasions, as have my colleagues, that that is a short-sighted, short-term proposal. I hope that the Ministry of Defence and the Navy board, especially, will consider all the factors involved in the costs of running our naval bases and not just the headline figures. In particular, they should consider the synergies obtained by co-locating the defence industry close to the naval bases and the partnerships that have built up between the MOD and industry.

When considering defence procurement, we are looking at very long life cycles. There can be up to 60 years between an initial concept and something going out of service, so we need long-term vision and planning for the future. We also need to ensure that there is maximum flexibility, which, in my view, means retaining the three naval bases that we have. That does not mean that we should leave things exactly as they are. We all know that there is huge scope for cost savings and efficiencies in our naval bases, but they should take place in the existing locations.

While such an approach is financially and militarily right, I also think that it is right for the people who live in the cities and towns that house our naval bases. This country owes a debt to cities such as Portsmouth and Plymouth. I have lived in Portsmouth all my life, as have several generations of my family before me, and I am conscious of my city's vulnerability as a military target. It suffered disproportionate damage during the second world war and the rebuilding took years. Perhaps that is why I do not take national security and defence lightly. I do not look at the issue through rose-coloured glasses, but take a realistic and pragmatic view. I am always conscious that many of my constituents have put their lives on the line—and continue to do so—for us and our country, as have all our servicemen and women.

Earlier this year, I had the privilege of being accepted on to the armed forces parliamentary scheme with the Navy. As part of that scheme, I have so far spent three days at sea—and been seasick—on HMS Illustrious. I went up in a Merlin helicopter and sat at the controls of a Sea Harrier at RNAS Culdrose, and I spent two days looking at our submarine and nuclear deterrent capability at Faslane. All those visits were exciting and interesting, but the best part of all of them was the chance to sit and chat with sailors of all ranks and to hear from them what they wanted from the Government and the MOD. I heard loud and clear that we need a balanced defence force, with well-resourced conventional forces that are backed up by a nuclear deterrent. Like me, those men and women do not look at life through rose-coloured glasses. They see the reality of protecting our national security.

Like everyone in the Chamber, I look forward to a world with no nuclear weapons—I am totally committed to achieving that. However, that is not going to happen overnight, or by the UK unilaterally divesting itself of its nuclear weapons. That was why I supported the decision to start the process of procuring a replacement for our Vanguard submarines, which carry the Trident nuclear weapons.

I sat through the whole Trident debate. I had hoped to have the opportunity to make a contribution, but there were too many speakers. I am sure that all hon. Members will be relieved to hear that they will not be subjected to the speech that I would have made on Trident if I had been called. However, there are a few pertinent points that I would like to make, especially about the length of the procurement process and the consequences of delays in the process.

Mr. Arbuthnot: The hon. Lady touched briefly on the way in which the naval base review might affect personnel in Portsmouth. Before she goes much further into the nuclear debate, will she, as a Hampshire Member, consider the situation for the spouses of serving personnel? If the naval base were to move from Portsmouth, all the spouses based around Portsmouth who wanted to stay in their jobs might persuade their spouses to leave the services, which could have a very bad result for the future of the Navy.

Sarah McCarthy-Fry: I could not agree more. Given that 50 per cent. of the entire naval married quarters are in the Portsmouth area, that would be a very real problem. The people serving on ships to whom I spoke said that if they had to move up to Scotland or down to Plymouth, they would leave the Navy. I am saying nothing to denigrate Scotland or Plymouth, but merely expressing the view of the people living in the Portsmouth area to whom I spoke.

In the Trident debate we discussed an amendment that advocated a delay in decision making, and my worry was that some hon. Members seemed to think that it was a risk-free option—a way of putting off a difficult decision. That seemed to me then, and it seems to me now, to demonstrate a misunderstanding of the process of defence procurement and the time scales involved. The latest possible in-service date for the Vanguard submarines is 2024, and we heard that that is already extending their life by five years. In my view, that is risky in itself, but we did not hear too much about it in the debate. The latest expert advice suggests that it will take 17 years to design, build and deploy a new submarine, and it does not take an arithmetical genius to work back and say that we need to start work on the new design in 2007.

Dr. Fox: Does the hon. Lady accept that one of the risks of delay is that we lose the skills base that we require to keep some of these capabilities in the United Kingdom?

Sarah McCarthy-Fry: Again, I find myself agreeing. It is most important that we ensure that we maintain that skills base because, if we delay and lose it, we could find that we were unable to build the submarines here in this country, which would be a great shame.

Mr. Kevan Jones: Does my hon. Friend agree that those on the Liberal Democrat Benches who publicly argued against Trident but voted for the delay would have jeopardised not only that skills base but the careers of many of her constituents?

Sarah McCarthy-Fry: I agree. The dangers inherent in that delay are very important.

Some people made the point that the Vanguard submarines took only 14 years to procure, but what was missed by many people is that that did not include the time taken to do the initial concept work, and that can easily take three years.

I spent 20 years working in the defence manufacturing industry, and I have been a member of project management teams on major defence platforms. I know only too well that current projects are far more complex than Vanguard was. We should also remember that safety and regulatory standards have been raised in the 25 years since Vanguard was procured. Because of my experience in defence industry and the time that I spent on the Public Accounts Committee, I am only too well aware that British defence procurement does not have a very good track record. Given the long time scales involved we do not always learn the lessons quickly enough for them to have an impact on our new projects. It is to be hoped that the replacement of Vanguard will not suffer from legacy problems, but will benefit from the new proposals in the defence industrial strategy.

Our defence industry is in a period of tremendous change. In this climate, getting public sector procurement right is difficult. The defence industrial strategy has been a major step forward in redefining the relationship between the MOD and industry, and it will deliver huge benefits in getting the right product to the front line, on time and on budget, and in maintaining that product during its operational lifetime.

I am old enough to remember the old relationship between the MOD and industry in the days of cost-plus. The MOD decided what it wanted and chose a supplier; the supplier told the MOD how much it would cost to build; the MOD sent in an auditor to check the costs, added a percentage for profit and that was the price that was paid: very cosy, but hardly cost-efficient and not value for money. So we moved on to fixed-price contracts and competition, where suppliers were pitted against each other to deliver the product at the lowest possible cost. Yes, it drove the price down, but there was a danger that, to secure the contract, suppliers would have to accept prices below the cost of manufacture and risk being unable to sustain long-term production, or ratchet up the price for product support, leading to higher costs over the life of the product. That is why I welcomed the defence industrial strategy's emphasis on a partnership approach and the recognition that there needed to be changes in the approach both of industry and of the MOD.

The MOD needs to move to a through-life relationship with industry, to define a project not in terms of a product, but in terms of an outcome, and to have the ability to be flexible within a project to meet changing demands across a long life cycle. In my days on the Public Accounts Committee, time and again in our reports we highlighted a lack of project management skills in government, and nowhere was that more apparent than in the MOD's major projects.

Industry needs to change too. It has to stop looking at the MOD as a customer to squeeze cash out of or a source of easy money, and to start seeing it as a genuine partner. It has to be willing to share the benefits of lean manufacture and cost reductions in return for the security of a long-running relationship.

None of this is rocket science, Mr. Deputy Speaker, and I could point you to an example in my own constituency where just such a partnering relationship exists—between the MOD, VT Shipbuilding and Fleet Support Ltd. Fleet Support delivers ship support and is seen by many to be the benchmark industry partner. It has developed an innovative joint working relationship with the MOD that has already delivered over £50 million of savings. VT Shipbuilding houses the UK's most modern and productive shipbuilding facility. So we have the defence industrial strategy in action, delivering cost savings. Where might that be? It is at Portsmouth naval base—yet another reason it should remain open.

As I said before, there is a litany of MOD major projects where we can see where it all went wrong, but I hope that we are starting to learn the lessons from past mistakes and I want to illustrate that briefly with an example—that of Bowman. I am sure that hon. Members will be aware of the Bowman system. It is not just a radio but a complete tactical system delivering

[Sarah McCarthy-Fry]

secure digital voice communications. It is a complex and technically demanding programme, involving the conversion of some 15,700 land vehicles, 141 naval vessels and 60 helicopters, as well as training some 75,000 personnel. As a consequence it involves many different and complex interrelationships between stakeholders in the Department, the armed forces and industry.

We can see in the recent report from the Public Accounts Committee where the Bowman procurement process went wrong. The summary to the report states:

"It is a complex and technically demanding programme and the MOD seriously under-estimated the challenges involved in both delivering it and sustaining it in service".

There then follows a litany of the failures: not surveying the state of the Army's vehicle fleet; underestimating support costs; examples where the equipment met the requirements of the contract, but not of the user; and the failure to appoint a senior responsible officer right at the start with the responsibility, funding and authority to deliver the programme. Is it any wonder therefore that the development of Bowman suffered such serious delays?

To be fair, in 2001 the MOD recognised that it was no good trying to patch things up with the original supplier and re-competed the contract, which was won by General Dynamics. That has proved to be a valuable partnership; indeed, it has been commended by the National Audit Office. Bowman is now delivering vital capabilities to soldiers on the ground. In a recent article in *Jane's Defence Weekly* the NAO director Tim Banfield spoke about the Bowman programme. He put in a nutshell why we had so much difficulty with it. He said that it was a typical example of how the old-fashioned linear approach simply would not work in these days of rapid leaps in technology and the consequent changes in the needs of the user. He went on to say that because of the partnership working between the new contractor and the MOD integrated project team, Bowman, despite its "long and troubled history" and the fact that it is "still getting a bad press", was

"actually delivering some really good and useful capability now".

Mr. Kevan Jones: Does my hon. Friend agree that what has been achieved in a short time is a first-rate system, which is working in Afghanistan, as I saw last week, and other places around the world? Does she also agree that when people are commenting on Bowman they should not mix up the history of the mistakes that were made with what is now a very good piece of equipment? The recent comments of the hon. Member for Gainsborough (Mr. Leigh) concentrated on that history rather than on the facts now.

Sarah McCarthy-Fry: I thank my hon. Friend for his intervention. He is absolutely right. My point is that we should use the history to learn lessons so that in future we deliver. Out in the field, as he said, the feedback is very positive. In Iraq, Brigadier Andrew Gregory said:

"Bowman is giving us a real edge on operations".

Brigadier Patrick Marriott said:

"The potential of Bowman is immense, the reality is very good."

We can look forward in 2007 to new kit that will enable Bowman to interface with other UK armed forces communications systems. In the field that means that a brigade commander can easily share information. We are also looking at new battery technologies that mean that we will be able to offer a much more powerful, lighter version.

It is very easy for us always to criticise when things go wrong—maybe because things so often have gone wrong in major defence procurement projects—but let us celebrate the successes too. In the same article in *Jane's Defence Weekly*, Tim Banfield said that there are "lots and lots" of successful UK defence projects, but the MOD was "not very good at celebrating" those successes. If we can achieve an honest and open relationship between the MOD and the defence industry—a true partnership—hopefully we will have more of the successes and fewer of the problems.

I was a member of the Public Accounts Committee when it held an evidence session on Bowman, and I asked Bill Jeffrey, permanent secretary at the Ministry of Defence, about the new partnership with General Dynamics:

"Do you think that, if you had had that sort of relationship with the contractor right back at the beginning, it would have prevented some of the problems you have had?"

He replied:

"I think if we were starting from scratch with our present perception of what works best, which is, generally speaking, that it makes sense to think in terms of acquiring capability through-life rather than kit, we would have been looking at the acquisition of not just a radio system, but a radio system with the through-life support built into it."

That concept of acquiring capability rather than a product must be the benchmark for future acquisition, and capability must be driven by the operational requirements of our armed forces.

A few months ago, there was a report in *Warship World* about potential reductions in the numbers of ships and about putting ships into reduced readiness, and I was quoted in my local paper as saying that I was "not hung up on numbers". That was misinterpreted to mean that I was happy to see big reductions in the numbers of ships, which is absolutely not the case. I am glad to have the opportunity to set the record straight today. We cannot consider the number of ships in isolation; we have to consider capabilities as well. More importantly, it should not be the number or the capability of ships that drives our defence strategy. Rather, we should set out clearly the role that we expect our Royal Navy to undertake, and then provide the right number of ships with the right capabilities to achieve the role.

The First Sea Lord, Admiral Sir Jonathon Band, has made it quite clear that we need the new carriers to meet the operational requirements of the Royal Navy. I am grateful to my right hon. Friend the Minister of State for once again reiterating the Government's commitment to the carriers. I want the acquisition of the carriers to be one of the Ministry of Defence's success stories, and an example of genuine partnership between the MOD and industry. In Portsmouth, we eagerly await the announcement of the orders for those ships, not just because we hope to play our part in building them, and not just because we can demonstrate a track record in partnership working, but because we believe that Portsmouth naval base is the only feasible home port for the ships.

Mr. Brian Jenkins (Tamworth) (Lab): I am listening intently to my hon. Friend's valuable contribution, but my difficulty is this: how does the new partnership working differ from cost-plus? Where will the pressure for innovation come from, if there is no competition between companies? How will we ensure that there is pressure to make sure that what we want is delivered by our partner, because it will have no incentive to be innovative?

Sarah McCarthy-Fry: The incentive to be innovative will come from the contract, which says that in return for a long-running relationship over the life of the product, the partner will deliver cost savings to the MOD, through the savings that it makes by driving down costs, by bringing about cost reductions and by ensuring lean manufacture. What happened in the past under the fixed-price system was that if the price went down, and the company made cost reductions and used lean manufacture and new ways of working, the company got all the cost savings, and nothing went back to the MOD. Risk-sharing and benefit-sharing are the benefits that will come out of the system of partnership working. I will not miss this chance to make my final point about Portsmouth naval base: it must be the home port for the carriers, and that adds weight to the argument that we must keep the base open.

2.3 pm

Bob Russell (Colchester) (LD): I start by joining the Minister of State in expressing condolences to the families of those members of Her Majesty's armed forces who lost their lives in recent weeks. I also join him in paying tribute to those who, less recently, lost their lives in Afghanistan, Iraq and Northern Ireland. Nor should we forget the many men and women across the armed forces who have been injured while in service, and who have worked tirelessly. I also wish to put on record my appreciation for the work done, day in, day out, by members of Her Majesty's armed forces in the Royal Navy, the Royal Air Force, the Marines and the Army.

As far as defence in the UK is concerned, clearly we cannot ignore Iraq; the war is arguably illegal, ill-planned and expensive. The Liberal Democrats are the only party represented in the Chamber today to have voted against it, but even we did not anticipate the drawn-out and continually alarming fallout from the ill-advised backing of President Bush's shock-and-awe misadventure. Quite apart from the awful cost of life to our service personnel, other armed forces in Iraq and the civilian population, there is the cost to the British taxpayer to consider, which is about £24 million a day. That price needs to be remarked on, because that money could well have been spent on other, certainly better, things.

It is generally accepted, although not by those on the Government Benches, that there is overstretch. My concern is that the military covenant must be safeguarded, and even if it has not already been affected, there is a real danger that the continuous overstretch will undermine it. The impact of the Iraq war and our intervention in Afghanistan is taking its toll on the troops. It is important that troops feel valued and supported in their missions, and on their return. Our soldiers are the backbone of our fighting forces. The Government need to prioritise the welfare, fair treatment and conditions of service of those soldiers. Regiments and individual soldiers are being asked to do too much too often, without proper regard being paid to their welfare needs. Harmony guidelines have been consistently broken.

The Chief of the Defence Staff says that the armed forces are "very stretched". However, last month in the House, the Secretary of State for Defence said in reply to a question:

> "We are not asking too much of our armed forces; we are operating at levels that are higher than the assumptions that informed our operational planning."—[*Official Report*, 26 March 2007; Vol. 458, c. 1139.]

I think that we may be playing with words, here. Many in the armed forces believe that "overstretch" is the best description.

Our current operational commitments in two theatres exacerbate the problem of overstretch and have a detrimental impact on recruitment and retention. There is an imbalance between current commitments and manning levels. It can be recognised that many members of our armed forces are still not paid sufficiently, given the hours and the work that they put in. Indeed, when they are working on an operation, the number of hours that they work means that they are on the equivalent of less than the minimum wage. It is essential to ensure that there are attractive packages available to our armed forces if we are continually to attract people to join the forces, and if we are to retain them.

About 10 per cent. of people in the British Army are not British. They come from 57 different countries, predominantly Commonwealth countries. We have already heard mention today of the contingent of South Africans, particularly those in the Army. I know that there are many in 16 Air Assault Brigade in Colchester garrison, too. I ask the Under-Secretary to give us further clarification before the day is out. I know that there has been an intervention and an answer on the South African question, but it is a crucial issue that must be addressed more firmly than it has been so far.

To go back to the huge number of non-British people serving in the Army, in one sense we should welcome that recruitment. Is there a cap, either official or unofficial, on the number of people from outside the United Kingdom who are recruited, and what percentage of the Army could be made up of non-British people from overseas before the Under-Secretary felt that the ethos of the Army had been affected? I do not necessarily mean that it would be affected negatively, but that it would cease to be what it has been hitherto. We also need to address issues such as accommodation—I shall come on to that later—mental health and care support. All of those feed into the recruitment and retention rates. It is not an isolated issue and it must be addressed as part of wider measures across the armed forces.

I praise the Government for the Veterans Agency and the work relating to it. In particular, the veterans badge has been warmly welcomed by people of all ages who formerly served in Her Majesty's armed force. They welcome the opportunity to wear in pride a badge that shows that they served, at some time, in Her Majesty's armed forces—indeed, in some cases, in His Majesty's armed forces.

[Bob Russell]

Much important work relating to veterans issues was carried out by the voluntary sector, the Ministry of Defence and others before the veterans initiative was set up, but many of those areas of activity have been enhanced by Government Departments working in co-operation with the voluntary sector under that initiative. Among the many voluntary organisations involved, I single out the Royal British Legion—a wonderful umbrella organisation—but there are many other voluntary organisations and charities in the wider military family. The ministerial-level veterans taskforce has addressed issues of interest across government, which is to be welcomed, and the veterans forum is tackling specific issues that affect some veterans. The Department of Health, for example, is leading on long-term care for older people and the provision of treatment for mental health conditions, and the then Office of the Deputy Prime Minister led on homelessness. Assisting ex-service personnel and their families to make a successful transition to society is another important service.

Mr. Kevan Jones: Does the hon. Gentleman agree that something that the Veterans Agency, the Ministry of Defence and the Government must look at is the number of ex-servicemen who end up in prison? I was shocked the other day by a letter that said that the Government do not know how many ex-servicemen are serving a prison sentence. Does he think that we should look at that to see whether the cause is possibly related to military service, which has led to those people being in prison?

Bob Russell: I welcome the hon. Gentleman's intervention. It is an interesting idea, but I have to confess that it is not something that I have any knowledge of. It is something on which the Ministry of Defence and the Home Office, as long as it retains the Prison Service brief, must liaise, because it is a valid point. Perhaps it does not relate to the issue that I was discussing, which was the successful transition to society of people leaving Her Majesty's armed forces, but I accept that some of those transitions end up with another Government department—Her Majesty's prisons.

The armed services already provide comprehensive resettlement support for the majority of personnel leaving the forces to rejoin civilian life but, for various reasons, some personnel are not entitled to that support, so the need to identify and assist those in the group who are most at risk must be addressed. If the Government acted on the hon. Gentleman's concern, that could well bring in those who drift and end up in the criminal justice system. Homelessness and rough sleeping are a serious problem among ex-service personnel, quite a high number of whom end up on the streets, although the exact figures are not available. That is something that the Government should look at, and I should like to draw the attention of the Minister and of the House to early-day motion 664, which marks the 75th anniversary of the Ex-Service Fellowship Centres. It congratulates

"the Ex-Service Fellowship Centres...on the occasion of the charitable organisation's 75th anniversary, January 2007; records with admiration that for three-quarters of a century the EFC has provided wide ranging support for homeless former members of HM Armed Forces; pays tribute to staff"

and so on. The charity is an excellent organisation. I commend the early-day motion to the Minister, and urge him to consider whether it could be given Government support. In relation to veterans, too, I should like to stress the importance of working with local authorities and a range of other organisations to ensure consistency in the treatment of war pensions in means-testing for housing benefit and council tax purposes. There ought to be a formula so that every local authority recognises that and deals with it on an equal basis.

I should like to discuss reservists, because, as has already been mentioned, their contribution plays an important part in defence in the UK. I endorse those comments and commend the reservists, who play a vital and integral role in the operation of our armed forces, especially given the current manning shortfalls. Reserve forces have been deployed at unprecedented levels over the past 10 years. They are highly adaptable, and bring skills from civilian life to the forces. I should like to place on record—and I am sure that the House concurs—our appreciation of employers of those individuals, whom they allow to become reservists, and provide time for them to train and be deployed when they are called up. However, the reservists are still below strength, and although there have been improvements, there is a high turnover, so we must ensure that we can maintain the necessary manning levels of reserve forces.

The welfare and well-being of our troops are vital to retention and recruitment. In political debates and the media, much of the focus rests on the politics of war, conflict zones and the conditions in which our armed forces find themselves. Much less attention is paid to other aspects of life in the forces—life on the home front, so to speak—including the conditions in which the troops live, their welfare and care, and the issues that they face daily. It is therefore essential to ensure that, as well as looking after their welfare and safety in conflict zones, their physical and psychological well-being is provided for once they return and are away from the firing line.

On accommodation, I pay tribute to the Government for the new accommodation in the Colchester super garrison. We could have a separate debate about whether the private finance initiative is the right route but, nevertheless, the housing that has been provided is first class, and the regiments are fortunate enough to have a very high standard of accommodation. However, that is not the case across the country, and soldiers still live in accommodation in many places that is well below standard. There are increasing concerns about the standard of housing and of married quarters in various places, and the issue was recently raised by General Sir Mike Jackson and, at the beginning of the year, by Lieutenant-General Freddie Viggers. The standard of some of our single accommodation is particularly alarming.

Although it is clear that not all accommodation is bad, recent MOD figures concede that about 49 per cent. is considered to be of bad quality. That is not satisfactory: we must ensure that Army housing is up to a good standard, and that we support personnel and their families. Ultimately, issues such as poor, substandard accommodation impact on the morale and well-being of our troops. Concerns have been raised, too, about

the availability of housing for armed forces personnel and their families on leaving the Army. That is not a new issue, but it is much worse than it has ever been in all my many years of living in a garrison town. It is the soldiers who are paying the price of the ill-conceived and disastrous proposal by the Tory Government to sell the houses to Annington Homes, yet not include the upkeep of the accommodation in the deal. I invite the Minister to work out the sums. It may well be cheaper to use some of the Iraq money to buy back the MOD housing, using the pricing formula that was used for the sale, so that proposal is not quite as expensive as it might appear at first sight. Of all the privatisations, in percentage terms, that has got to be the biggest rip-off of the lot.

Mr. Hancock: Does my hon. Friend agree that it is a bizarre contradiction of what we are trying to do with married quarters for Annington Homes to sell off homes that they bought on the cheap from the MOD while, not half a mile away, the MOD is building at great expense new married quarters because of the inadequacy of such quarters in the Portsmouth area?

Bob Russell: I am not surprised to hear that. The whole scenario and saga of that privatisation, the small print and so on are a rip-off of public funds. We need a full inquiry into what happened, and what is happening. It is quite ridiculous that the public purse is required to spend many millions of pounds maintaining, improving and upgrading houses that the MOD does not own which, in some cases, may soon be declared surplus to requirements and sold off at a massive profit. For example, in my own town, Annington Homes sold 40 houses, which it purchased for an average price of £15,000 each, and made a gross profit of £4 million—that was on just 40 houses. While the Tories plan to highlight their priorities for the armed forces in their manifesto, that should be a key concern, given that the Tories are the originators of the current situation.

Our men and women deserve more, and so do their families. Living standards are of fundamental importance to the well-being and welfare of troops. More needs to be done now, not 10 years hence. I pay tribute to the Army Families Federation, which is celebrating its 25th anniversary this year. I had the pleasure of meeting some of its leading officers on Tuesday this week as part of the armed forces parliamentary scheme. They have a key issues list, from which I will read out a sample: housing, lack of upgrade programme, delivery of repairs and maintenance, problems on move in and move out, injured soldiers—the need for support for families—and dentists and their availability, or probably more accurately, non-availability.

Families are an integral part of forces life. Not only do we have a duty of care for the personnel, but we should take care of their families and make sure that they are supported as best they can be while their loved ones are on tour. The provision of good quality education for the children of personnel and support for Army schools is an issue that cannot be ignored. Army life can have an impact on the education of Army children. That was highlighted by one in three soldiers interviewed in 2005.

Mr. Robert Goodwill (Scarborough and Whitby) (Con): Is the hon. Gentleman aware of the problem in relation to statemented children? Army personnel have to move around the country a great deal. They battle to get their child statemented in, say, Catterick, but when they move to Colchester they have to go through the whole process again. Would it be possible to have a passport that could be used for statementing?

Bob Russell: I am grateful to the hon. Gentleman for that intervention. He is on the armed forces scheme with me and that was a subject that we discussed on Tuesday. I concur 100 per cent. with his observation. There must be a mechanism whereby a statement goes with the child when the parents move to a different education authority. The point is well made.

Mr. Kevan Jones: Is the hon. Gentleman aware that that was a key recommendation of the excellent Select Committee report last year? It was a top priority that the Government should try and get co-ordination between the MOD and other Departments more finely tuned.

Bob Russell: I am aware of that, and I am grateful that the Select Committee made the recommendation, which I endorse. The hon. Gentleman should be asking those on his Front Bench what has happened since the recommendation.

Right hon. and hon. Members who were at Education questions today will recall that I asked a question to do with the school meals service, and I named the three Army schools in Colchester which had their hot meals service taken away in April 2004 by Conservative-controlled Essex county council—admittedly, using legislation handed to it by the Labour Government. The simple fact is that while their dads are in Afghanistan or Iraq, the children back in Colchester are not able to have a hot school meal because the three Army schools, for whatever reason, do not provide it.

My question to the Ministry is this: those schools are within minutes of the massive new kitchen arrangement in the super garrison that has been built, and if the MOD can organise troops to go to Iraq and Afghanistan, can it not organise a system whereby hot meals can be taken from the garrison kitchens to those schools, so that the children of military personnel can have a hot midday meal, if that is the parents' wish? I leave the thought. It is not beyond the wit of the Ministry of Defence and the Department for Education and Skills to work together on that one.

Service children often have very different lives from other children and are frequently moved around, according to where their parents are stationed. That can cause instability. It is important that there is as little disturbance to their education as possible and that staff understand the demands placed on them. Again, the Defence Committee should be commended for its recent inquiry on the subject. The turbulence factor is a vital part of the life of children of military personnel. I had an Adjournment debate on that a few years back. It is worth reading the record to see what the Minister at the time said and what action has been taken.

Two or three years ago when the right hon. Member for Norwich, South (Mr. Clarke) was Secretary of State

[Bob Russell]

for Education and Skills he had a meeting in my constituency, which I heard about an hour after he arrived, with the heads and chairmen of governors of the Army schools, and he pledged additional money for the those schools. There were photographs and newspaper articles. It is interesting that every time I have pursued the matter, the upshot is that no additional funding has ever been forthcoming. Indeed, because of the fluctuation in the school roll, which can be more pronounced in schools attended predominantly by children of military personnel, those schools have fewer resources than they had when the then Secretary of State for Education and Skills promised more.

Another issue which I would like the Government to take seriously are the cuts in the strength of the Ministry of Defence police. There has been a 40 per cent. cut at the Colchester garrison, which means that the military families, the military schools and the garrison areas outside the wire have less Ministry of Defence police cover than they had before. That does not help the situation. The Essex police are called upon to provide additional cover to make up for the MOD police cuts. That means that civilian areas elsewhere have their cover diluted.

Robert Key (Salisbury) (Con): Like me, the hon. Gentleman has in his constituency an important interface between the Ministry of Defence police, the military police and the Home Office constabulary. Last autumn I discovered that in the midst of two reviews of the Ministry of Defence police, there had been no discussion at all with the Wiltshire constabulary about the impact on the constabulary of withdrawing services of the Ministry of Defence police. They have been pushed from pillar to post, from Larkhill to Tidworth. There are many important places there, including Porton Down. There has been a woeful lack of co-ordination, and the Ministry of Defence police on the ground feel very bruised by that, because half the time they do not know what they are meant to be doing.

Bob Russell: I thank the hon. Gentleman for that contribution. If anything, his scenario sounds worse than that in Essex. At some stage there was a consultation between the Ministry of Defence police, the Royal Military Police and the Essex constabulary, but I have never found out exactly when that took place. As the Minister knows, because I have asked parliamentary questions on the matter, there is now a joint police station out of which the three police forces operate. It could be said that that is a good idea. There has always been co-operation between the Royal Military Police, the Ministry of Defence police and the Essex constabulary. There is nothing new there, but sticking them in one building is almost a bit of bluff to give the impression that something new has happened. Yes, something new has happened, and it is to cover the fact that there has been a 40 per cent. cut in the Ministry of Defence police. That is not very sensible.

I shall deal briefly with two further items. First, can the Minister comment on the issue of drug use among soldiers? I recognise that, in percentage terms, it is probably very low, but can he say whether it is true that the equivalent of a battalion or more a year are discharged because they have failed drug tests?

Secondly, this year is the 25th anniversary of the Falklands war. Can the Minister advise the House in due course on what the precise commemorations or celebrations will be to mark that? Will he ask colleagues to look again at the position of those who served on RMS St. Helena and two other vessels? RMS St. Helena is the only means of communication to the island of St. Helena in the south Atlantic, which gave up its only means of communication to support the liberation of the Falkland Islands.

It was not the fault of RMS St. Helena and its volunteer crew that they were outside the exclusion zone for as long as they were. They wished to play their part; they did play their part, but they were outside the zone for whatever the magical number of days the Ministry of Defence decided constituted justification for the award of a medal. It would cost nothing and put right a wrong if people who volunteered to serve to help liberate the Falkland Islands could have the medal that common sense says they should be awarded. That would cost nothing. Good will cannot have a price.

On the defence of the UK, it was said earlier that few people now have direct knowledge of serving in Her Majesty's armed forces. The reduction in the size of the armed forces and the closure of many garrison bases and Territorial Army bases mean that there is less of a military footprint. The Government need to revisit the issue to see whether there is any way that they can try to get a military footprint or at least a military presence so that more people see soldiers, sailors and airmen even if not on a daily basis—clearly, that can happen only in places such as Portsmouth and the super garrison towns. The country would benefit if the military footprint were bigger than it currently is.

2.31 pm

Linda Gilroy (Plymouth, Sutton) (Lab/Co-op): To follow on from the point made by the hon. Member for Colchester (Bob Russell), it is always a pleasure to take part in these debates, but it is a pity that there are not more Members here from constituencies that do not have a military footprint. Their presence would be one way of ensuring wider knowledge of the issues that we debate.

I want to talk about some procurement and welfare issues and to conclude with some points about the naval base review. I start by noting, on a strategic level, the publication by the Cabinet Office on 27 March of its capability review of the Ministry of Defence. As well as outlining the areas where significant improvements can be made, I want to note where it recognises the many strengths and successes of the MOD.

The capability review says that the MOD is highly regarded both domestically and abroad. I do not think that that will be news to many in the Chamber, but the review says that the Defence Management Board has not always clearly articulated how this links to strategy and delivery. The report recommends that the board take a

"stronger corporate role in directing strategy, developing and allocating resources."

The review also notes that the Department has made significant progress towards the creation of an integrated MOD by joining up work among the three armed services and civilian staff and that it is very much open to change. However, it also says that the DMB needs to articulate how to link the vision of the Department with strategy and delivery. It needs to create a "corporate narrative" that will unify Department purposes and give clarity to its missions.

The report recognises that a vision has been set out in the strategic defence review and the 2003 White Paper on defence strategic guidance and the defence industrial strategy, which provide help in carrying out this vision. However, more needs to be done. Although the MOD has been very focused and successful in delivering short-term outcomes, the review says that that is sometimes at the expense of its long-term planning. Although planning and resource allocation, as well as processes to inform decision making, are in place, there is a lack of clarity around roles, accountability and authority. It draws attention to the way in which approvals and decision making are often multi-layered and tend to get mired in paperwork. The Department's intensity and focus on short-term tasks inevitably impacts on the time available to consider, and deliver on, the longer-term issues.

The capability review concludes that the permanent secretary has already recognised the need to drive through a series of changes designed to achieve improved MOD efficiency, as well as effectiveness. It identifies three key areas for action that will complement his programme of reform and help to achieve the step change in departmental capability which he seeks and which he has outlined to the Defence Committee in his appearances before us. The recipe that the review lays out includes a review of leadership behaviours, governance and accountability. It says that the Defence Management Board must become a more corporate body and find ways of communicating as one voice. It needs to promote the defence agenda more effectively—an aspect that has featured in several debates in the House—and has a role to play in engaging with other Departments to promote a wider understanding of defence and the wider context in which the operations that we often debate take place. It should market its work and build upon its strengths in analytics and operational research. It also needs to build human capacity, and the report outlines how it might better do that.

As a member of the Defence Committee, I look forward to seeing the fruits of the change programme in delivering better support—perhaps, in light of the compliments paid by our report, I should say even better support—to those working in logistics, in procurement and in theatre. It is of course the role of the Committee to scrutinise delivery in all those areas. In the debate in February, I spoke about the range of inquiries in which we have been involved. We have before us several interesting areas for scrutiny, including health, defence estates and strategic lift, as well as visits and inquiries into deployments in Afghanistan and Iraq. I hope that there will be plenty of opportunity to debate the findings of those inquiries. Although the Committee is careful to praise the Department when praise is due, it is of course looking for areas that need to be put right or improved. Media and parliamentary interest in our reports naturally tends to focus on those aspects.

I want to use the time that I have today to reflect on some of the advances made in matters that have been of concern to members of the Committee and, given the importance of defence to our constituents, to many Members on both sides of the House who do not serve on the Committee. The first topic that I want to examine is that of health services. We will be carrying out an inquiry on that, but I have briefed myself on where things stand at the moment, and the latest information that I have to hand deals with some of the matters that have been raised in the debate. Personnel returning from operations for treatment in the UK usually go to University Hospital Birmingham NHS Foundation trust, which is one of the country's top performers and home to the Royal Centre for Defence Medicine. On average, the number of military in-patients—this is relevant to the question of how to achieve an all-military treatment centre for returning officers in NHS hospitals throughout the UK—totals about 60 to 75 personnel: not a very great number.

Last year, the Government announced a multi-million-pound package of benefits for injured service people and their families, including community psychiatric and nursing support. That was criticised earlier. Nevertheless, the value of the contract with the Priory Group for in-patient psychiatric services is some £4 million per annum; and 15 military community mental health departments have been established across the UK so that such services can be delivered to personnel near to their home, unit or base. I hope that that has been mentioned as an important part of the support to our returning service personnel and that we will include it in our forthcoming Select Committee inquiry.

Whenever practical, military patients in Birmingham are allocated to one of the 12 military consultants co-located at the Royal Centre for Defence Medicine, and the Government have introduced improved travel and accommodation arrangements for families who visit patients at Selly Oak. The military-managed ward was mentioned earlier, and I understand that it has reached initial operating capability. It is based in a trauma and orthopaedics ward, where a significant proportion of military patients are treated. Since August, the Government have more than doubled the number of military nurses on the military-managed ward at Selly Oak and, by the end of the month, there will be 26 military nurses and health care assistants—up from 12 last August. By the summer, the number will have increased again.

That advance is reflected in the words of the Chief of the General Staff in March. He puts it better—and perhaps more credibly—than any of us might. He said:

> "I spent most of yesterday at Selly Oak on a planned visit as I go fairly regularly to see the progress that we're making. There are two bays, six bed bays substantially filled with soldiers, they are now together, they are bantering as soldiers like to do and they are getting better because they are together. Six months ago that was not the case.
>
> I and others raised that to people's attention, it's been changed and quite shortly it will be going a little bit further than that and the end of the ward where most of the military patients are will be partitioned substantially off. There'll be 14 beds predominantly available for military people. There was an issue, we have responded to it, it is getting better, and it's really

[Linda Gilroy]

important that that message goes across because it affects potentially morale of the soldiers on the front line, it affects potentially morale of medical staff and critically it also potentially affects the morale of the civilian National Health staff at Selly Oak who I desperately need to do what they do to make our soldiers better."

There is a message in that quote to us, which is that we need to be careful about the way in which we raise such issues and that we must debate them constructively. We also need to keep up to date with what is going on and progress on the matter that I have just considered is only one example of the problems that the Secretary of State and his team are effectively tackling.

Looking forward to another review, I acquainted myself with the scale of the Ministry of Defence's contribution to providing property through the Defence Estates agency. I realise that the Ministry is Britain's largest property manager, maintaining and upgrading 49,000 houses and 150,000 single-bed living spaces, spread over dozens of sites in 16 countries from the Falklands to Germany. That presents a huge challenge.

In 2005-06, the Ministry spent some £700 million on housing and other living accommodation. In some areas, it appears to be exceeding its improvement targets, as I said in an intervention. For 2006-07, I understand that good progress is being made towards the target to upgrade more than 1,200 service family houses. The Ministry will spend £5 billion in the next decade on housing and other living accommodation, with plans for a further 35,000 improved bed spaces in barracks and to continue to improve approximately 1,000 service family properties a year.

Defence Committee members will examine the value for money that Defence Estates provides. Armed forces personnel and their families deserve decent accommodation as well as the other decent services to which hon. Members have referred. The widely reported problems must be tackled. That is a top priority and it must continue to be one. That is why the Defence Committee has made accommodation one of its top priorities.

The Government are improving our support to service personnel who wish to buy property. We heard about the difficulties of accessing education and health services. As service personnel leave the armed forces, they often experience difficulty in getting on to council housing lists. Several hon. Members and I have signed an early-day motion on that subject. However, the answer to the problem is often to assist service personnel who wish to buy their own property. There is an ongoing programme of work with the Department for Communities and Local Government and private companies to give personnel access to shared ownership and joint equity housing schemes: for example, through participation in the key worker living programme.

The issue of helicopters has preoccupied the Defence Committee in a number of its inquiries. As I understand the current situation, commanders on the ground have said that they now have enough helicopters to do what they need to do. During his recent visit to theatres in Afghanistan and Iraq, however, the Secretary of State for Defence decided to provide more helicopters and increased flexibility. Perhaps because that is good news, it has not received the heightened press coverage that some other issues have had recently.

I certainly welcome the Secretary of State's announcement last month that 14 additional helicopters will be made available for military operations over the next couple of years. I understand that the MOD is buying six new Merlin helicopters, which will be available within a year, and converting the eight existing Chinook mark 3 helicopters to make them available for deployment in theatre in two years. The complete package represents an investment of about £230 million.

The Chinook mark 3 helicopters were ordered under the previous Conservative Government in 1995, and delivered in 2001. Since then, they have been unavailable, due to well reported technical problems. The Secretary of State has decided that, given the high priority attached to supporting current operations, and the many representations that he has received from across the House, the best solution is to convert those helicopters to a battlefield support role and get them into theatre for use.

The Defence Committee continually urges our NATO partners to do more—a subject on which the hon. Member for Woodspring (Dr. Fox), who is just about in his place, engaged in lively debate earlier. The Committee is, of course, conducting an inquiry into NATO and its future, and sometimes—particularly when the Committee is devoting resources to the question—it is worth waiting for the outcome of such inquiries before shooting from the hip on certain issues.

Vehicles have been of great concern over the past year. Again, the Secretary of State has ensured that such requirements are attended to with the urgency that they deserve. Last summer, he implemented a rapid review of our protected patrol vehicles, after concerns were expressed that they were not suitable to withstand improvised explosive devices at roadsides. In July, after only a month, he announced a range of new or accelerated vehicle programmes to meet the evolving threat. Those vehicles are now in theatre. In Iraq, the UK forces in Basra are equipped with a mix of Warrior armoured infantry fighting vehicles, the Bulldog and the Mastiff, as well as retaining some of the Snatch Land Rovers that were the subject of such controversy but remain suited to tasks due to their manoeuvrability and low profile.

Harry Cohen: I want to take my hon. Friend back to her comments about the Chinook helicopter being bought by the Conservatives and this Government having to convert it for a battlefield role. Is she saying that the Conservatives bought a helicopter for defence purposes that could not operate properly in the battlefield? Is that not incredible?

Linda Gilroy: It is a matter to be deplored. I can only say that it is a mark of the current Secretary of State that he has decided that the controversy, and the difficulties of attributing responsibility, should be set aside in the interests of getting capability to the front line.

Mr. Arbuthnot: I understand that it is all my fault. I understand that on my first day as Minister of State for Defence Procurement, I bought those helicopters. The first I heard of it was about three years ago, when apparently they would not fly in clouds.

I gather that one of the problems was the change in requirements that was introduced after the Conservatives unfortunately left office, along with the fact that at a time when new digital helicopters were in operation, these helicopters were part-digital and part-analogue, which made them extremely difficult for everyone to manage. If anyone must take the blame, however, it must be me.

Linda Gilroy: I can only say that the right hon. Gentleman, who chairs our Committee so ably, is obviously capable of eating humble pie—and on occasion, no doubt, saying sorry.

Mr. Kevan Jones: As we have entered a new era in which the right hon. Member for North-East Hampshire (Mr. Arbuthnot) bares his soul, may I ask whether it was not also the right hon. Gentleman who sold Army accommodation when he was a Minister?

Linda Gilroy: I do not want to go into attack mode too soon, as I have a little attack section which I will come to in a minute.

I was noting the advances made under the current Secretary of State and the 10-year stewardship of the Labour Government. A mixture of armoured and non-armoured vehicles have been deployed in Afghanistan, including Snatch vehicles, WMIK vehicles, White Fleet vehicles and CVR(T) light-weight combat reconnaissance vehicles, which the Royal Marines deployed with Viking vehicles to provide additional protected mobility. There has been very good feedback on those vehicles from theatre, and it has been decided that they will remain now that the Marines are returning. They have been supplemented by Mastiffs and Vectors, and—as the Secretary of State announced on 26 February—by a company of Warrior fighting vehicles from 1st Battalion Scots Guards.

I am pleased that the pay of the 13,000 lowest-paid servicemen and women is to rise by 9.3 per cent. as a result of the latest pay round. A further 6,000 in the next-to-lowest pay range will receive a 6.2 per cent. increase, which is well overdue. A total of about £350 million more per year will go into each year's operational bonus. However, I still find it shocking that the pay of a junior soldier—a trained private—will start at just over £15,500 a year following the pay increase, welcome though it is. A newly promoted corporal will receive a 4.2 per cent. increase, taking his annual pay from £23,500 to £24,300. These are very young men and women with huge responsibilities, and when representations are made to us by newly qualified nurses and teachers, I sometimes tell them that those young people are going into some of the most dangerous circumstances imaginable.

Nevertheless, the 2007 armed forces pay award is a good one, and I am pleased that the pay review body has confirmed the tax-free operational allowance of £2,240 for eligible personnel completing a six-month operational tour. It is backdated to 1 April, and I understand that proportional amounts will be paid to those undertaking shorter and longer tours. It is better than tax-free pay—for the lower paid, much better—because it is fairer, providing the same tax-free benefit for everyone. The amount is pitched to ensure that the more junior personnel on operations are compensated for their tax bills while they are deployed. In addition to their basic pay, those deployed on operations and training will now qualify after 10 days, rather than 110, for the separation allowance of at least £6.22 per day. The top rate of that allowance has been doubled from £12 to £25. We should thank the Chancellor for all those benefits, as well as the Secretary of State and his team. It is also important that the review body awarded new financial retention incentives to address the key operational pinch points—referred to earlier—for the infantry, other ranks, the Royal Marines and RAF aircrew.

The Tories say that they want to do more to help our forces.

Mr. Gerald Howarth (Aldershot) (Con): This is the "attack" section.

Linda Gilroy: It might be. However, although they say that, they have thus far refused to say how much money they would spend on that. They have announced on at least three occasions that they will have a forces families manifesto, yet they have failed to explain the detail of it, and I noted that there was no mention of that in the introductory remarks of the hon. Member for Woodspring. They have also failed to explain how much money they will invest. The comments of the Leader of the Opposition in a recent webcam interview served to expose the emptiness of their promises:

"Well, the first thing to say I have to be frank, there is no magic pot of money we can dip into to spend a lot more on our armed services, much as we would like to"

—would not we all?

"There just isn't and we have to show to people that we'd be careful and prudent in terms of the money that we're going to spend going ahead."

In contrast, the Government are getting on with the job of improving the welfare of our forces and their families. We have increased the defence budget by, on average, £1 billion a year over the past five years. We are increasing pay, improving equipment, investing in constantly updating medical care, implementing a military-managed ward and spending £5 billion on accommodation over the next decade.

The Tories must start spelling out in which of those areas they would cut spending in order to increase spending elsewhere. Would they spend more money overall? If not, what would they spend more and less on? The defence budget has risen by £1 billion a year over the past five years, in contrast to the past five years under the Tories when it was cut by £500 million per year. They say that at the current level of 2.5 per cent. of GDP, defence spending is at an historic low, but 2.5 per cent. is the same level as in 1997. Who cut defence spending as a percentage of GDP?

Dr. Julian Lewis (New Forest, East) (Con): May I remind the hon. Lady that the only reason why the figure of 2.5 per cent. is being bruited abroad rather than the 2.2 per cent. that the rate actually is, is the

[Dr. Julian Lewis]

Prime Minister's spin which is that the proportion remains roughly constant at 2.5 per cent. if the costs of operations in Afghanistan and Iraq are included? As we all know, those costs should be met separately from the Treasury reserve.

Linda Gilroy: I was about to come on to that. The hon. Gentleman is not taking into account the fact that the cake is substantially larger. Therefore, that represents a significantly larger slice—20 per cent. more in real terms. Larger cakes give larger slices. A large-print health warning should be attached to any forthcoming Conservative commitments, because if the proceeds of growth strategy were to be followed by a Conservative Government and there were a smaller cake in real terms and the cost of the ingredients continued to increase, a 2.5 per cent. increase maintained could well be the same as 3 per cent. of such a smaller overall cake. That point should also provide a political health warning for those who think that the Navy will fare better under the Tories.

Finally, I turn to the Navy and the naval base review. I spoke about the review in the February debate on defence in the world, and my hon. Friend the Member for Portsmouth, North (Sarah McCarthy-Fry) has also spoken about it in this debate. I said that we were happy with the way that things were going in terms of both the review and the framework that had been developed except in one important respect, which was the benchmarks for socio-economic impact assessment. That is essential to ensure that any changes are considered on a like-for-like basis. As my Front-Bench colleagues know, we are still discussing that as much as possible to avoid unnecessary fudges—or, indeed, challenges—in terms of obtaining long-term value for UK plc as well as the Ministry of Defence.

We have certainly had every opportunity to put that case loud and clear, and in the months to come we will see whether note has been taken of it. In essence, we continue to believe that Devonport has a lot to offer if the centre of gravity of the provision of support for the fleet is shifted in our direction. Incidentally, I, too, would never talk of closure of naval bases—merely of changes that should take place to provide value for money for the MOD and Her Majesty's Government. In that respect, I hope that the Minister replying to the debate will encourage companies that are actively exploring buying DML to meet local MPs and other civic leaders, so that they can fully share in our community perspective on the importance that the city of Plymouth attaches to activities at the dockyard, and to its synergy with the naval base.

I was very pleased that my hon. Friend the Member for Portsmouth, North acknowledged the importance of the recent decision on the Trident submarine, and of taking that decision now to maintain the skills base. In order to deliver value for money and to keep that still very fragile skills base intact, it is necessary to realise the important synergies between the naval base and the dockyard.

Although there is much more that could be said on this and other matters of concern to many of my constituents, I will conclude. I look forward to the period between now and the next such debate in this Chamber, during which further progress on the important issues that we are debating today will have been made.

3.2 pm

Mr. James Arbuthnot (North-East Hampshire) (Con): It is obvious from the way in which the hon. Member for Plymouth, Sutton (Linda Gilroy) spoke that she does an enormous amount of extraordinarily valuable work both on and outside the Defence Committee, and it is a great pleasure to follow her. I will refer to some of the things that she said a little later in my speech, which will be brief.

This is a debate on defence in the UK, but since the strategic defence review our strategy rests on an expeditionary policy, so we try to project our defence way beyond the UK. In some ways, defence in the UK is no longer as much of an issue as it once was. It is not regarded by the public as a particularly high priority because NATO has been a victim of its own success. Because NATO has been so successful over the decades, most people feel reasonably secure in defence terms. The result was that we took the peace dividend at the end of the cold war, which has been a serious mistake. My own view is that we should be spending significantly more on defence, but the trouble is that no Chancellor of the Exchequer, Labour or Conservative, will spend significantly more on defence unless the public demand that they do exactly that.

However, that demand is beginning to come about, and one of the people most responsible for that was Sergeant Roberts, who died because he had to give up his armour to somebody else. He did not die in vain, because his death generated a sense of unfairness among the British people about the way in which we were treating our troops. I am delighted that there has been a real increase in support for defence spending in opinion polls across the country.

We took the peace dividend, and since then the defences of Europe have never really recovered. America has gone a different and I believe more sensible way, and we in Europe need to go much more along the American defence spending line. I entirely agree with the point made by the Liberal Democrat spokesman, the hon. Member for Colchester (Bob Russell)—not his outrageous attack on my sale to Annington Homes, of course, which was all nonsense, but his point on the need for a bigger military footprint. It is essential that our armed forces should be encouraged more to wear uniforms in the streets and on the trains, to establish that they are part of the ordinary community. It would bring them closer to the community of British people whom they serve so well and so bravely.

This is a debate on defence in the UK, but I wish to trespass briefly on your indulgence, Mr. Deputy Speaker, to comment on a visit that the Defence Committee made last week to Afghanistan. The success of our deployment in Afghanistan will have huge importance in the UK, because Afghanistan is the source of the vast majority of heroin in this country. We came away from the visit with a sense of confusion about our role in relation to heroin and the poppy. Are we there to destroy the poppy, to support the destruction of the poppy by the Afghan national army,

to destroy some but not all of the poppy, or to leave it be? If we were a little confused about that, the Afghan people, whose hearts and minds we are trying to win, will be very confused about our stance.

As ever, we were very impressed by the morale and quality of our British forces in Afghanistan. We must remember that it is our job as politicians to ensure that our British forces are clear about their role and that, as a result, the Afghan people are clear about what we are doing there. One of the purposes of our presence is to prevent Afghanistan again providing a base for terrorist attacks on the UK, but there has been a worrying failure of communication.

According to the Secretary of State for International Development, we are no longer to use the term "war on terror". I think that he has a good point about that, but we are part of an international struggle and we need a coherent approach across our allies. I worry that we seem to have no campaign plan to combat terrorism, either in this country or in the wider world. It is not surprising that we are losing the information war in the UK and seeing the radicalisation of Muslim youth if we have no joined-up campaign plan that everybody understands and to which everybody subscribes. Either we have a plan that is not being properly explained by this Government and the international community, in which case the Government should begin to explain our plan better very soon, or—more alarmingly—there is no overall strategy to cope with the terrorist threat.

Let us suppose for a moment that we do have a plan, but that we are communicating it badly. That is symptomatic of a wider failure to engage in and win the communication war. In Afghanistan and Iraq, the terrorists we face are extraordinarily good at turning everything to their advantage. They have realised that the deaths of Afghans or Iraqis play to their agenda. They have also realised that the deaths of coalition forces play to their agenda. So the more deaths there are in either country, the more the terrorists seem able to take advantage of the media opportunities that they create. We have not worked out, in our rather plodding western way, how to win or even how to fight that information propaganda battle.

Linda Gilroy: I am following the right hon. Gentleman's speech carefully. Does he agree that in the information war the Iraqis and Iranians are much better at articulating what they are fighting for, as well as what they are fighting against? By using the expression "the war against terror", we have been less good at describing what we are fighting for.

Mr. Arbuthnot: Damn it, I really should know better than to give way to the hon. Lady, as she has said exactly what I was going to say next. She is absolutely right: we will win people's hearts and minds by promoting their hopes and aspirations, not by inspiring fear and saying what is going wrong. She is completely right to say that we have to be for our beliefs and values and against those who try to undermine their own security, but that we have to act in a way that appeals to people's minds and hearts.

My suspicion, however, is not that we failed to articulate our plan but rather that we do not have one. That suspicion is fed by the fact that the Foreign Secretary has told us so. On 13 January, she and the Defence Secretary came before a joint meeting of the Foreign Affairs and Defence Committees. My hon. Friend the Member for Gravesham (Mr. Holloway) asked the Foreign Secretary whether she had

> "a coherent, long-term global plan with our allies in how we are going to deal with this"—

the terrorist threat—

> "over the next five, ten, 20, 50 years?"

The Foreign Secretary replied:

> "This is certainly an issue which is much discussed...the answer to that question will certainly be no but there is a very widespread, very strongly shared concern and people are looking to see what can be done".

The right hon. Lady said more in the same vein, but the truth is that we really need a plan. The Government must show that they understand that the rise of fundamentalism in UK communities, as well as people's sense of isolation, distance and lack of integration, are intimately connected with the difficulties and dangers faced by our troops in the middle east and with terrorism everywhere.

I turn now to how we look after our service personnel. As the hon. Member for Plymouth, Sutton said, we are about to conduct two inquiries. One will be into Defence Estates, the agency that administers the MOD's physical estate, and the other will be into medical care for the armed forces. At this juncture, and with all due diffidence, I should like to pay particular tribute to the Defence Committee itself. It does a lot of extremely valuable work thanks to its members' assiduity and hard work, and they are brilliantly and ably supported by the Committee's Clerks and advisers. A great deal of hard work goes into the inquiries that we conduct and I hope that the House will agree that it is generally to reasonably good effect.

As I said, the Defence Committee is conducting an inquiry into Defence Estates. The agency has a broad range of responsibilities, one of the most important of which is the provision of housing for service personnel and their families. The quality of service housing has received much media attention. It is very variable. When the Committee visited Cyprus last November, we were shown some quite exemplary single living accommodation, but we also spoke to soldiers who were dreading being deployed to Hounslow because of its reputation for having some of the worst barracks in the Army. The MOD has a duty to provide decent living accommodation for service personnel, but it is clear that the quality of accommodation affects both retention and morale. That is why we shall be looking into the matter very soon.

For exactly the same reasons, the Committee will be looking into the medical care that our armed services receive. That has been dealt with in depth and with far greater expertise than I could hope to summon by my hon. Friend the Member for Woodspring (Dr. Fox). He was absolutely right to concentrate on some of mental health issues that challenge injured personnel, as well as on the physical issues. The Committee is not sure about the state of the interface between Defence Medical Services and the NHS and about what happens when people are discharged from the armed forces. We are not sure whether that is being properly handled, so we shall be looking into the matter. It is essential that those who fight on behalf of our country

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and are injured and often suffer dreadfully should receive the very best of care.

In everything we say, we need to bear in mind the extraordinarily valuable contribution made by places such as Selly Oak hospital. There are media stories attacking the hospital, but there are also stories about the high-quality treatment given there. The Committee will do its best to get to the bottom of how such contradictions arise.

Finally, I want to touch on research and development. The Committee produced a report in February on the work of the Defence Science and Technology Laboratory. We noted that UK spending on defence-related research and development is about a tenth of US spending and that the gap is widening. The defence industrial strategy showed clearly that what we spend on defence research now will have a precise and definite bearing on our defence capabilities in 20 or 25 years' time. Our deployments in Afghanistan and Iraq focus research and development on short-term operational requirements, which may be to the detriment of longer term research. We have to ensure that does not happen.

Although the Committee accepted that the Government's defence industrial strategy sought greater investment in defence research from industry, we felt strongly that increased Government investment was also necessary to maintain the UK's position compared with its competitors. We expressed concern about the possible impact of the shortage of science graduates, although DSTL told us that that was not a problem. Nevertheless, we felt that although the shortage of graduates might not yet be a problem for DSTL, it could be in the future. If there are fewer science graduates, or if they are tempted to go to other countries, that could pose a problem for us in the long term.

A couple of evenings ago, some colleagues and I were fortunate enough to be entertained by QinetiQ, the extraordinarily valuable and exceptionally good company that employs large numbers of my constituents. A number of interesting points were made at the dinner, but I shall refer to only two of them. In the commercial world, what is in the shops today was on the computer design screen less than a year ago. We desperately need to be able to match that speed to market—or, in the MOD procurement world, speed to front line.

The second point arises from the first. There is an aversion to risk taking in the civil service. There is no system for rewarding civil servants who take risks. In fact, it is quite the reverse of a reward system, because what happens is that they get hauled before the Defence Committee or the Public Accounts Committee. I believe that there is a need to encourage civil servants to take properly assessed and properly evaluated risks in the interests of getting equipment into service before it becomes obsolete.

Dr. Fox: I cannot quite remember who said, "Advisers advise, Ministers decide," but does my right hon. Friend agree that the primary driver of this system has to be a ministerial one, because it is to Ministers that civil servants are ultimately responsible?

Mr. Arbuthnot: I agree and I will make a further point that relates precisely to what my hon. Friend says. It may horrify the House to hear it, but I believe that the current Minister for defence procurement is well placed to understand the point. Because of his background in industry, he understands the need for risk taking and the benefits that can flow from it. It is essential, I believe, that Ministers take those decisions to encourage risk taking, but it is also important that we scrutinising politicians learn the same lesson before we make life too difficult for those who take risks and sometimes fail.

3.21 pm

Mr. Kevan Jones (North Durham) (Lab): May I say how pleased I am to contribute to this timely and important debate? No one can get away from the fact that our armed forces are under tremendous pressure at the moment—not just overseas, but in the UK. As the right hon. Member for North-East Hampshire (Mr. Arbuthnot) said, we are in a new era in which the certainties of the cold war have gone. The threat now is from international terrorism at home and abroad, and the methods of dealing with those problems in the new security world are very different. That challenges the Government to respond to the threat, while putting great pressure on our armed forces to recognise that we live in a different and dangerous world.

Along with the right hon. Gentleman, I was privileged to visit Afghanistan last week and see that the men and women of our armed forces are working tremendously hard and with great dedication. It was rather odd to see a submariner in Kandahar miles away from the sea, but the men and women we met in all three services were working tremendously hard. I have to say that morale was very high. However, I sometimes think that we forget the pressures on the families left at home and the great worry they go through when their family members are on active operations throughout the world. Indeed, I would like to concentrate on the welfare issues in today's debate.

The Minister referred to the formation of the new armed forces independent complaints commissioner. Like other hon. Members in their places today, I was privileged to be a member of the Select Committee that considered the Armed Forces Bill, which was good legislation. It went through a pre-legislative scrutiny phase in which many important issues were discussed in depth. I was pleased that, following the Blake report, the Government adapted the Bill to introduce a new armed forces commissioner.

No one can underestimate the damage caused by the revelations about Deepcut and the stories that we heard when the Defence Committee produced its report in the previous Parliament on the duty of care to young servicemen and women. I also have to say, however, that some of the media coverage was irresponsible and caused some unwarranted damage. I believe that the armed forces commissioner will help to provide a method of restoring some independence in dealing with complaints, and I hope that the post will be introduced as speedily as possible. I am a little worried that a lot of legislation that the House passes is left to the sausage machine of the civil service to enact. I am pleased that the advert for the armed forces commissioner has gone out, but the House and the Defence Committee will have to monitor the situation to ensure that the body is set up as quickly as possible.

In this media age, it is becoming quite clear that the men and women serving in our armed forces and their families will not sit back quietly and accept everything they are given. Instead, they will raise matters affecting the welfare of individuals and their families. I tabled new clause 23 to the Armed Forces Bill, although the Government did not accept it, which would have formed an armed forces federation. I am not proposing that there should be a trade union for the armed forces because that would be neither helpful, nor the way forward. However, there is increasing dissatisfaction about welfare issues, but, unfortunately, there is no mechanism through which people can express their views and get the recompense that some serving members of the armed forces and families deserve.

If hon. Members want an example, I suggest that they log on to the army rumour service website, which is very entertaining on occasions. Let me cite a recent post on the website. An ex-serviceman wrote:

"There are ... an increasing number of aspects that impact on a soldier's life that have little to do with the military. You will note the problems of debt, taxes, passport issues for our soldiers recruited from the commonwealth, family assistance issues; now, so heavily emphasised".

The post recognises the pressures on family life that are caused by separation from family and loved ones. It continues:

"These are not strictly military issues and go beyond the chain of command. It distresses me, a retired soldier, to see that in these areas over the past 30 years there has been no improvement."

On 30 October 2006, the British Armed Forces Federation gained legal status as a company limited by guarantee. I would like the federation to be recognised as a body that can represent the views of men and women serving in the armed forces, and they should be allowed to join it. People say that that would be a radical step forward that would affect the chain of command, but our men and women are serving overseas in Afghanistan and other theatres with Australian and Dutch personnel and individuals from other international NATO partners, all of whom have similar types of federations.

The federation is carrying out important work by not only lobbying for improvements in housing, but giving personal legal advice on not just the compensation-culture end of the spectrum, but family matters at home. Such a range of services will increasingly be needed by a lot of members of our armed forces. I pay tribute to Douglas Young and others involved in the initiative. Sooner or later, this Government, or a future one, will have to recognise that we need a body that can be a vehicle for highlighting the problems faced by members of our armed forces and for expressing their anxieties. Such problems and anxieties will only increase as we ask our members of the armed forces to do more on our behalf in difficult situations.

We have already heard about accommodation, and the federation's website shows that it is one of the most important issues to people. It is rather sad that media reports over the past few months have ignored the great work that has been done to put more money into accommodation for the armed forces. As the hon. Member for Colchester (Bob Russell) said, however, we cannot ignore history. The Conservatives have to take some responsibility for the sale of MOD accommodation, which was not a good deal for the taxpayer, as the hon. Gentleman said. Having researched my speech for today, I have to say that I agree with the former Prime Minister, Lord Callaghan, who said in 1996:

"In the 1980s the Government preferred to cut taxes rather than look after the living conditions of the Armed Forces. They preferred to win a general election, even if it meant that water poured through the roofs and ceilings and homes in which service personnel were living."—[*Official Report, House of Lords*, 11 July 1996; Vol. 574, c. 455.]

Is every single unit of accommodation going to be upgraded overnight? No. However, another brave decision by the Government, which will improve armed forces accommodation, is to get rid of the arms plot and to develop super bases. The hon. Member for Colchester tells me that some of the new family accommodation coming on-stream is of a very high quality. That will help us to achieve the standards that the families of our armed forces personnel deserve. My hon. Friend the Member for Plymouth, Sutton (Linda Gilroy) made the point that over the next 10 years some £5 billion will be spent on armed forces accommodation.

We must not ignore the issue. Clearly, the Conservatives have jumped on a bandwagon, but the matter has been raised by members of the Army Board. Lieutenant-General Viggers recently said:

"The issue we have is that there is still too much accommodation which is of a poor standard, which is old, and which is not modern in the way it's fitted for families".

He went on to say:

"It's a key issue in what we call the military covenant—giving our soldiers and their families what they deserve in return for what they do for us."

I do not think that anyone in the House could disagree with that or with some of the comments made by General Sir Mike Jackson.

I temper that by saying that members of the Army Board should realise that they speak from a privileged position. Last year, the rent for the accommodation for the four generals came to £82,000, and if one adds in the cost of their gardeners, cooks and various other items, over £600,000 was spent.

Is the plan to improve accommodation going to be a quick fix? No. We ought to congratulate the Government on what they are doing to try to improve accommodation, not just here but abroad.

Some of the reporting of the medical treatment for members of the armed forces who are wounded in action has been sensationalist and outrageous. I have visited Selly Oak hospital, which I think is a fantastic facility. Using it is the right approach, as it has the necessary specialisms and the throughput of people means that expertise and skills are kept up to date. We must always be mindful of the fact that mistakes will be made in individual cases. However, I urge colleagues not to pick one example and then say that everything is wrong, because it quite clearly is not at Selly Oak.

The right hon. Member for North-East Hampshire has already made the point that the Defence Committee will conduct an inquiry into medical services. One issue that needs consideration, and on which I hope the Select Committee will concentrate, is what happens when people leave the military and interact with their

[Mr. Kevan Jones]

local primary care trust or acute hospital. That is important not only in cases of physical injury but, perhaps more so, in mental health services, where there is a gaping hole. We need to aim for a seamless service between the medical services that the military provide and those in the local community. There should be no gap in which people can sometimes be lost. Mental health problems are increasingly going to be an issue for people in stressful situations fighting wars. For perhaps the first time in my life I agreed with the hon. Member for Woodspring (Dr. Fox) when he said that this is the Cinderella service, not only in the military but on civvy street.

I was shocked to read in a letter that no one knows how many ex-servicemen are in prison, and no work has been done on how they got there. I congratulate the Government on setting up the Veterans Agency, which, as the hon. Member for Colchester said, has done a great job, not just in recognising veterans, but in its rough sleepers initiative and in its other projects. Work needs to be done on how many ex-military personnel are in prison, how they got there, and whether becoming involved in a life of crime was a result of experiences that they had in the military.

I was shocked by the approach of the hon. Member for Woodspring. He said that there was a bipartisan consensus on defence, but I have to say that over the past few weeks and months I have not seen a great deal of evidence of that attitude among members of the Conservative party. They are becoming as good as the Liberal Democrats at jumping on bandwagons, and if it was an Olympic sport they would certainly win a gold medal. The comments made about Afghanistan highlight that. Things change in theatre, and it is important that if something goes wrong we do not create an urban myth that the problem has been continuing for ever.

I am sorry, but the hon. Gentleman's description of Afghanistan is complete nonsense, and it is factually incorrect. I was there last week with the Select Committee on Defence, and I pay tribute not just to our men and women, who are working tremendously hard, but to some of our NATO allies—the Dutch, the Canadians, the Americans and the Australians, to name a few—who are working very hard, too. They are doing more than just contributing militarily; they are fighting very hard and are making a good contribution, but because the media do not concentrate on it, there is no recognition of the contribution being made by some of our new NATO allies, including the Baltic states and Romania, which are bringing troops and equipment to Afghanistan. The situation is new for them, and we should not criticise and snipe at them but congratulate them.

A lot of nonsense was talked about caveats. I went out and got a copy of what General Richards said to the Defence Committee the other day. The right hon. Member for North-East Hampshire asked him about caveats, and his response was:

> "You are as well aware of the issue as I am. Troop numbers are the real issue...Moving troops from the North to the south would not have helped...So in answer to your original question it was an increase in the overall number of troops, not caveats"

that was the issue. To regurgitate the issues, and to say that our NATO partners are not working closely and doing a tremendous job in Afghanistan, is naive and not very helpful in our fight against terrorism in that country.

In conclusion, we should remember the debt that we owe our men and women in the armed forces. We should recognise that they are doing a tremendous job on our behalf, and we should support them when things are wrong. When something goes wrong, we should not say that everything is wrong, because clearly there are a lot of men and women in our armed forces who are working very hard. The media—and, on occasions, some of us—need to be careful that we do not knock the morale of those people, who are working in dangerous and difficult circumstances.

3.39 pm

Mr. Nicholas Soames (Mid-Sussex) (Con): I agree with a great deal of what the hon. Member for North Durham (Mr. Jones) has said, particularly about the way in which the media report military matters. They pretend to be the great friends of servicemen and women. When anything goes wrong—and when things go wrong, it can be very bad—it is deeply shocking because it is truly unusual, and I commend him for making that point.

I wish to pay my tribute to servicemen and women, including members of our reserves and the Territorial Army, and their long-suffering wives and often much put-upon families. I also pay tribute to the civilian staff across the whole defence establishment. My right hon. Friend the Member for North-East Hampshire (Mr. Arbuthnot) referred to our magnificent defence industry, which is an important sector of British industry and makes a tremendous contribution to this country. I, too, for my own small part, offer my profound respects and thoughts to the families of the fallen, and I wish a speedy and full recovery and return to duty where possible to those who have been wounded in the service of their country.

Thinking about what I was going to say today, I realised that in about two weeks' time it will be 25 years since the Royal Navy at dawn on Friday 21 May, under the very eyes of the enemy's guns, missiles and aircraft, on the hostile shores of a coastline 8,000 miles from home, put ashore on San Carlos bay a combined taskforce of all arms which, in under 16 days—16 hard days—recaptured the Falkland Islands. It was one of the greatest feats, if the not the greatest feat, of combined operations since D-day, and was accomplished by boldness of conception, superb planning and determination, and formidable skill at arms. We should remember with pride and gratitude the achievements of the Falklands taskforce.

The strategic defence review that followed the 1997 general election was by and large supported by everyone. It was, in many respects, a remarkable piece of work and, in my view, it should have been undertaken by a Conservative Government. It had a great deal to recommend it, and its conclusions were, in my judgment, entirely correct, but the support of the service chiefs and of Her Majesty's loyal Opposition was conditional on funding being made available to make its conclusions a reality. That funding was not forthcoming, and as the right hon. Member for Ashfield (Mr. Hoon), the then Labour Secretary of State for Defence, said in 2003:

"Since the strategic defence review our Armed Forces have conducted operations that have been more complex and greater in number than we had envisaged. We have effectively been conducting continual concurrent operations, deploying further afield, to more places, more frequently and with a greater variety of missions than set out in the SDR planning assumptions."

I am grateful to my hon. Friend the Member for Aldershot (Mr. Howarth) for drawing that remark to my attention.

It is therefore important to say two very important things. First, the services are now seriously underfunded for the task in hand and, secondly, a coach and horses has been driven through defence planning assumptions, which must be revised as a matter of urgency. It is interesting to look at the military establishment, as Defence Equipment and Support puts into practice a proposal made by my party at the last election to merge the Defence Logistics Organisation and the Defence Procurement Agency. Defence Equipment and Support does everything that it possibly can on a very urgent basis to make sure that our people have the right kit and equipment in the field, and it takes considerable risks and cuts every possible corner to do so. Compare that with the top—the Ministry of Defence, the defence establishment and the whole machinery of government, which are still firmly mired in a peacetime process, without any visible sense of urgency. The malign influence of the Treasury is ever present, sitting on their shoulders.

Defence planning is notoriously difficult, but the lessons of history teach us, without exception, that every major emergency involving the British services in the past 25 years was almost completely unforeseen. I include the Falklands campaign in 1982, the Gulf in 1991, Bosnia, Kosovo, Sierra Leone, East Timor, Macedonia, Iraq and now Afghanistan, to say nothing of the emergencies at home, including the fuel crisis, the foot and mouth emergency, firefighting and the terrorist attacks of July 2005. The ill intention towards us can wreak havoc in a way that would have been unimaginable a short time ago.

The question that needs to be asked is whether, in light of events, the Foreign Office and the Ministry of Defence believe that the world is becoming a safer place. None of us knows any serious commentator or observer who thinks so. There is every likelihood that our services will be required to do more, rather than less, over the next decade and for the foreseeable future. I see no likelihood of the tempo of operations diminishing or the requirements for combat, peace enforcement, peace support and humanitarian relief growing any less, and I should be grateful if the Minister would confirm that when he winds up.

In the longer term the growing threat from climate change and sudden catastrophic environmental disaster must be considered, as well as the stability of Governments and states in parts of the world where we have considerable interests, and the activities of non-state actors such as major terrorist groups and international cross-border crime syndicates. We live in a globalised world. What happens in Pakistan, the middle east or the horn of Africa affects us. It is not possible to say that we will avoid involvement. We do not and will not always have the luxury of choice in that regard. It would be irresponsibly risky and dangerous to predicate our future policy and budget purely on avoiding trouble.

As I say, events have breached the defence planning assumptions asunder. The services are seriously underfunded and operating at the very margins of what is sustainable, particularly the Army. It is necessary for the present Government or whoever will follow them to make crucial judgments on investments to create balanced forces that can adapt quickly to the demands of new crises. I have no high hopes, for, as our armed forces are engaged in a full-on high intensity war fighting operation, the machinery of government is mired in a peacetime mentality.

As Lord Guthrie, a distinguished former Chief of the Defence Staff, has wisely said, operations are being conducted successfully today, but they cannot be maintained at their present tempo on current human and equipment resources and funding for much longer, without inviting a dramatic deterioration in capability and performance in the not too distant future and risking operational failure. It is a long time since any former Chief of the Defence Staff has made that so plain.

I want Ministers to understand that there is no need for us to have a political argument about this. I agree with the hon. Member for North Durham. When he meets troops in Afghanistan who are really doing the business, of course their morale is high. They are well trained and they are some of the most remarkable troops in the world. Generally speaking, however, our armed forces feel taken for granted and undervalued. That must be fixed. At the minimum, there needs to be an uplift of the defence budget to produce balanced forces more appropriate for the times we live in and the tasks they are being asked to undertake. The Army, in particular, is in grave need of extra money if it is to continue to conduct operations at the current rate.

Many others more experienced and cleverer than I believe that when it comes to policy making and strategy, the military chiefs are shut out of the major decisions and Ministers being told the truth about life and death in the real world. I think that I am not alone in finding it extraordinary that when the Prime Minister travels to the United States—for example, to deliberate with the President on really important matters of life and death to this country involving the deployment and use of British armed forces—that he is not accompanied by at least the Chief of the Defence Staff and other senior officers. Had more of their views on the post-conflict problems of Iraq been listened to, many of those problems would have been diminished.

The next Conservative Government will need to ensure that senior commanders have a far greater input into policy at the very highest level. The Conservative Government will wish, I hope, to return to the chiefs of staff the public authority that they once exercised and to make clear, for example, that far greater account is taken of their views in some of those major decisions.

I want to finish reasonably soon, but I must bang on about something that I have spoken about in every speech in a defence debate that I have made in the House for about the past 10 years. Very little attention has been paid to what I have said, so I will have one more go about an issue that is absolutely fundamental to our armed forces. I do not want to sound like Colonel Blimp, but this issue matters very much. I want to say a few words about training and discipline.

[Mr. Nicholas Soames]

It is not an idle boast, and it is true to say, that the British Army and the British armed forces are man for man the best fighting force in the world. In the Falklands, in the Gulf, in Bosnia, Kosovo, Sierra Leone and, most recently, in Iraq and Afghanistan, both their enemies and their allies have been truly amazed at their fitness, determination, courage, professionalism and, of course, their humanity. That is why what happened to the Royal Navy the other day is so truly shocking. I was in Washington last week and was touched by the solicitude of our American friends at what had happened to the Royal Navy in this particular case.

The answer is simple and I suspect not well understood much outside the armed forces. In no other army in the world, can a soldier depend on the men around him in the way that they can and do in the British Army, and they are doing every day of the week in Helmand and Basra, as the hon. Member for North Durham and the Select Committee will have seen. From Waterloo to Alamein, from Goose Green to the Euphrates and from Bosnia to Basra and Helmand, the British soldiers, commandos and all those others fighting on the ground have proved time and again that they can face the most tremendous odds and triumph. If one asks a soldier what the key to that confidence is, they will immediately say that it is discipline, training and trust in the chain of command. It is therefore a matter of the first importance that the system that produces young men and women of this calibre must not be altered in such a way that it will produce only pale imitations of what is required.

So far the Army has just about held the line, but it is a constant battle for all three services to fight off politically correct notions that are profoundly dangerous when it comes to operations and training and absolute anathema to the ethos of the armed forces.

Mr. Gerald Howarth: I agree entirely with my hon. Friend. He will recall that there is an old Army adage: "Train hard and fight easy". Does he agree that, in respect of the Deepcut inquiry that was mentioned by the hon. Member for North Durham (Mr. Jones), Mr. Blake, like everyone else who has inquired into the circumstances at Deepcut, was at pains to point out that unless we train our young men and women robustly, we will do them the most enormous disfavour in failing to equip them properly to meet the challenges of war fighting in Afghanistan and Iraq?

Mr. Soames: I entirely agree with my hon. Friend. There has been a series of very unfortunate events which, because of their rarity, achieve a magnitude out of all proportion to the everyday run of military training. I pay tribute to the backbone—the spine—of the British armed forces: the non-commissioned officers, who, on operations and in training, do all that is necessary to produce those very fine and remarkable young men. We really are very lucky, and they are the envy of all other armed forces.

It is not well understood in this House that the people of our armed forces live under a very different code of rules and conduct from the rest of us. Practically no one in the press, and very few people in this House or in the wider world, has any real understanding as to the circumstances in which they operate. That is not good for the armed forces and not good for the country. An amazingly high standard of personal conduct is required of our armed forces, sometimes under the most grievously difficult circumstances: respect for the law, teamwork, cohesion, trust and loyalty, together with a highly developed sense of duty, obligation and integrity. Those are qualities almost alien to most members of the press who would write about our armed forces. If he has not already done so, I suggest that the Minister reads "The Values and Standards of the British Army: A Guide to Soldiers". It is a remarkable document that deserves to be more widely read; indeed, it should be read in every school in the land.

What happened to the Navy in the Shatt al-Arab was an unforgivable disaster. As Brigadier Allan Mallinson said in a brilliant article in *The Daily Telegraph*, it was an entirely avoidable tactical military cock-up. The Navy was operating in highly sensitive waters in seemingly the most complacent manner, with unclear rules of engagement and wholly inadequate military intelligence. There will be, and need to be, the most serious consequences, and I have every confidence in General Sir Robert Fulton, who will get to the bottom of this atrocious failure.

As I have often said in the House, for the soldiers, sailors and airmen of today and tomorrow, as for their formidable forebears, warfare will and does continue to represent the ultimate physical and moral challenge. These young men and women will encounter extreme danger in rapidly changing circumstances amid conditions of chaos and uncertainty. Their skills and leadership qualities, and their weapons and equipment, are being tested every day of the week in our name. These operations are sustainable only by very highly trained and committed young men motivated by service ethos, by pride in their traditions and institutions, by comradeship and an astonishing level of team spirit, and by the emotional, intellectual and moral qualities that lead people to put their lives on the line—and of course by loyalty and patriotism and by an enduring belief in essentially British values and an unshakable determination to defend them.

It has always worried me that Ministers do not really understand what is being asked of our soldiers. I should like to remind the Minister of what Lord Wavell said in one of the most famous military lectures of all time—his lecture on generalship. His words were remarkable, and all of us in this House, when we think of these young men and women, need to hold them up in our minds.

He said that,

"in the last resort, the end of all military training, the settling of all policy, the ordering of all weaponry and all that goes into the makings of the armed forces is that the deciding factor in battle will always be this: That sooner or later, private so-and-so will, of his own free will and in the face of great danger, uncertainty and chaos have to advance to his front in the face of the enemy."

If it all goes wrong after the training, intensive preparations, provision of equipment and expenditure, the system has failed. That system has, so far, never failed, but it is now not failing only by the skin of its teeth. The armed forces have never let us down, but the Prime Minister, the Chancellor and the Secretary of

State are letting them down by failing to resource them adequately for the demanding tasks that they are under constant obligation to undertake. They must stop taking the armed forces for granted.

4 pm

Mr. Bruce George (Walsall, South) (Lab): I apologise for missing the opening speeches and two hours of the debate. I was attending a dinner that the Minister for Europe gave for the President of Georgia.

The hon. Member for Mid-Sussex (Mr. Soames) is almost Churchillian in his oratory, but he is guilty of missing out a bit of history from the Falklands to 1997, when he was a distinguished Minister, as was my successor as Chairman of the Defence Committee. I still find it difficult to view the work of the Defence Committee with detachment. Leaving it was not voluntary but imposed by a rule for which I did not vote and that I did not appreciate.

I remember reading that the hon. Gentleman's grandfather famously said after the war that history would be kind to him because he would be writing the history. That was prophetic and brilliant and no hon. Member, with the possible exception of the hon. Gentleman, has more admiration for his grandfather than me. However, the hon. Gentleman was a Minister when the defence budget fell from 5.5 per cent. to 2.5 per cent. I recall Ministers appearing before the Defence Committee, and our pleading with them, "Please don't think because the cold war is over that the threat to our national security has been dissipated. History shows that crises will return."

I am not trying to be hostile; I want to be constructive in the same way as the hon. Gentleman and others. Governments are always guilty of finding reasons for not increasing expenditure on defence and for cutting defence spending. In 1997, the Defence Committee was Conservative led, and our last report before the general election said something along the lines of, "Defence expenditure has fallen to such a dramatically low level that, should any further cuts be introduced, we believe it will endanger the defence of the realm."

The Government appear to be following a tradition of doing the bare necessity. I support the Government—if I supported the party under Michael Foot, I will always support it. I cringe about some of the things for which I had to vote in the 1980s, holding my nose every time I went through the Lobby to vote on defence issues. There was one exception: the Falklands, when Michael Foot returned to his "guilty men" days, and I applauded him.

I remember writing a mostly historical book about my local Staffordshire Regiment, which survived the Conservative Government. Thank God for the right hon. and learned Member for Kensington and Chelsea (Sir Malcolm Rifkind), who reversed some of the atrocious cuts that the Government had pushed through. Unfortunately, the new Government got their own back on some of the regiments that survived, and the early options for change policy appears to be in the process of implementation. As we have seen with some of the failures of the previous Government, supporters of this Government will also look back critically in 10, 15 or however many years.

When I came to the debate late, I had a sense of déjà vu, because the sale of the Ministry of Defence housing estate—sold by Michael Portillo to Annington Homes, also known as the Nomura corporation of Tokyo, Japan—was again being discussed. In the early 1990s, the Conservative-led Defence Committee said that the cuts to Defence Medical Services, as a result of defence costs study 15, had proceeded at such a pace and intensity that it doubted that it could ever recover.

The Labour Government made one of the biggest mistakes—which has been referred to rather approvingly—in flogging off the Defence Evaluation and Research Agency. That was an atrocious decision, even though people now take some pride in it. The hon. Member for Portsmouth, South (Mr. Hancock) was part of our four inquiries' endeavour—

Harry Cohen: And me.

Mr. George: I am sorry to show how bipartisan the report was.

Therefore, Governments fail. At the beginning of this Government, I remember making what I thought was an amusing speech, which I called the A to Z of Tory procurement—the Clerks advised "foul-ups" as the final words. I said at the time that the speech had been made too soon, and now is the time to accuse the Labour party of making procurement mistakes.

All Governments make mistakes. They should at least have the humility to know when mistakes have been made, and look to history to try to avoid such mistakes in the future. The history of the British armed forces over the past 200 years shows an oscillation between intense effort to meet a sudden threat and—almost in a matter of days after the threat was over and military victory had been achieved—the inevitable descent in expenditure and recruitment. Once again, having bottomed out, a crisis emerges and the situation must be repaired in a short space of time.

What are the current dangers? We have all said that we now look back on the cold war almost as the halcyon days. We knew the enemy then: all the Germans looked like Anton Diffring, and the Russians all looked like Russians. Now, however, we live in a different world. The threat is different, but I fear that some of the cold war threats and problems will sneak back. There was a time when the cold war had apparently ended, and we were in our euphoric phase. With Gorbachev, Yeltsin and the beginning of democracy, we were in a loving embrace with Russia—no longer the Soviet Union—with NATO training the Russian military and good words all round. Anyone who thought that that would last in perpetuity had no knowledge of, interest in or wish to gain the experience of history.

It is too soon to start getting paranoid about developments, but we need to be aware of them. Russia went through an humiliating period, and is now coming out of it. The British and others helped Russia to develop its oil and gas industry, and now, understandably, it is becoming increasingly wealthy and self-confident. We are beginning to hear phrases which, if not alarming, are cause for concern.

The cold war created the need for cold war expenditure and action. Then we entered a period in which people said "Well, there is only one superpower

[Mr. Bruce George]

now. All is going swimmingly. Russia is no longer a threat, and China does not really count." We are moving into a different era now. We are no longer in a unipolar state; we are in a multipolar state. We are seeing a multiplication of ownership of nuclear weapons, and countries with significant grievances. As I am sure other Members have pointed out, we face a new range of threats. There are environmental threats, and of course there is the growth of terrorism.

We are having to deal with those new threats, but we may also face a recurrence of the old threats. It has been said that in an era in which we need forces that can be deployed rapidly, we do not need heavy tanks. People have said, "No one wants the Eurofighter any more, because it is surplus to requirements." We are going to have to prepare for a traditional, conventional war, such as we fought only three years ago. We must prepare to defend ourselves with the concepts and strategies that were used in the 1950s, 1960s and 1970s, while having to deal with terrorism at home and a multitude of other pressures that we are beginning to recognise. Can that be done with a defence budget that is falling to a level close to 2.2 or 2.3 per cent., perhaps even closer than we fear? It cannot.

As everyone with a sense of history knows, after the Ottoman navy was largely sunk at Lepanto, the Ottomans licked their wounds, sailed home in what ships they had, chopped down every tree in Anatolia and built a new navy in six months, after which they were back winning naval victories. Our protracted procurement process may mean a delay of 10, 15 or 20 years. We must start to anticipate what the dangers may be in 10 or 15 years, or perhaps even sooner.

Members may say, "You have criticised the Government. Now may we have a little plug for the Government?" The hon. Member for Mid-Sussex rightly said that the strategic defence review was overdue and that its analysis was correct. Adjustments were made because of succeeding events, but one wonders how long it will be before more adjustments are needed. I am not calling for a new SDR, but five years from now we may be forced to admit that the strategic environment is different from the one that existed when the SDR was drawn up in the late 1990s.

I do not wish to be seen as an old cold war warrior who, Rip van Winkle-like, has fallen asleep for a decade and then returned to the world as if nothing had happened. I genuinely believe that we are entering a dangerous period of international relations.

I am very pro-America, and always have been. We should support the alliance, and support the United States even when things look pretty stupid over there. Anyone with a sense of history will know the importance of the United States to the security and survival of western Europe. Who was largely responsible for the delivery of eastern and central Europe? It was not the British or the French; it was the United States. Because of the deteriorating economic environment in the United States and the bruising that it, like the British, has received over Iraq, my concern is that the United States might do what it did after 1918-19: retreat into itself and say, "Well, it's your problem." It must not do that. However good our armed forces are, and even with Trident II or Trident III, could we survive? No, we could not. Can we rely on the European Union to defend us? No, we cannot.

In the dangerous world in which we now live, there must be an increasingly close relationship between the traditional allies—not only between the English-speaking peoples, but right across the world. The economic, social and demographic threats that we face have to be dealt with, but the primary threat will be the multiplicity of threats that I have been talking about. We can cope with those threats only by means of a solid twin-tracked alliance in which the American part is matched—and not only in terms of the quality of armed forces. We have learned that defence is no longer a matter only for the Ministry of Defence.

That brings me on to my main point. The debate is on defence, but the topic is in some respects anachronistic. Defence is a watertight area of Government policy. We know exactly what it is, who makes most of the decisions—the Chancellor—and who makes the decisions consequent upon his decisions. We know the personnel involved. However, 9/11 showed that each Department of State is not watertight. No solid wall can be built around the Foreign Office or the MOD. In fairness to the Executive, they have built up and developed a system of decision making that transcends departmental stovepipes. However, it is far from perfect, and I do not want there to be a crisis of decision making so that there needs to be an inquiry into that failure. I do not want the Government to have to rework constantly their decision-making and policy-making procedures to ensure that, in the event of a crisis—whether a minor crisis involving a relatively minor terrorist attack, or a major crisis—the entire series of edifices of central Government, Cabinet and Cabinet Committees, with the entire range of personnel involved, are so well calibrated in terms of both domestic politics and our relations with our international partners that our response is sufficiently swift and effective.

My major concern is an institution that is closer to home: our House of Commons. The Executive have over time acted to create a more cross-cutting decision-making process, but parliamentary structures remain wedded to 19th-century principles. We even call Select Committees "departmental Select Committees". However, the Defence Committee, which I was proud to chair, broke the mould. After 9/11, a meeting was held—a couple of Members who are present attended it—of the Defence Committee, the Foreign Affairs Committee and the International Development Committee. It was a substitute for a second recall of Parliament after 9/11. I contacted the Chairmen of those Committees as well as the chairman of the Joint Intelligence Committee, which is not a Select Committee, of course, and said, "Look, we're all going to be involved in an inquiry into 9/11. Let's get the ground rules right so that we do not keep calling the same people." I asked the Defence Committee staff and others to list from one to 10 the best forms of inquiry. At the top of the list was a joint inquiry across the board: one large committee with inputs from the other Committees. At the bottom was the option of no co-operation whatsoever. What model of co-operation was chosen? The bottom but one, which was a joint briefing from the intelligence services. So the Defence Committee said, "Sod you—we are doing our own."

A lot of people were angry. One Cabinet Minister was incandescent with rage because we, the Defence Committee, at the instigation of the MOD, were undertaking an inquiry way beyond our competence as a Select Committee. We did it, however, and we covered defence and, to an extent, foreign affairs, home affairs, civil contingencies preparation and response, aviation and maritime security, the response of the health service, regional and local government, policing, and the private sector in a genuinely integrated inquiry, carried out by the Defence Committee on its own. After that we had exhausted our good will with the other Committees, which had progressively joined in, so we sank back again into our stovepipe.

I have done a lot of research on this issue. I wrote to the Leader of the House, who was not interested in my proposal. The Chairman of the Modernisation Committee was quite interested, but I got no reply from the Liaison Committee. I said, "Can we not think of ways of improving the situation and of getting out of our 'stovepipe-ism'? Can't we have a national security committee, which could be ad hoc and would come into effect only if a crisis occurred that required the Select Committee system to get the Committees together in a combined endeavour to deal with it?"

Mr. Kevan Jones: Everything is not as black and gloomy as my right hon. Friend is suggesting. His successor, the right hon. Member for North-East Hampshire (Mr. Arbuthnot), has held a joint session of the Foreign Affairs and Defence Committees, taking evidence from the Foreign Secretary and the Defence Secretary.

Mr. George: I am aware of that, although I am grateful to my hon. Friend for pointing it out. However, that is nothing—in fact, less than nothing. I recall saying that we must have more meetings with Foreign Affairs Committee. We had one with the MOD and then the Clerk was instructed that if that representative of the FAC ever attends a joint meeting, that is the end of any co-operation. So I lapsed for a moment into the attitude that I am now criticising.

I proposed a system that can replicate the co-ordinated response of the Executive. We cannot do that, because the Treasury can play one Department or Select Committee off against another. The Treasury will not appear before us—to my knowledge, only once in 30 years has a Treasury official appeared before the Defence Committee. We need to think about improving our own structures. There are models, of sorts, such as the Quadripartite Committee, and the Commons and Lords Joint Committee on Human Rights. We cannot deal with the multiplicity of challenges that a modern state faces by examining the MOD singly. If what the Defence Committee did on civil contingencies preparation and planning were replicated in a Government structure, it would fill a wall. Who—apart from the Defence Committee five or six years ago—has done anything about this issue other than table a few parliamentary questions? Who has asked questions of the Civil Contingencies Committee or the civil contingencies secretariat, which are vital to responding to a devastating attack? I wish that we would put our house in order in that regard.

I have not yet touched on the main points of my speech—*[Interruption.]* We have lots of time. I sought advice regarding the Register of Members' Interests, and I should point out that I have an obsessive interest in the state of Georgia. That interest first developed in the mid-1990s, when Georgia was under the corrupt regime of Eduard Shevardnadze. I also headed the observation of a number of elections in Georgia, and in doing so I was very objective. I am very supportive of Georgia and I will never again be asked to observe an election there, or anywhere else probably. Alarm bells may be ringing and people may be asking what Georgia has to do with this debate—

Mr. Hancock: Yes.

Mr. George: Well, it is the one place that the hon. Gentleman has not visited. I cannot think of many places that fall into that category.

Mr. Hancock: I went there with you!

Mr. George: Well, perhaps the hon. Gentleman has been there once.

To try to minimise criticism, I mentioned earlier in my speech the fact that as the Secretary of State for Defence spent a lot of time talking to the President of Georgia—as did the Prime Minister—it must be a matter of interest for us. What happens in Georgia is of importance to us. First, so much of our energy comes through that country and BP is the largest investor there. Secondly, we want Georgia to become part of NATO and it is in our interests that that part of the south Caucasus is democratic. None of the countries to the north are democratic and the other countries in the south Caucasus are—to put it politely—not yet on the significant path towards becoming consolidated democracies. Georgia is trying very hard to be accepted as a member of NATO. It has gone through the acronym process of partnership for peace and, I hope, next year it will go through the membership action plan.

My great concern is Russia. I am not being paranoid and saying that Russia is a threat. It is not, but the speech that President Putin gave a couple of months ago in Germany criticised the Organisation for Security and Co-operation in Europe, which must be the least harmful organisation in the history of the world. It is the Russians who are being paranoid. It is not in our interests that any Russian bullying achieves its aim of intimidating Georgia into accepting the re-establishment of Russian control. The Russians often forget that Georgia has extricated itself from the Soviet Union and Russia. More worryingly, it is possible that Russian pressure—not from the old Red Army, but from the exploitation of a near monopoly in oil and gas—will buy off any support that some countries might otherwise have given to Georgia's burgeoning democracy and its aspirations to become part of the Euratlantic region and political culture and a member of NATO.

The British Government are doing much to assist in the modernisation of the military. Through the pipeline we are the leading investor in the Georgian economy at present, and we have close connections between our Parliaments and Government Departments. I hope that in one or two years' time Georgia will become part of NATO.

When I first became a Member of Parliament, the antagonism on the issue of defence was appalling. The

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issue became so personal that it was impossible to achieve any consensus on any defence issue, and that was just inside the Labour party. Between all the parties, the debates were acrimonious and speeches on the issue could cause great offence on both sides. Now, despite the rhetoric and leg-pulling, and the claims that the Government have not done various things right, there is an incredible near-consensus on defence policy. Yes, there are those who do not want Trident, but there is substantial agreement on basic issues. Whichever party is in office over the next five to 10 years, I hope that that consensus will prevail. The challenges that the UK will face will demand clear-headed decision making in Parliament, because the level of threat will be unlike anything that we have seen for generations.

I am not making a valedictory speech, but I believe that the House of Commons is up to that task. The Opposition may not admit it, but they generally offer the Government their support and as a result we are going in the right direction. The way forward set down in the SDR is right, even though some substantial adjustments have to be made. However, we would be burying our collective head in the sand if we believed that the present defence budget, even though it has not been cut, was sufficient to deal with present difficulties, let alone future problems. If we want to adhere to our international obligations and fulfil the principal requirement that our state be defended, the money for that must be found somewhere. That is the challenge facing the Government and the next Prime Minister. We cannot expect our armed forces to continue their difficult task without the necessary funds or resources. I very much hope that the Government meet their obligations in that respect.

4.31 pm

Ann Winterton (Congleton) (Con): It was a pleasure to be in the House this afternoon to hear the sterling contribution of my hon. Friend the Member for Mid-Sussex (Mr. Soames). I want to associate myself in particular with the remarks that he made at the beginning of his speech about our armed services and their families and about those who have fallen on behalf of this country.

Those remarks prompted me to reflect that defence should be any Government's No. 1 priority, as it is our insurance policy that ensures that freedom and the right of self-determination continue in the UK. It was for that reason that the Falklands taskforce set out almost 25 years ago, as most of us will remember well. I am pleased and honoured to be going to the Falklands for the first time in June, to be present at the commemorations celebrating the return of freedom to the islands.

I agree entirely with the right hon. Member for Walsall, South (Mr. George) about the alliances with America and the English-speaking countries that have stood the test of time. We should work more closely with those who share our ideals and values.

I came across a quotation the other day that seemed especially apt for this debate on the UK's defence. In his "The Art of War", Sun Tzu wrote:

"And as water has no constant form, there are in war no constant conditions."

That succinctly describes the dilemma facing those charged with the procurement of arms, vehicles and systems for our armed services on active duty on behalf of the UK.

In order to plan comprehensively for the defence of the UK, one has to predict future difficulties and conflicts that could threaten, directly or indirectly, our nation and its interests. It would seem that the present counter-insurgency challenges facing our troops in both Iraq and Afghanistan—part of the war on terrorism—have not been accurately predicted by the military or by politicians. The Home Secretary recently talked about splitting the responsibilities of the Home Office to improve prospects in the war on terror. Perhaps the MOD needs to give a higher priority to counter-insurgency work, and to the necessary procurement for it, because the war on terror will most certainly not go away.

I am often reminded of the phrase "boys and toys" when I hear about the huge expenditure on procurement in the UK's defence budget, not least because I have always believed that it is not what we spend but how we spend it that is more important. For example, the RAF's budget is haemorrhaging because of the Eurofighter—that fantastically expensive creation of European integration—and if we enter into tranche 3, which will provide for ground attack, the aircraft will be too fast to be of any use as close air support in counter-insurgency work.

Similarly, the Royal Navy is besotted with the idea of its two future aircraft carriers, which inevitably absorb most of its funding. However, should not we ask whether those vessels will fit the requirements of the future? They will certainly be of limited value in counter-insurgency work, where the requirement is often as simple as inshore patrol vessels. The Army has been painfully restructured to fulfil the original concept of FRES—the future rapid effect system—to wage war against a conventional army at a distance, as part of the European rapid reaction force, double-hatted with NATO; yet that unattainable pipe dream seems to have been downgraded to the provision of medium-armoured vehicles.

The three examples that I have briefly described, with the extra parts bolted on to form the complete packages, are very large funding projects indeed. During the Westminster Hall debate that I secured on FRES, the Minister announced that its cost had risen, almost overnight, from £6 billion to £14 billion and I believe that it has now gone up to £16 billion in only a short time. Once again, the question has to be posed: can the UK afford such expensive procurement without compromising lesser but equally important projects with immediate needs, such as those to provide maximum protection and support for our troops on active service in Iraq and Afghanistan? The final question is the $64,000 one: will a future British Government be prepared to continue funding those expensive projects?

The MOD is making great strides in base protection from indirect fire, which includes the introduction of counter rocket, artillery and mortar—C-RAM—about which I asked an oral question on 22 January, following a tragic incident at Basra palace camp. Improved body armour has been supplied. The VIPIR thermal imager is excellent. Mastiff and Bulldog vehicles have been

introduced and there are improved electronic counter-measures against improvised explosive devices. As has been said, there are additional medium-lift helicopters: eight mark 3 Chinooks, which are to be downgraded to mark 2s, to ensure that they actually work, and six Merlins from Denmark, which are exceptionally expensive aircraft. In addition, among other items, we now have the underslung grenade launcher and better communication kit.

Where we might be going wrong, however, is that the military, or perhaps even politicians, seem to want advanced technical toys that cover 100 per cent. of all possible requirements. I have already mentioned tranche 3 of the Eurofighter, but there is also the joint strike fighter, the Merlin helicopter and electric armour on new vehicles. Then, on cost only rather than technology grounds, there are the two carriers, Astute submarines, A400M transport aircraft, air-to-air refuelling replacement and the MARS—military afloat reach and sustainability—programme to replace all the Navy's ageing supply ships. They are all incredibly expensive, and often need massive logistical back-up, yet we simply do not have the manpower to service them without taking personnel from other duties. Nor could we contemplate their potential loss, because we have insufficient financial resources to replace them, even if they could be procured at short notice, which is nigh on impossible.

Over the past three years, I have consistently pursued the issue of counter-insurgency, where the enemy is unknown and is indistinguishable from the local population. That was the main reason I was so sceptical about the original concept of FRES. It is essential for counter-insurgency work to have aerial surveillance, yet I am not entirely convinced of the reliability of unmanned aerial vehicles, which do not come cheap by any means, especially when the Iraqi air force has at least 12 SAMA CH2000 small aircraft fitted with XM15 electro-optical surveillance turrets for less than the price of one Lynx helicopter. However, the Minister will be relieved to hear that it is pleasing that the Army Air Corps now has four Britten Norman Defender 4S AL Mk1 aircraft, which I trust are still in Iraq. I recently tabled a written question on that point. They operate at a fraction of the hourly cost of other aircraft and are no doubt doing a superb job.

With the correct surveillance equipment, an expensive platform is not necessary to deliver results. With the contraction of UK forces in Iraq to Basra air base, for example, the limited routes into Basra should be under aerial surveillance 24 hours a day, seven days a week, as should those routes going south to protect the supply lines from Kuwait. That should not be too expensive, but I wonder if the Royal Air Force and the Army Air Corps would work together and co-operate on such a project.

Moreover, insurgents are upping the ante, as it were, by taking out Warriors and Challengers, but it takes them considerably longer to lay the much larger charges needed than to lay an IED—improvised explosive device—against a Snatch Land Rover. That provides the golden opportunity, if there is adequate surveillance, to catch and deal with the insurgents.

There should not be a shortage of helicopters, as there are plenty of Bell helicopters—commonly known in the American slang as "Hueys"—which can be leased at a 10th of the hourly cost of a Lynx. They can also operate well in the heat of Afghanistan and fly when conditions ground the Lynx.

At present, many of the requirements in the field of defence arise from dealing with insurgents resisting democracy, and the UK simply cannot afford to fight that kind of a war by using the most expensive equipment, which is not always the best for the conditions. We can succeed, however, by using practical, cost-effective means such as the electro-optical surveillance turret within a simple platform. We can build vehicles with a balance between protection, speed and manoeuvrability, although it has to be said that reports about the Panther Command and Liaison vehicle have not been all that encouraging. As it seems that many, if not most, future conflicts will have to deal with insurgency, Britain needs a force that is both equipped and trained for insurgency work, which can be achieved at a fraction of the defence budget.

I end my brief contribution by saying that I believe the Secretary of State acted properly and appropriately in announcing an inquiry into the incident involving the Royal Navy and the Royal Marines on 23 March. I trust that the inquiry will have a beneficial long-term effect on counter-insurgency work and that the UK will be better equipped in future to deal with these extremely difficult situations.

4.43 pm

Harry Cohen (Leyton and Wanstead) (Lab): Before I start my own speech, I would like to comment on what the shadow Secretary of State for Defence said earlier this afternoon, which I can describe only as barmy paranoia. His basic argument was that we should not trade with Russia or Iran because they will invest some of the proceeds in their defence. That is quite silly. Are we not to trade, then, to receive the pretty large portions of the world's oil and gas that come from those parts of the world? Are our people supposed to go cold instead? In another part of the hon. Gentleman's speech, he talked about selling arms without restriction because he wanted to boost our defence industries. That aspect of his speech was silly and incoherent. He should revisit the matter for the future.

The debate is about defence in the UK, so it is quite restrictive. However, it is astonishing that we have not had a full debate on Iraq in light of recent events and reports, which have included an escalation in the killing of civilians and troops. Iraqi citizens have less security and protection than ever, as was witnessed when the Parliament was bombed. More than 100,000 Iraqis participated in a demonstration in Najaf to call for the US and UK occupiers to go. The coalition Government are losing Ministers and there is more puppet government by the US than ever. We have also seen reports such as that by the International Committee of the Red Cross, which presented a scathing catalogue of the consequences of the occupation for soldiers and Iraqi civilians.

In the United States, public opinion has moved overwhelmingly against the Iraq engagement. There is a joke in Washington: "What's the difference between the Iraq war and the Vietnam war?" The answer is, "George W. Bush had an exit strategy for the Vietnam war." George Bush is going to continue with the

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disaster until his term in office is up, whatever the fruitless cost in extra lives. His actions are taking the lives of British troops, yet that seems to be of little concern, other than for prayer. It is openly said in Washington that the Iraq war is a failed war. The US Congress knows it, the British public know it, and Ministers know it—and say so privately. It is wrong not to act on that knowledge so that the carnage and loss of life that the occupation is generating can be brought to an end.

As the debate is about defence in the UK, I want to focus my speech on the UK defence institutions that have come under pressure from the war and occupation and to talk about the process in this country for dealing with death, torture and murder in British military custody. I will not mention a current case because aspects of it remain sub judice, but I can refer to more general matters.

Such matters were raised in an article in Monday's edition of *The Guardian* by the solicitor, Phil Shiner, who wrote:

"The evidence of British abuse and killing of Iraqi civilians is part of an iceberg of disgrace which demands a public inquiry".

He wrote that the nation should be "shocked", but that media outlets chose to ignore the matter. He stated:

"By comparison, when Canadian troops meted out similar treatment to a prisoner in Somalia in the 1990s, the result was a five-year public inquiry and spring-clean of the military justice system."

The article pointed out that the torture by British troops

"included the use of four techniques banned by the government in 1972: hooding, stressing and sleep and food deprivation."

It stated that the torture was carried out by

"not just one rogue battalion",

but others. Phil Shiner referred to

"senior brigade legal advice, which said it would not be breaching international humanitarian law to hood and stress civilian detainees."

He wrote about a

"failure to train troops to observe the law and also, it seems, to teach them the basic principles to enable them to fulfil their role."

In that context, he wrote that troops had "precisely 1.25 hours training" in prisoner handling, although that was the main job of some of the troops. The article also cited "military operations" with

"racist connotations from an earlier era",

and stated:

"Uncomfortable questions about our complicity in war crimes with the US also lurk beneath the surface."

He talks about the need for a public inquiry. The Government need to respond to those issues; otherwise they will be discredited.

That has implications for our defence institutions, such as the Royal Military Police. I have a lot of time for them and I pay tribute to them. They have an incredibly difficult job, but they are understaffed and undermined. They investigate thoroughly and deliver the evidence but are then undermined by the rest of the process. They really should be demoralised, and I suspect that they are, because they are given very little support, even by the Government. They are let down by the Army Prosecuting Authority. Their status is too low, and for troops who are prepared to use abusive tactics they are really little more now than a nuisance, when they should be a proper police authority.

The Army Prosecuting Authority was the subject of a parliamentary question that I asked in January. It dropped a case of assault because it was more than six months old, saying that it was time-barred. I found that an incredible decision for any prosecuting authority to make. I cannot imagine that if somebody who commits an assault is not caught for six months they will not be prosecuted. The APA put out a press release referring to the incident in 2004 in al-Amarah, which was, of course, shown on television in February 2006. It involved British soldiers allegedly assaulting Iraqi civilians. The video commentary appeared to encourage what was being done and the footage showed an alleged kick to the body of a deceased Iraqi civilian.

The APA said that following a thorough investigation by the Royal Military Police, nine servicemen, members of the Light Infantry, had been referred to it, but it had decided that they should not be tried by court martial. Its reasons involved tests of evidential sufficiency and what it called "public interest". It claimed that it was not in the public interest to prosecute, even though it had established the identity of two of the servicemen. It said:

"Charges of battery are, however, summary only offences in civilian law and are currently subject to a 6 month time-limit. This would also apply in proceedings in a civilian court."

The charges were therefore time-barred. It went on to say:

"The military authorities were not aware of the incident until February 2006",

even though it took place in 2004.

That is a ridiculous position. Is assault and battery a summary offence in the civilian world? It is not; it is a most serious offence, and it would be treated as such under criminal law. Is the APA really saying that in civilian society someone can beat up another person and it they are not caught for six months they are in the clear and cannot be prosecuted? I do not think so. By saying that the APA shows how biased it is and what a poor position it is in on this matter. It claims to be acting in the public interest, but it is really just what is wanted by the ill-informed press who see these military abusers as a special case. This is their definition of public interest; it is not what the armed forces need and it is not what the UK needs to uphold its reputation for justice and human rights. On the public interest, the APA got it wrong in this case and it repeatedly gets it wrong. Where is the analysis and the transparency in such cases, which are in the public interest? The APA claims to be independent, but that alleged independence is a chimera. That is what I believe, and that is what the world will believe. If it was independent of the armed forces, it could be safely abolished, and its role handed over to the Crown Prosecution Service.

The court martial system is not working properly in the Iraq abusers context. It sets up all sorts of mechanisms for delay, and, as we know from the APA's reinterpretation of the law as regards the six-month time limit, the guilty can get off simply because of the delay. The court martial system is not to be trusted; it is

time for it to be abolished, and for the criminal court system to apply instead. I conclude by quoting from this week's *Tribune*:

"A military court has thus far refused to convict on charges of manslaughter, discharging all but the one case involving a voluntary admission. It is misguided to see this result as 'protecting our troops'. The reverse is true. Without an independent investigation there is a danger that the British military will attract a reputation for unpunished brutality within a system which protects the brutalisers...It is not about witch-hunting, nor about holding the military to higher standards than they should be subject to anywhere. It is about accountability, the universal defence of fundamental human rights and the pursuit of justice."

The way in which people have been dealt with in UK military custody is a disgrace and a shame on Britain, in human rights terms.

Several hon. Members *rose—*

Madam Deputy Speaker (Sylvia Heal): Order. Quite a few Members are still hoping to catch my eye, and the time left in this debate is limited. I hope that hon. Members will bear that in mind when making their contribution. I call Mr. Mike Hancock.

4.56 pm

Mr. Mike Hancock (Portsmouth, South) (LD): Thank you, Madam Deputy Speaker. I wish that some of the Members who spoke earlier had borne that advice in mind, particularly as those of us waiting to speak have been here since the beginning of the debate. Some of them had not been in the Chamber for very long at all, yet they managed to catch the eye of the occupant of the Chair. It is a shame that they did not show the rest of us the courtesy that we showed them.

I join the Minister in what he had to say about the fallen soldiers—the personnel whom we have lost in the past sad month, and all the others who have gone, both in Iraq and Afghanistan. Many Members have talked about the Falklands today, and my family and I have sad memories of that conflict. My cousin lies in a grave in the Falklands, and my brother-in-law has never really got over the effects of having the ship on which he served bombed out from under him, so, as a family, we know of the historical consequences of those actions. It is fortuitous that we are talking about the defence of the United Kingdom today, with the Falklands anniversary so close; the events took place just 25 years ago.

My mind goes back to the situation in Portsmouth naval base 25 years ago. It was one of desperation, of job cuts, of Navy reductions, and of ships being laid up and scrapped. The perpetrator of those problems, the then Secretary of State, John Nott, was infamous in Portsmouth for what he had done, because a matter of months after the cuts started to be implemented, the work force were brought back, as were the ships, many of which were on their way out of service. They were reconditioned very quickly and brought back into service. It is a great tribute both to service personnel and to the work force in naval bases throughout the country that we were able to achieve what we did in the Falklands. It was through the dedication of the civilian personnel who put so much effort into the work, many of whom sailed on the ships, and left them at various points on the way down to the south Atlantic, that we were able to achieve the success that we did.

It is a tribute to all of our armed forces that so many Members have spoken in this debate with great eloquence and authority about the commitment that the members of the armed forces show all the time. The nation appreciates their work, dedication and commitment, and the way in which they carry out their duties, and nobody should take that away from them. I have yet to meet anyone who has been to Afghanistan, Iraq, or anywhere else where our armed forces work who says that there is a morale problem. There manifestly is not. When our armed forces are on active service, wherever they are, morale is not the issue. There is disappointment sometimes that equipment is late, or that other units receive equipment that they need before them, and so on, but those things are normal. No one should ever try to diminish the true fighting spirit of those men and women, and say that there is a morale problem among the country's fighting forces.

I should like to speak, as the hon. Member for Portsmouth, North (Sarah McCarthy-Fry) did, briefly about the naval base and the consequences of any proposed changes. I do not want to go over issues that have already been raised, but the future of the Royal Navy is irreversibly linked to the future of Portsmouth as the home of the Royal Navy. In an announcement this week, the First Sea Lord said how important Portsmouth was as the future home of the carriers. That led people to believe that by the end of this week—perhaps even today—the Minister might announce the signing of the contracts for the carriers. We lived in hope. Our local newspaper optimistically believed that it was about to happen, and that the signal for that was the statement by the First Sea Lord. We were glad, however, that the Navy's serving sailors were determined that Portsmouth should be retained as a naval base.

There are other issues, however, affecting the Navy. Hon. Members have discussed the future of training, and in an intervention, the Minister discussed what is going to happen at St. Athan, which will have repercussions on the demise of HMS Collingwood, HMS Salton and Whale Island and affect the Greater Portsmouth area. Four constituencies—Portsmouth, North; Portsmouth, South; Gosport; and Fareham—will be dramatically affected by those repercussions. We still have not had any indication at all, however, about what will happen to those large pieces of real estate or to the enormous number of civilian staff who work at those bases, many of whom cannot move several hundred miles to St. Athan. We are entitled to ask whether we will have answers to those questions, and whether we will have them in time for people to reorganise their lives. Many people who can move have young children, and if we care about our armed forces personnel and the civilians who support them, we must give them credit they deserve, and provide them with straight answers to those questions. Hence the fact that there is still frustration in the naval base, as the final decision seems to be further and further from being taken. In all honesty, the loyalty and dedication of those people are worthy of a straight answer as soon as possible.

Many Members have discussed married quarters. Despite the best efforts of the right hon. Member for North-East Hampshire (Mr. Arbuthnot), who made

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that decision—he suggested that it was one of his last decisions as the then Armed Forces Minister to sell off those houses—if we had the money that Annington has made on the sale of the land and property that it acquired from us, as my hon. Friend the Member for Colchester (Bob Russell) said, at rip-off prices, we would be able improve 25 per cent. more of the service accommodation than we have been able to improve so far. That is the proportion of profit and gain that Annington has made at the taxpayer's expense.

There are still many years to go before we catch up, and we must recognise that the state of our married quarters has been a disgrace. I am delighted that a great deal has happened, and I have to say that over the past five years, there has been an enormous improvement. One need only go into the single service accommodation in Portsmouth to see the amazing transformation from the ghastly mess in which young service personnel were forced to live to accommodation that is much better both in quality and the way in which it is serviced. We must recognise that transformation. I was delighted that, in response to my intervention, the Minister of State recognised that there is a need to train the trainers, and make sure that the duty of care to the young men and women who join our armed forces is addressed properly by the people who carry out those exercises. Of all the things that dismayed me in those very difficult meetings with the parents of the young people who died at Deepcut and of others who died around the country, I was most dismayed by the criticism of the trainers and the way in which that they took it upon themselves to dish out abuse in one form or another—not all them, by any means, but many of them did so.

One of the criticisms that came from the Army itself was about the calibre of those trainers and the lack of training of the trainers. That goes back to the people in the recruiting offices. Once again, to his credit, the Minister of State recognised that and said that the way in which we draw people into the armed forces and take them on at the initial stage will be open to greater scrutiny.

I am full of admiration for the way in which our armed forces have turned around young men and women who had hopeless lives ahead of them. Given the opportunity of joining our armed forces, they have been transformed not only into first-class citizens, but into first-class service personnel. The best education they ever got, they tell me when I meet them, was the one they got when they joined one of our armed forces. I am proud of that. Sadly, though, some still get into our armed forces who should never have been allowed to join. That is not a criticism of them—it is a criticism of the system that did not check thoroughly enough the medical background or the suitability of some young men and women to join our armed forces. I am delighted that more care and attention will be paid to that. I welcome the Minister's remarks on the matter this afternoon.

On retention, we have learned many lessons over the past 10 years. We have learned that certain categories of staff, such as fast jet pilots, skilled divers in the Navy and aircraft fitters in the Air Force, have skills that are readily marketable out there in civilian life and that we must prepare packages to retain them. As the Minister has said on more than one occasion, we must make the right judgments. It is not just about getting the pay scales right. We must offer breaks in service to members of our armed forces who can easily market their skills elsewhere. After the country has invested so much money in them, I want us to retain those people. I am sure that we are developing the necessary techniques.

Several speakers have mentioned veterans. Let us consider the plight of the Gurkhas. A few years from now, they will celebrate 200 years of service to this country, yet 22,000 Gurkhas who retired before 1997 receive inadequate pensions and have no right to settle in the UK. Whenever the subject of the treatment of the Gurkhas and their pensions is raised, there is universal support for them. As a Parliament and a nation, we should not deny them what most people believe they are morally entitled to, which is no more and no less than any of us would expect.

I hope the debate today has demonstrated to Ministers and the Ministry of Defence that there is not one parliamentarian who does not hold the armed forces in high esteem. All of us believe that they do a first-class job and that they need the appropriate service, such as equipment, back-up in civilian life and support for their families. The duty of care extends from the time they join to way after they leave. Many Members have spoken about the difficulties that service personnel experience when they leave. Some have housing problems, others have health problems, and some end up in prison.

One thing surprises me time and again when I meet young men and women who have returned from active service. They have been in situations that they may never have expected to encounter, when they were close to or involved in the killing of other human beings in a war situation. Some do not express their fears and concerns when they are with their unit or when they are with their families, but they express them to their friends. Very few are equipped to deal with that. Sadly, local GPs cannot deal with it. Some former members of the armed forces find it extremely difficult to come to terms with what they have experienced over those months and, in some cases because of more than one tour, years on active service, when they have seen things that none of us would wish on them. We must find a way of giving those young men and women support before they go, to give them a better understanding of what to expect and the traumas they might experience, and after they come back.

With all that said, I have nothing but admiration for the way in which the armed forces Minister robustly presented his case. Above all else, both sides appreciate the fact that he has never shirked his share of responsibility, and I do not think that the House should either. We should ensure that we resource our armed forces fairly and properly.

5.10 pm

Mr. James Gray (North Wiltshire) (Con): I shall be brief because I know that two of my hon. Friends are keen to speak before the winding-up speeches.

It has been a wide-ranging and well informed debate. When one thinks of these debates, one thinks slightly of groundhog day, of a fly buzzing quietly in the corner

and the same old defence people turning up and saying the same things. Today has been a remarkably well informed and interesting debate, involving a variety of people who have tested one particular thesis. The thesis is that there is some kind of contract or covenant between the nation and our armed services. In each of our different ways, we have tried in the debate to assess the degree to which the covenant between the Government or the nation has been fulfilled on our side. As Lieutenant-General Freddie Viggers has said, the issue is about

"giving our soldiers and their families what they deserve in return what they do for us."

After all, all of us in the House must acknowledge that what they do for us is not something that we could possibly contemplate doing, or at least not at our advanced stage in life.

The covenant between the nation and the armed services seems to be multi-faceted. It covers the whole question of resources in general. I wish that I could stand here and say that I was confident that an incoming Conservative Government would give the resources that I would like them to give to the armed services, but the issue involves the resources that Governments of any complexion give to the armed services.

Part of that involves manpower. Is it right that we have an Army of about 100,000 people, the smallest since Waterloo? Can a tiny Army of that kind do the things that the Prime Minister and the Government are asking it to do? Can we live with 18 ships in the Royal Navy doing the work of at least 30? Can we live with the deep cuts that have been made to the Royal Air Force? I speak with feeling on that latter issue, because of the upcoming closure of the base at RAF Lyneham in my constituency.

Can we do what we are supposed to be doing given the inadequacies of the equipment? We have heard about the tragedies of the deaths of servicemen because they did not have body armour or had the wrong kind of body armour or other equipment.

Can we really ask our people to go to Afghanistan, Iraq and elsewhere and do awful tasks under difficult circumstances if they know that 46 per cent. of their families are at home living in substandard accommodation? I acknowledge the fact that a lot of money has been spent recently on improving housing, and I welcome that very much. However, some 46,000 armed service homes are still substandard. That will not do.

If we ask our boys on the front line what concerns them, they do not talk about the fact that there are not enough of them or that they have not got the right equipment. As someone has just said, by and large, their morale is extremely high. The thing that they talk to us about is what is happening at home. They are deeply concerned by the fact that their families live in conditions that they would not have to live in if they were in civilian life.

People often come to my surgery in Chippenham and they might say, "I'm a mechanic in the Royal Army Service Corps and I'm getting £14,000 a year. I'm sent abroad for six or eight months of the year and my wife lives in terrible conditions at home. If I left the Army and became a mechanic in Chippenham, I would get £25,000 or £30,000 a year and I'd be at home all the year round. Why shouldn't I do that?" That is a very difficult question to answer.

Why should a fully trained private soldier in the British Army get something like £14,000 or £15,000 a year? A fully trained nurse gets about £18,000 a year and a fully trained police constable gets something of the order of £24,000 a year. Are we as a nation fulfilling our side of the covenant by putting people up in poor accommodation and paying them badly? I suspect that we are not.

I shall touch on a few other points very briefly. Spending of 2.2 per cent. of GDP is the lowest since 1930. An Army of 100,000 is the smallest since Waterloo, and the Territorial Army is the smallest it has been since it was founded in 1906, but it is being asked to do so much more than it ever has been. As General Sir Michael Rose said:

"In the past six years, the Prime Minister has presided over near-catastrophic decline in defence spending which has put our soldiers in Iraq and Afghanistan at considerable and quite unnecessary risk."

Admiral Sir Alan West said:

"The resources...don't allow us to do the things we need to do. Over time, we don't have the forces available should there suddenly be a strategic shock...like the Falklands"—

to which several hon. Members have referred so passionately today. We simply do not have the resources required to do those jobs; we are breaching the resources covenant as we are breaching the housing and welfare covenant. We are not doing all the things that we should be doing for our people. I am not blaming the Government, or saying that if we were in government it would necessarily be different. We as a nation are not fulfilling the covenant, and it is vital that we should find ways of doing precisely that.

No hon. Gentleman or hon. Lady in the House today would foresee any diminution in the amount that we do in the years to come. It is likely that we will ask our services to carry out more and more operations, perhaps in different parts of the world, in increasingly difficult circumstances. If so, I ask the Minister to take away from the debate this message, if no other. For goodness' sake, please try to remember the important covenant between us as a nation and our armed services. Give the services what they need to do the job and give the families at home what they need to be proud of their men and women out in the front doing the work that they have to do.

5.16 pm

Mr. Robert Syms (Poole) (Con): I do not usually contribute to defence debates, and I have learned an awful lot by listening to the debate today. One must certainly be a little careful with so many experts in the Chamber.

The fact that the military footprint in society is smaller than it has ever been is a sign of the success of the post-war settlement, of NATO, and of our friends, the United States. It is probably a good thing. I am a little wary of simply talking about percentages of gross domestic product. The true power of the United States is based on the fact that it has a very large and successful economy. Ultimately, whether we can project British power, and provide the necessary tools and

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equipment and pay our servicemen, depends on the success of the British economy; that must be a key issue.

I decided to contribute briefly to the debate having been out canvassing in Hamworthy in Poole last week, when I had a few discussions with the Royal Marines who are based there. We are immensely proud of Royal Marines Hamworthy. It is the home of the Special Boat Squadron and other special units who have made a great contribution to the defence of our country and to the war on terror. For the third time in the 10 years for which I have been an MP, the base is being reviewed. Fortunately, at the end of these reviews there is usually more investment, and even if forces are moved out other units are moved in. We in Poole hope that it will remain a base and that the important contribution that the Royal Marines make to the local community will continue, for all the reasons that we heard from other Members who spoke about their local bases. People become settled in communities, their spouses get jobs, and they wish to remain. As it happens, Poole is a nice place to live and to bring up one's children.

I want to talk principally about the concerns about medical services that several Royal Marines raised on the doorstep. Clearly, someone who is going to go into an area of danger hopes to have the best possible support if they get wounded or injured. There are general concerns about medical support—we have debated them in this House—but two or three Marines put to me their specific concerns about mental health services. My hon. Friend the Member for North Essex (Mr. Jenkin) said that about 12 per cent. of Iraq veterans have psychological problems. Nowadays, there is greater understanding of the psychological difficulties that troops encounter when they come back to this country. The Marines told me that they did not feel that they were getting support in this area. They recounted several stories about colleagues who had done very valuable jobs. I heard about the case of somebody who directed artillery and saved many lives as a result, but on one occasion, because of false intelligence, had directed it on to some civilians and children. He suffered psychological problems. When he returned to the UK, he was not met at the airport and had to take a taxi. He had been through a catalogue of difficulties and then a prolonged period of home leave. It is important to get things right.

Earlier, we heard that the Government had put £4 million into a contract with the Priory. The local Marines asked whether that was the most appropriate action to take. The Priory is good at alcohol addiction, bulimia and so on, but I question whether it is the most appropriate place for the special problems of those who have been traumatised in battle. I am not an expert on the matter but I hope that Ministers will reflect on whether we are giving adequate support to those who experience trauma.

Another matter that local families who have sadly lost relatives raised with me is the length of time for the inquests of those who are flown back. I appreciate that the subject is complex and difficult and I have raised it with the Secretary of State in the past. I know that bringing the bodies to Brize Norton so that the Oxfordshire coroner dealt with them created a backlog and that, once an inquest is opened, it cannot be moved, even if it is immediately adjourned. I welcome the fact that some of the bodies are being brought back through Lyneham, where the Wiltshire coroner can deal with the inquests.

The point that was made earlier about resources is important. I hope that the Minister will take the matter up with the Department for Constitutional Affairs and ascertain whether more resources can be provided. The families have not only suffered the shock of losing a relative but they sometimes have to wait for two or three years for an inquest before they can get on with their lives and put things behind them.

Mr. Ingram: I reiterate what I said earlier. We are actively considering the matter to find the best solution. Coroners have to be family friendly and we are trying to find the best, rounded approach. We are considering resources and the number of coroners, trying to get the inquests close to where the families are and ensuring that the sort of support that we put in is reflected in inquest hearings.

Mr. Syms: I welcome the Minister's helpful intervention. There is a problem—I am glad that the Government are examining it and I hope that we can speed up the process.

I have made, briefly, the points that I wanted to stress. I appreciate that mental health services are the Cinderella of the NHS, but there is a problem for those who serve abroad and need support. I told the Marines to whom I spoke that I would raise the matter before Ministers. I hope that they will reflect on how we can further improve support for our brave men and women who serve on the front line.

5.22 pm

Mr. Adam Holloway (Gravesham) (Con): Our troops are performing magnificently in Iraq and Afghanistan but I fear that they are being let down. In all Departments and, indeed, organisations, the ambitious have a tendency to talk up success and say that things are on target when they know that that is not true. In recent years, that has been especially marked in and around the Ministry of Defence. It almost signifies a cultural change, and saying that all is going well, when often it is not, has become the default setting. That matters, not only for the safety and performance of our troops but for the success of their mission and thus for the safety of our population at home.

Let me give some examples. A few months ago, a general was leaving Iraq. He reported to Permanent Joint Headquarters that three provinces were ready for provincial Iraqi control. He came home. His successor arrived and the first signal that he sent back to PJHQ was that only two provinces were ready for provincial Iraqi control. I call that short tour-ism—six-month tours. The first two months are spent learning about the position, the middle two are spent dealing with it and the last two are spent getting the story right about how things have got better. So, on a graph of Iraq over five or six years, the line goes down, with a little spike every six months when things are better. That is not often the case.

Earlier in Iraq, the media were told that the high unemployment that they witnessed in Basra did not

matter and that there was employment. Then riots occurred and the magic spell for security, at least in the south, was broken.

I could give numerous examples of the position in Afghanistan—a place that is closely watched by people in the Arab and Muslim world on satellite television channels. The success of the UK in Helmand is critical to our future security.

I have numerous examples of the gap between the reality on the ground and what we are told. I do not have time to go through them—

Madam Deputy Speaker: Order. I have allowed a passing reference to Iraq and Afghanistan, but the debate is about defence in the UK.

Mr. Holloway: The point that I am trying to make, Madam Deputy Speaker, is that the gap between ground truth, as the military call it, and what Ministers and others are told, is deeply dangerous to the security of people in the UK. That culture emanates from headquarters in the UK and Government Departments.

If one speaks to senior officials in the Department for International Development, the Foreign Office or the Ministry of Defence, one is told that everything is on track: in reconstruction, for example, in the case of Afghanistan. The ordinary Afghans on whom our success depends, however, have seen none of that. The same officials repeat the mantra that one cannot have reconstruction without security, but are less good at responding to the point that in the provincial capital, which is reasonably secure, the ordinary Afghan people have seen no reconstruction. I could go on.

My point is that well-intentioned Ministers, such as the Minister of State, do not get the messages about where the problems are quickly enough. When they do, they are soothed into believing that measures are in place to mitigate them. Deeply regrettably, Iraq is now a done deal in terms of its effect on the perception of the UK by much of the Muslim world and a substantial minority of our own Muslim population. Afghanistan is a noble cause and a multi-billion—

Madam Deputy Speaker: Order. I remind the hon. Gentleman of what I said earlier. The debate is about defence in the UK.

Mr. Holloway: I am just trying to point, Madam Deputy Speaker, to what I consider to be a form of sophistry, an endemic spin culture that has infected officials and senior officers to become a default setting—that all is well when things are not.

As I see it, the challenge for this country over the next one, five, 20 or 50 years, is to get ourselves back to the situation we were in on 12 September 2001, when the vast majority of people in the Arab and Muslim worlds were deeply sympathetic to us. Since that time, we have created a "stickiness" with those tens of millions of people, and pushed them more towards the extremists, whom the vast majority previously wanted nothing to do with. It is time that we had a long-term strategy to deal with that problem, which will affect us all.

The good-news-only culture obscures problems and increases the likelihood of a second strategic failure, this time in Afghanistan, which will be reflected on Arab television screens. In terms of terrorism, that will not contribute to the defence of the UK. Every day, we are deluding ourselves.

5.28 pm

Dr. Julian Lewis (New Forest, East) (Con): I sympathise with you, Madam Deputy Speaker, in your endeavours to restrict contributions to relevance to defence in the UK, just as I sympathise with hon. Members on both sides of the House who have passionate views about defence issues that perhaps go wider than the debate title. Throughout the debate, various degrees of latitude have been afforded to different speakers. In responding to some of the speeches we have heard, I hope that I shall receive a similar degree of consideration.

For once, I hope to talk about some topics that have not been mentioned much. I intend to divide my remarks into the general categories of plots, leaks, morale and methods. Before getting on to that agenda, I shall refer to some of the contributions made.

On the whole, welfare issues have been predominant, particularly in the speeches of the hon. Members for Colchester (Bob Russell), for Plymouth, Sutton (Linda Gilroy) and for North Durham (Mr. Jones) and of my hon. Friend the Member for North Wiltshire (Mr. Gray). Like the hon. Member for Portsmouth, South (Mr. Hancock), my hon. Friend laid great stress on the inadequacy of resources with which Defence Ministers of any party must contend when fighting their lonely battles against the Treasury in order to enable our armed forces to fight their rather more dangerous battles against the enemy. My heart goes out to Ministers, because I know that they do their best in that respect. That is probably the nicest thing that I will say about them this evening, so they had better make the most of it.

My hon. Friend the Member for Congleton (Ann Winterton) focused challengingly, as always, on major procurement projects and the assumptions that underlie them. The hon. Member for Portsmouth, North (Sarah McCarthy-Fry) made an excellent speech featuring a typically robust defence of her local naval base. I think that she is fundamentally right to focus on the strategic implications of reducing our dependence to a single naval base, although we may part company when I point out that the reason it is possible to consider reducing the number of naval bases from three to two is the slashing and burning of front-line units of the Royal Navy. If that reduction takes place, it will become all the harder to reverse cuts that go far beyond what was outlined in the 1998 strategic defence review should circumstances reach such a degree of danger and necessity that even the Treasury sees the need for reversal of those losses.

My hon. Friend the Member for Poole (Mr. Syms) stoutly defended the role of the Royal Marines base in his constituency, and also spoke of the need to provide support for people with mental health problems after the experience of combat. I believe that such support is particularly important for reservists who, on returning to their civilian occupations from serious war fighting on operations, no longer benefit from the support and environment of their regular units and comrades. That

[Dr. Julian Lewis]

must add considerably to the pressure of coming to terms with what they have seen and undergone. My hon. Friend also spoke of the ordeal of families awaiting inquests, and I was reassured by the Minister of State's reply.

As a seasoned parliamentary operator, the hon. Member for Leyton and Wanstead (Harry Cohen) was able to get in his remarks about Iraq before disarming the Chair by saying, "But of course the debate is about defence in the UK", and devoting the rest of his speech to courts martial. As I have said from the Dispatch Box before, it is worth considering a change in the way in which the subject matter of defence debates is allocated. There is a good deal to be said for debates that focus on individual services, in which it is possible to cover not only the whole ground over the year, but everything from welfare to war fighting in the context of a single debate. That would avoid the difficulties encountered by the hon. Gentleman and my hon. Friend the Member for Gravesham (Mr. Holloway) in trying to raise subjects that are outwith the strict terminology of the Order Paper.

My right hon. Friend the Member for North-East Hampshire (Mr. Arbuthnot), the Chairman of the Select Committee on Defence, broadened the debate slightly when he said that following his visit to Afghanistan he was concerned about the strategy of the Government—back in the UK, I hasten to add—for the waging of the war there in connection with the poppy crops. He thought there might be a degree of confusion on our side. I agree with that, but there is certainly no degree of confusion on the side of our opponents. In an interview reported in *The Daily Telegraph* on 9 February, a Taliban commander is quoted as saying:

"We are obeying the orders of our leaders who have told us to defend the farmers... The Taliban will support the local people, because the people's support will make it impossible for the government and foreign forces to defeat us."

That shows that the Taliban at least understand the basic principle of counter-insurgency—that its aim should be to divide the insurgents from the mass of the people, while the aim of the insurgents should be to remain united with the mass of the people. I think that somebody somewhere in the Ministry of Defence does not understand that—or, more probably, that somebody somewhere in the Government is not prepared to stand up to our American allies and emphasise this point. It is immoral that we should have troops fighting and dying in pursuit of a strategy that drives our opponents' cause forward by enabling and encouraging people to sign up to their ranks.

However, I must not wander from the topic of defence in the United Kingdom, so let me briefly refer to a point that my hon. Friend the Member for Mid-Sussex (Mr. Soames), a former MOD Minister, made in his outstanding and riveting speech, and which was also mentioned by the right hon. Member for Walsall, South (Mr. George). They referred to the inevitability of unpredictable crises arising and the difficulties involved in persuading Governments that they must find the resources to deal with them and subscribe to the flexible doctrines that will enable our forces to fight effectively in those circumstances. The idea that the chiefs of staff and their military advice are being cut out of the policy-making process, as my hon. Friend said, is particularly disturbing.

I shall now turn to my own perspective on this topic. We know only too well the price that has had to be paid for allowing Islamist militants to plot in London throughout the 1990s. It is important that we never again make the mistake of tolerating the activities of the intolerant in our midst in any other context. In that connection, I have no hesitation in saying that it is totally unacceptable for an exiled Russian oligarch such as Boris Berezovsky who has been granted the privilege of residence in this country, to announce that he will abuse that privilege by fomenting revolution by force in his homeland. It is equally unacceptable that somebody such as Alexander Litvinenko can be assassinated, almost certainly by agents of the Russian state, within our borders.

It is worth remembering that in July 2006 the Russian Parliament, the Duma, approved a law permitting the FSB—the Russian state security services—to hunt down and kill terrorists or "enemies of the state" anywhere in the world. That Bill was passed shortly after the abduction and murder of five Russian diplomats in Iraq in 2006, but critics of the Kremlin fear that the Russian security services now enjoy effective immunity should they assassinate Russians who live abroad and who are perceived to be opponents of the state. It is worth remembering that next year the statute of limitations will come into force on the murder in 1978 of Georgi Markov, who was killed in London in similar circumstances, given the technologies of the day, to those of Litvinenko's murder. Given the huge changes that have taken place and the fact that a suspected assassin has been identified and interviewed, it is not satisfactory that the investigation has progressed at a snail's pace for so long and that it might soon might run out of time

On leaks, it is particularly worrying that the deputy assistant commissioner in charge of anti-terrorist measures has felt it necessary to speak out as he did. Two former chairmen of the Joint Intelligence Committee, Sir Paul Lever and Dame Pauline Neville-Jones, have both stated their belief that the situation is serious. The finger of suspicion points to what Sir Paul Lever calls

"the army of media advisers and spin doctors".

They believe that there should be a proper investigation and a proper leak inquiry. I am at a loss to know, although I can suspect, why there were no fewer than two separate leak inquiries into the events surrounding the embarrassing leak of the e-mails that disclosed Jo Moore's wish to "bury bad news", and why there is no prospect of a—

Madam Deputy Speaker: Order. I hope that the hon. Gentleman is now going to relate his remarks to the topic under debate.

Dr. Lewis: I certainly am, Madam Deputy Speaker, but I think it essential that the defence of the United Kingdom depend on communities' trust in the police and in the police's ability to conduct anti-terrorist operations in this country without people being put at risk if they assist the authorities by being exposed in the media. I will move on now, but it is a matter of

extreme concern that we are not fighting and winning the battle against terrorism, which, after all, is at the heart of the defence of the United Kingdom.

As part of the Prime Minister's legacy, the Government recently published a policy review entitled "Building on progress: Britain in the World". It does contain one feature relating to the defence of the UK of which I thoroughly approve; I wish only that it had been formulated earlier. We read the following on page 30 of this 32-page document:

> "As agreed by the Ad Hoc Group on Terrorism, a new cross-government research, information and communications unit is being created to generate the policy analysis and material needed to...counter Al Qaeda ideology and the use of other forms of extremist propaganda by hostile regimes."

I hope that the unit's work will not be confined to hostile regimes. We hear time and again that we are engaged in a war of ideas, and such a war can be won only by a proper counter-propaganda strategy. We were good at that during the cold war and the second world war, but it is true to say that we have not even begun to fight that type of war properly, some six years after 11 September. This is a very late development, albeit a welcome one.

In the time that remains, I refer finally to methods of maintaining morale in the armed forces. One method is to show a degree of competence in handling the armed forces when they get into difficulties. I find it absolutely astonishing that when the decision was taken to allow Royal Navy personnel to sell their stories to the media, the effect was not considered on morale—on the morale of people whose children had come home in coffins; on the morale of people who had limbs blown off while serving in theatres of war overseas; or on the morale of servicemen and women who might find themselves in extremely dangerous situations and who might have to weigh up the alternatives of fighting to the last bullet or surrendering and selling their stories when eventually they were repatriated.

In terms of the propaganda war to which I referred, did no one consider how it would serve the Iranians' purpose to be able to say that the people who were selling their stories were exaggerating in order to justify the money that they were being paid? It is no good having leaks and spin doctors. What is needed is a concerted strategy, properly organised by a counterpart to the political warfare executive or the information research department, if one likes, or the London controlling section that managed to carry out deception strategies, if that is what we are trying to do where our enemies are concerned.

Such a strategy has to be organised properly. Splitting the Home Office down the middle makes it hard to see how a cross-Department approach will work. What we actually need is departmental co-ordination and we are not getting that yet. I can only hope that the Minister will be able to reassure us that in future the defence of the UK against an ideological terrorist threat will be far more systematically organised than it has been in the past.

5.45 pm

The Parliamentary Under-Secretary of State for Defence (Derek Twigg): This has been a wide-ranging and considered debate, with a surprising amount of consensus on some issues. Hon. Members recognised that we are doing a tremendous amount for our armed forces, but of course there is an argument about how much more we can do. We heard some interesting speeches and what came over clearly was the admiration that this House has for our armed forces and the work that they do in difficult circumstances. Of course, all our thoughts are with the families of those who have lost their lives and with those who have been injured or seriously wounded.

It is a great privilege and honour to do my job and to work with the armed forces. I hold them in great esteem—even more so after doing this job for a while. Those who have visited Afghanistan and Iraq—as I did a few weeks ago—will have seen the courage, determination and sacrifices involved in that work. That is why our armed forces are the best in the world, and there is certainly consensus about that and the support that we want to give them.

Much of the debate has centred on personnel and welfare issues, so I shall spend most of my time on those issues. The hon. Member for Woodspring (Dr. Fox) raised some specific issues to which I shall return, but he also referred to improvements in equipment and accommodation. He especially mentioned the fact that the improved medical treatment in the field hospitals has saved more lives and lessened the effects of injuries, compared with the effects that they would have had a few years ago. I welcome the hon. Gentleman's recognition of that.

I think that I heard the hon. Gentleman right when he said that the Conservative party now thinks that the debate about military hospitals has passed and the issue now is whether we should have specific military wards. That is an important step towards consensus and to making progress on the issue. All the medical opinion in the armed forces is clear that military hospitals are not the way to go. Instead, we will provide the best possible treatment for our wounded servicemen and women by working with large hospital trusts, such as Selly Oak.

We are seeing fantastic results at Selly Oak and I pay tribute to the work of the military and civilian clinicians and nursing staff in saving lives and treating and curing our injured service personnel. We also appreciate the support for families that is provided. It is important that we pay tribute to that work, not least because of some of the publicity it has had. There are treatment issues, and if things go wrong they will be fully investigated and dealt with. However, from my regular visits to Selly Oak, where I talk to the service personnel and their families, the quality of treatment and care is clear and we will continue to improve that.

We have now moved to an initial operating capability for the military-managed ward and work is about to commence on ensuring that we have a partition to define that area even more clearly. When I answered a question previously in the House, I made it clear that the development of the new hospital in Birmingham to replace the current buildings at Selly Oak will give us a greater opportunity to improve the operation of the military-only ward. For the record, we are considering a military ward as part of the new hospital building, but a business case will have to be made for that—as hon. Members would expect—and of course we will also take account of clinical opinion. I am examining that at the moment, as part of my role as Minister with

[Derek Twigg]

responsibility for the armed forces health services. We will continue to improve the treatment, care and welfare support that the whole House wants us to make available for injured service personnel and their families.

The hon. Member for Woodspring asked a number of questions, one of which was about traumatic brain injury. I am sure that he will be aware that the Defence Science and Technology Laboratory is conducting research into that, with a view to informing injury management and body armour protection. Our analysis has examined patterns of brain injury in the context of helmet design and the protection that is offered, and there has also been close liaison with the Oxford coroner so that lessons can be learned from those casualties who do not survive their injuries.

Traumatic brain injury patients are transferred to Birmingham, as the hon. Gentleman knows. They are looked after at the Defence Medical Rehabilitation Centre at Headley Court, which provides comprehensive management of neurological injuries. Like the US, we deploy computer tomography to operational theatres, and the use of telemedicine means that scans are reported to military radiologists in the UK within an hour. That system is already fully operational in Iraq, and it will soon be operational in Afghanistan.

The hon. Gentleman asked about the research into traumatic brain injury that is going on in the US. I can tell him that we are aware of that research, and that we are engaged in it through our medical liaison officer there. I hope that that gives him some reassurance.

The hon. Gentleman also asked about the care of armed forces personnel with mental health problems. Tremendous improvements have been made in the advice and support offered to service personnel, both before and after deployment. In addition, much more extensive information is given to families about the possible effects of serving in an operational theatre. We acknowledge that support for personnel who suffer mental health problems while on operation is also important, and we have made sure that it is provided.

As I have set out on previous occasions, a scheme for reservists who return to their homes is now up and running, providing support for those who need it. We have also put in place appropriate care pathways for people who leave the service because of a mental illness. In addition, support is available for people who develop mental health problems some time after leaving the armed forces, and we are working with the health authorities and Combat Stress to set up a scheme to raise awareness and improve the treatment available on the NHS. Negotiations are at an advanced stage, and the first pilot should be up and running in the next few months.

The Department is working closely with Combat Stress in negotiations over that organisation's budget, which at present stands at £2.8 million. We are also looking at other ways to improve the support for people who are suffering from a mental illness as a result of their service in the armed forces. We have an excellent resettlement package—which is being looked at by many other countries—that offers help with housing, training and employment for people who leave the forces.

The Department has also set up various schemes and initiatives to help service personnel who end up homeless. I have visited the excellent Compass scheme, which does so much excellent work to get people in that situation back into housing, but there is more to be done. For example, we must ensure that people who leave the service have better pathways in respect of health and housing. The MOD and the services themselves, as well as the service organisations, regimental associations and service charities all have a part to play.

The hon. Gentleman spoke about the problems arising with primary care trust waiting lists when service personnel and their families move home. I can tell him that transfers between PCTs in England and Northern Ireland are arranged so that people retain their position in the waiting list, and that negotiations are under way about the cross-border issues connected with that policy.

Many Members mentioned accommodation for service personnel, and the House will recognise that such housing has been underfunded for many years. We accept that some of the accommodation is not good enough for our service personnel, and we are spending significant sums. Last year, more than £700 million was allocated to improve both service family and single living accommodation. Members referred to the excellent examples of such accommodation around the country. Although £5 billion has been allocated over the next 10 years, there is more to do. It is important that we obtain best value for that money, with as many improvements as possible.

The hon. Member for Colchester (Bob Russell) referred to the Falklands and, given the commemorations this year, it was important to record in this debate our admiration for what our service personnel did in the Falklands. We look forward to the commemorations; many of those who served in the Falklands will take part in both the main event in London—on Sunday 17 June in Horse Guards parade—and the visit to the islands. My right hon. Friend the Minister of State will go out there for the anniversary and I shall visit later in the year with the main delegation of veterans. I am pleased that Members expressed recognition of what our armed forces did, as well as of the fact that many people lost their lives in that conflict.

My hon. Friend the Member for Portsmouth, North (Sarah McCarthy-Fry) mentioned the naval base review and the importance of defence industries to her constituency. I am sure that her comments will be borne in mind in the review. She also drew attention to the benefits to Members of the armed forces parliamentary scheme.

Linda Gilroy: Will my hon. Friend give way?

Derek Twigg: I was just about to mention my hon. Friend. She made a strong case for Plymouth, as she has done for several months, and her comments have been noted and taken on board. She also raised issues about the defence estate and medical services.

My hon. Friend mentioned DML and the defence supply chain. We obviously support the company's meeting local MPs and civic leaders, which is an

important aspect of the process, and I shall bring my hon. Friend's comments to the attention of my noble Friend Lord Drayson.

The right hon. Member for North-East Hampshire (Mr. Arbuthnot) made important points. He spoke of the Select Committee's visit to Afghanistan and of the Committee's important work, not least on accommodation and medical services. He mentioned the care pathways and the objectives in Afghanistan.

My hon. Friend the Member for North Durham (Mr. Jones) made a powerful speech. He referred to the visit to Afghanistan and noted the particular strength of the tri-service approach there, which struck me during my visit, too. The Army, Navy and RAF are working closely together in Afghanistan. My hon. Friend mentioned welfare and accommodation issues, and made a strong point about the Annington Homes deal and super-garrisons. Like other Members, he referred to the care pathways for medical treatment for service leavers.

The hon. Member for Mid-Sussex (Mr. Soames) paid due tribute to our people in the Falklands. He made an important point about training and discipline, as he has done before. I am sure that the House recognises the tremendous work on training undertaken by my right hon. Friend the Minister of State in relation to Deepcut to ensure that attention is paid to the welfare of trainees. Given the work that our armed forces undertake, the hon. Member for Mid-Sussex was right to say that training has to be robust, professional and challenging. As he made clear, it is because of their training and discipline that they are the best in the world. There has been much discussion of the need for the right tactics and discipline to deliver the results we want. The hon. Gentleman made an extremely important point.

My right hon. Friend the Member for Walsall, South (Mr. George) made a number of points about the previous Government's defence expenditure cuts. The hon. Member for Congleton (Ann Winterton) made an interesting speech. She asked what equipment we should supply for our service personnel, and referred to the funding for projects and the speed with which equipment was put into theatre. She spoke consensually of the great strides that have been made on force protection for our bases—although clearly more needs to be done. She also mentioned improved equipment, such as body armour, the new armoured vehicles—Bulldogs and Mastiffs—and communication equipment. She made some important points.

The hon. Member for Portsmouth, South (Mr. Hancock) made the case for Portsmouth's position in the naval base review. He was generous to my right hon. Friend the Minister about his work on training in the armed forces. He made an important point about the impact of the defence training review on the Portsmouth area.

Our armed forces are a success story—

It being Six o'clock, the motion for the Adjournment of the House lapsed, without Question put.

Mr. Peter Francis

Motion made, and Question proposed, That this House do now adjourn.—*[Kevin Brennan.]*

6 pm

Mr. David Winnick (Walsall, North) (Lab): I would like to preface my remarks by saying that it was only in 2002 that the Audit Commission told Walsall council effectively to find a new chief executive and other senior officials. At the time, the commission gave a damning picture of the services provided in the borough. Now, five years later, I am conducting a debate on the case of Mr. Peter Francis, who, in December last year, was awarded more than £650,000 in compensation by an employment tribunal in Birmingham. He brought a case against the council and at the last moment—I have to say that it really was the last moment—the council conceded and admitted liability for unfair dismissal and disability discrimination. Some money was undoubtedly spent by the local authority in trying to contest the case, but liability was admitted in the end.

I have no complaints about the compensation. In all the circumstances, some of which I will describe, I believe that the money is justified, but it will come, of course, from local taxpayers. As I understand it, there will be no money forthcoming from central Government. The question is simply this: why was Mr. Francis treated in such a shabby and unacceptable way? As a result of what happened to him, he has suffered—and continues to suffer—much ill health and much anxiety.

Then there is the question of the two reports into his case, neither of which will be published before the local elections. The first is by the district auditor, so the Government are involved through the Audit Commission, and we are told that it has been held up by delays in getting some individuals to comment. The district auditor's report is not ready to be published. The second report, commissioned by the council itself, and conducted by Douglas Bradbury, a former chief executive of another authority, has actually been completed and sent to the council. The question remains why it is not being published. The response from the council is that the two reports will be published at the same time—but after the local elections.

That is amazing, is it not? We are talking about annual elections and there are arguments for and against them, but one of the main arguments in favour of them is that the electorate can make its decision accordingly. One factor is undoubtedly the performance of the council. As I say, both reports are not going to be published until after the election.

I received a letter today from the assistant chief constable of the west midlands. It is a rather serious letter in its content, as he tells me that current cases involving the council and arising out of the allegations made have been referred to the Crown Prosecution Service. We do not know the outcome, but clearly, the police and the CPS are now involved. It makes all these matters that much more serious.

Peter Francis was a civil servant for some 20 years. He started employment with Walsall council in June 1997. His first job was connected with the single regeneration budget, as he was the monetary officer. He was involved in the civil service as a manager in the

[Mr. David Winnick]

employment service and he got promotion. In January 2004, given his background, he became the programme manager responsible for neighbourhood renewal funding, which at the time was worth about £11 million annually. That was when the trouble started for Mr. Francis.

As I am sure that my hon. Friend the Minister will confirm, that money was intended for the most disadvantaged neighbourhoods. When Mr. Francis became the programme manager, he found that that was not happening, and that some money was being used in areas that were not classified as such neighbourhoods. At one stage, he found that £4.5 million of the renewal fund could not be accounted for. I understand that some of that money, although nowhere near as much, continues to be unaccounted for. For all I know, that is why the police are involved.

Mr. Francis understandably raised his concerns with senior officials and the chief executive, Annie Shepperd. She was appointed in 2002, but she has now left the local authority and become the chief executive of a London borough. One would have imagined that in any organisation, whether in the public or private sector, a responsible official who was worried about such matters would receive support from senior officers. However, the very opposite happened. Mr. Francis says that rather than being listened to, with the matter investigated, he was looked on as the enemy within. Although I do not want to exaggerate, the situation reminds one to some extent of the situation in Westminster council when Lady Porter was its leader.

The atmosphere in Walsall council was, to say the least—I am putting this at its mildest—very unhelpful indeed. Mr. Francis found that that atmosphere caused him great concern and, unfortunately, much ill health. Several community organisations—I do not have time to read out the list—that had expected to receive renewal funding found that they did not receive the money. As a result, they are in some difficulty and have had to reduce services.

What led to the situation in which Mr. Francis had to bring his case before an employment tribunal? He found that his job was being restructured, which was a fine way of getting rid of him. He was told that the position that he had held would no longer remain in existence and that there was a new position for which he could apply, if he wished. There was certainly no enthusiasm for him to continue in the council's employment. That led to him bringing a case for unfair dismissal and disability discrimination against the local authority. The employment tribunal then reached the conclusion that, given all the circumstances, he should be awarded a sum of more than £650,000.

At the moment, Mr. Francis suffers from depression and anxiety. He told me in a letter that he feels that his 30-year career in public service has come to an end—he is in his early 50s. Much, if not all, of the responsibility for that falls on what happened to him during his employment for Walsall council.

Councils are run by political parties. The Conservative party that runs the council must accept some responsibility for what has occurred. I am not at all sure that the Tories running the council have owned up in any way to the situation that I have been describing. The overall responsibility lies not with senior officers or the chief executive but with the political party; that is where it begins and ends.

I find the matter very unfortunate and I conclude with what I said at the beginning of my speech. The two important reports, by the district auditor and by Mr. Douglas Bradbury, are not being published before the local elections next Thursday, so the electorate will not be able to read them and come to a conclusion. I say to my hon. Friend the Minister that I hope, even at this late stage, with only a week to go, that at least one of the reports can be published. If the district auditor's report cannot be published for the reasons that I have stated, the council should be asked—it cannot be instructed—to publish Mr. Bradbury's independent report.

6.10 pm

Mr. Bruce George (Walsall, South) (Lab): I am deeply grateful to my hon. Friend the Member for Walsall, North (Mr. Winnick) for allowing me to join in the debate. We are speaking because we feel a sense of intense frustration and anger. Those who, in my view, are clearly guilty have been surrounded by a ring of steel, preventing proper inquiry from being made and justice being done. I can think of few cases in my 34 years as a Member of Parliament that have filled me with such a sense of embarrassment at the disgrace and perversion of local government in Walsall.

Walsall was a failed authority. The Government rightly stepped in, booted out the senior officers, started teaching the councillors how to be councillors and imposed staff, including a chief executive. She is now, thankfully, over the Thames. Every time I look over I feel a sense of anger, but also delight and gratitude to Southwark for relieving us of somebody who was at the centre of a range of activities, supported by loyal associates.

I know Peter Francis very well, and my hon. Friend has rightly focused on what happened to him, but two other people were equally damaged, psychologically and physically, by what the local authority did to them. It is reprehensible, and the guilty have not been investigated and have so far escaped. The improvements in the council came at an unacceptably high price. The staff whom I know of—principally Peter Francis, David Parish, a former chief superintendent, and Liz McDonald—were intimidated, harassed and bullied. These were loyal staff. They did what they should have done as good local authority employees. When they saw that there was fraud, and misappropriation and misdirection of public funding, they went through the normal processes, to no avail. When one member of staff, believing that he was protected by law, blew the whistle, he continued to be hounded and was a broken man physically and emotionally.

Judged by the normal principles of a local authority, this was an aberration. Not only were those people intimidated; the media were intimidated by the threat of having advertising withdrawn if they printed certain stories; councillors were threatened with the Standards Board and with prosecution. One councillor seen talking to a trade union official was threatened with the Standards Board—and she is a Conservative, a member of the ruling party on the council. But the

staff—diligent, loyal and conscientious employees—were abused, humiliated and marginalised. As my hon. Friend said, Peter Francis was referred to as "the enemy within" by the executive director. He became seriously ill and was forced to resign.

Neighbourhood renewal funding granted by the Government was targeted at the council's deprived areas, but it was spent on brown bins and on improving the borough's image through the provision of sculptures and gateway signs. That is appalling. One cannot believe that money meant to relieve poverty was spent in a way totally unconnected to those objectives.

Peter's health deteriorated, and he was finally tipped over the edge. He became ill and depressed and the stress was appalling. He had never suffered from depression before, and he had always enjoyed excellent health.

The council surrendered at the last minute, as my hon. Friend said, to avoid exposure in front of an employment tribunal. Of course, there was a gagging clause, so Peter could not even talk about the treatment that he had received. Unbeknown to Peter, David Parish, a former chief superintendent who had survived 30 years with the West Midlands police and its problems, was a broken man. He was head of community safety. He had reported major theft and the misappropriation of public funds, and investigated that over five years. Finally, a second West Midlands police inquiry was set up. I will say nothing about it except that I hope that the local authority has been assisting it fully, although I would be surprised if it has been. He is another broken man, but at least he had good legal support.

Lastly, there is Liz McDonald, who was subjected to a Kafkaesque investigation over a period of years. She was isolated physically, hounded and thrown out. She had no legal representation at all, although she had some union representation. She finally got legal representation so that she could fight her case and, as happened in the cases of Peter Francis and Dave Parish, the council capitulated, rather than have its criminal behaviour exposed. Where did the money come from to protect that vulnerable woman? It came from her housing insurance policy, which she had purchased from Direct Line. What a way for a loyal public servant to get representation; she had to use her housing policy to get legal assistance.

Finally, I point out that there are three inquiries. I will wait to see whether they are genuine inquiries, or whether the ring of steel surrounding the guilty is still in place. I hope that the Minister will discuss the issue with her colleagues, and that once those investigations are scrutinised, there will be a proper inquiry, because in the town that my hon. Friend the Member for Walsall, North, and I are proud to represent, local government has been besmirched by senior council officers. The reputation of local government depends on proper inquiries and proper action being taken by the Minister's Department. I am absolutely sure that my hon. Friend and I will continue to fight for justice until the last day—the last hour—of our membership of the House of Commons, and beyond. That is how angry we both feel, and justice must be done. I hope that the council will provide justice for its staff, but if it does not, I believe that the Government should provide that justice.

6.18 pm

The Parliamentary Under-Secretary of State for Communities and Local Government (Angela E. Smith): First, I congratulate my hon. Friend the Member for Walsall, North (Mr. Winnick) on securing today's debate on an issue on which he clearly feels very strongly, and I am grateful to my right hon. Friend the Member for Walsall, South (Mr. George) for his comments, too. They are two experienced, esteemed Members held in high regard by the House. Their sense of outrage and injustice is evident to all who have heard the debate. I should say that Mr. Francis's constituency MP, my hon. Friend the Member for Birmingham, Hall Green (Steve McCabe), is present, too. Understandably, he has to be silent, but he has made it clear to me that he shares the sense of injustice about the case of Mr. Francis.

The debate concerns a dispute between an employee—Mr. Francis—and Walsall council. The relationship between a local authority and a member of its staff is fundamentally a matter for the officer's contract of employment, and any dispute about an individual's treatment under his contract can, as it did in Mr. Francis's case, be taken to an employment tribunal. It then ultimately becomes a matter for the courts to decide on, so I hope that the House understands that it would be inappropriate for me to offer any comment on the right and wrongs of the case at this time.

However, I recognise that there is widespread local concern, which has been expressed both tonight in the House and in recent months about the issues highlighted by the case. Those points were made very forcefully by my hon. Friend the Member for Walsall, North and my right hon. Friend the Member for Walsall, South. As hon. Members are aware, the district auditor for Walsall council is conducting a lengthy and thorough investigation of those matters, and that is the appropriate mechanism to uncover any issues of public concern and to ensure that the council takes any remedial action that is required.

For the benefit of hon. Members, I should explain that in these cases, the district auditor works under part 3 of the code of audit practice. There are three areas in which the auditor has to make an assessment that are relevant to this case: the arrangements for managing financial and other resources; arrangements for ensuring compliance with established policies, procedures, laws and regulations; and arrangements for ensuring that the council's affairs are managed in accordance with proper standards of conduct. That is the basis of the investigation by the district auditor in Walsall, but right hon. and hon. Members will appreciate that the scope and complexity of work required means that it is taking some time to reach a final conclusion. A draft report was published, and comments on it have been received and must be taken into account.

The district auditor has recently written to the leader of Walsall council. He explained what stage he has reached in finalising his conclusions and said that he hoped to issue his final report as quickly as possible, with the aim of doing so in June. I appreciate that my hon. Friend the Member for Walsall, North would like that report to be published before the local elections, and I shall come on to that in a moment. However, as he

[Angela E. Smith]

illustrated, I do not have the power to make the district auditor publish a report at any time other than when he thinks appropriate. It is for the district auditor to determine the most appropriate way to report his findings. He could produce an audit report that he would summarise in the next annual audit letter to the council, or a report in the public interest under section 8 of the Audit Commission Act 1998. A final decision has not yet been made on the appropriate way to publish.

As my hon. Friend and my right hon. Friend have said, a further inquiry linked to the case has been set up by Walsall council itself. It is designed to be complementary to the district auditor's investigation, and to set a broader context, with more emphasis on examining systems rather than on the roles played by individuals. The council asked a former chief executive of another local authority, Douglas Bradbury, to carry out that work. I understand that, following legal advice, the council concluded that Douglas Bradbury's report and the district auditor's investigation would need to be released together, as they dealt with different aspects of the same story. That is why the council's report has been delayed. I am informed that that is the council's current intention, but I am sure that it has heard the comments made by my right hon. and hon. Friends.

Mr. Winnick: I accept entirely that my hon. Friend cannot force the council, as I mentioned, to publish Mr. Bradbury's report, but inevitably there will be a belief that there is a cover-up before the local elections. It is to the advantage of the ruling party not to have a report that is likely to be critical. How can it not be critical, bearing in mind the fact that the council has accepted responsibility for unfair dismissal and disability discrimination, and has given compensation? Among many people in the borough—I am sure that my right hon. Friend the Member for Walsall, South (Mr. George) will agree—there is a belief that there has been a cover-up before the election, because the Tories simply do not want the truth to come out.

Angela E. Smith: My hon. Friend makes a powerful point, but he understands my position. I cannot instruct the council to produce a report. The council has received legal advice, and I could not advise it to go against that advice, but it could take note of his comments.

The council has continued to make it clear that it wants both reports to be published at the same time. It says that it is keen to learn from the outcomes of this case, and my hon. Friend will no doubt draw his own conclusions from that. It clearly needs to take any remedial action required on the publication of those reports as quickly as possible. I understand the desire for those reports to be published as soon as possible, because without such publication, there will be speculation about their contents. I do not want to speculate on those contents, but my hon. Friend and my right hon. Friend asked me to ensure that a meeting will take place, and asked whether the matter will be considered by the Minister for Local Government after publication.

Because I do not want to speculate, I cannot give my right hon. Friend the Member for Walsall, South the assurance that he seeks about a further investigation. However, I can give an assurance from the Dispatch Box that my hon. Friend the Minister for Local Government will meet him and my hon. Friend the Member for Walsall, North, as he has done before, to discuss those reports and listen to their concerns.

Mr. Winnick: Is my hon. Friend aware of what I stated, arising from the letter that I received from David Shaw, the assistant chief constable? There are current cases concerning the council that are being investigated, and somewhere the matter has been referred to the Crown Prosecution Service, so the matter becomes even more serious.

Angela E. Smith: I was not aware that the matter was with the police and Crown Prosecution Service, but I know that my hon. Friend understands that I could not comment even if I were aware, because the legal process must run its course. It is not a matter in which I could or should intervene.

Neighbourhood renewal funds in Walsall have been a recurrent theme in the debate in connection with the investigations. It may be helpful if I say something about that. Walsall is one of 86 local authority districts which are currently eligible to receive neighbourhood renewal fund resources. This is an unhypothecated grant introduced in 2001 and made available to local authorities with the greatest levels of deprivation in England. My right hon. Friend the Member for Walsall, South spoke of the need to spend the money on tackling deprivation, and my hon. Friend the Member for Walsall, North is right to say that the purpose of the fund is to ensure that local authorities and their partners in the most deprived local authority districts have money available to improve core services and conditions in their most deprived neighbourhoods.

The neighbourhood renewal fund is a non-ring fenced grant. How it is spent is a decision between the local strategic partnership and its partner organisations. Local strategic partnerships are expected to use their local knowledge and spend their resources in a way that helps to meet national and local targets for reducing deprivation. The fund is flexible and locally controlled. Unlike earlier regeneration funding schemes, it does not require central Government approval for individual projects, and monitoring by Government has been focused on the outcomes of those projects, not on the details of expenditure on particular initiatives or projects.

I understand that there has been a series of internal audit reports between 2003 and 2006 to investigate the concerns raised locally about the NRF. In some cases—I repeat, some cases—those reviews were carried out jointly with external auditors and confirmed that there were significant procedural weaknesses, which have been addressed or are being addressed. As I said, I cannot comment on any possible police investigation regarding those matters.

It is worth reflecting on the use of the Government's statutory powers of intervention, as both my right hon. and hon. Friend have asked me to address the point. Those powers enable the Secretary of State to take action if she feels that a local authority has not made sufficient arrangements to secure continuous improvement in the exercise of its functions. It is important to recognise

that those intervention powers relate to current performance and they allow Government to take action to address issues affecting service delivery. I am grateful to my right hon. Friend the Member for Walsall, South for commending the Government on intervening in Walsall to ensure delivery.

However, the powers cannot be used in respect of past failings of a council or its officers, and Walsall council's performance gave sufficient concern to cause it to be placed under close external scrutiny, with a Government monitoring board in operation between 2002 and 2005. As my right hon. Friend acknowledged, major reforms were carried out during that period and there have been significant improvements in the council's performance, with Government support.

Notwithstanding those achievements, it is clear from the employment tribunal outcome that something went badly wrong in the handling of the case. The council must consider the lessons carefully. The issues raised by the case must be dealt with in a way that is transparent, open and honest and shows that the council has learned from experience. It is not helpful for me to speculate or make any further comment in advance of the report's findings or the council's independent inquiry. I reiterate the assurance from my hon. Friend the Minister for Local Government that once we have the facts before us, he will meet hon. Members to listen to their concerns and digest the content of the two reports.

Question put and agreed to.

Adjourned accordingly at twenty-nine minutes past Six o'clock.

House of Commons

Friday 27 April 2007

The House met at half-past Nine o'clock

PRAYERS

The First Deputy Chairman of Ways and Means took the Chair as Deputy Speaker, pursuant to the Standing Order.

FINANCIAL SERVICES AUTHORITY

Ordered,

That there be laid before this House a Return of the Report by the Comptroller and Auditor General of a review under section 12 of the Financial Services and Markets Act 2000. —*[Kevin Brennan.]*

Points of Order

9.33 am

Mr. David Winnick (Walsall, North) (Lab): On a point of order, Madam Deputy Speaker. There will be some surprise, I am sure, that the Freedom of Information (Amendment) Bill is not to be debated today. It was due to be the second item, as you know. There is a feeling that it has been withdrawn. Will you confirm that the Bill has not been withdrawn, and that it has been deferred to 18 May? Many of us believe that that is just a ploy to bring the troops in on 18 May so that there will be more than 100 Members present to try to pass the private Member's Bill introduced by the right hon. Member for Penrith and The Border (David Maclean). Those of us who are opposed and consider that it would be a disgrace if the Bill were passed will be here on 18 May.

Madam Deputy Speaker (Sylvia Heal): Yes, I can confirm that the Freedom of Information (Amendment) Bill is deferred until 18 May, but that decision is entirely up to the Member in charge of the Bill. It has nothing to do with the Chair.

Simon Hughes (North Southwark and Bermondsey) (LD): Further to that point of order, Madam Deputy Speaker. It is entirely proper that Members can use the procedures to move the date for a private Member's Bill. There are two Bills in relation to which that happened yesterday: the Housing Association (Rights and Representation of Residents) Bill, which was put back to 15 June and, as the hon. Member for Walsall, North (Mr. Winnick) said, the Freedom of Information (Amendment) Bill, which was put back to 18 May. I have no objection to that. However, will you ask the appropriate authorities to consider whether, when a debate date is changed by any process, there is a way of making that generally known, other than by [illegible]bers going to the Table Office? People other than [illegible]mbers who are in the House on the day have an int[illegible]

Madam Deputy Speaker: I can confirm that, as the hon. Gentleman says, nothing irregular or improper occurred in changing the date for those Bills to be debated. It is incumbent on Members who have an interest in a particular Bill to keep in regular contact with the Table Office to find out when it is to be debated.

Orders of the Day

Building Societies (Funding) and Mutual Societies (Transfers) Bill

As amended in the Public Bill Committee, considered.

9.36 am

Sir John Butterfill (Bournemouth, West) (Con): I shall be brief. The deliberations in Committee were comprehensive—

Madam Deputy Speaker (Sylvia Heal): Order. We have a group of amendments before us.

Mr. David Winnick (Walsall, North) (Lab): Not moved.

Order for Third Reading read.

Sir John Butterfill: I beg to move, That the Bill be now read the Third time.

The consideration in Committee was not particularly long, but it was comprehensive. The Bill was altered quite substantially, not in its objectives, which remain the same, but in the legal basis of the clauses. The Bill was an extremely complex matter. It meant changing a large number of existing areas of legislation, and the way in which they interacted was complex, hence the comprehensive redrafting of the Bill since Second Reading, and also its change in name to the Building Societies (Funding) and Mutual Societies (Transfers) Bill. That was needed to bring greater clarity to what the Bill was intended to achieve.

I pay tribute to the work of all who were involved in the Committee stage, in particular to the groups of lawyers who worked hard together to come to a conclusion. Without the diligent efforts of the Treasury solicitors, that would not have been possible.

There is one remaining area of the Bill that we were unable to cover in Committee: the position of mutual insurers. It was felt that the Bill as drafted could contravene European Union company law. The remedy that was chosen to enable the Bill to proceed quickly was to remove mutual insurers from the transfer arrangements that apply to all the other mutual societies. That is not a particularly happy situation, and—the Minister confirmed this in Committee—both sides of the House would prefer them to be included, if that is possible.

I understand that the Royal London mutual instructed solicitors to consider how the situation could be remedied. It instructed Herbert Smith, which has come up with some ideas that are now being discussed with the Treasury solicitors. Between them, they may reach a conclusion that would enable mutual insurers to be included in the scope of the Bill. If the Bill is passed today, that can be achieved only by an amendment in another place, which would mean the Bill coming back here again. I would not be unhappy with that procedure, if I was sure that time would be made available to consider the amendments. I understand that there is a possibility that the Government

[Sir John Butterfill]

might be prepared to assist in that matter, and no doubt the Minister will confirm or deny that information shortly.

I thank everybody who has been concerned with the Bill.

Susan Kramer (Richmond Park) (LD): Will the hon. Gentleman confirm that credit unions, which are mutual in character and crucial to coping with financial exclusion, fall within the scope of the Bill? I was unable to understand that point from reading it, and his confirmation would be exceedingly helpful.

Sir John Butterfill: I cannot help the hon. Lady, because credit unions are not in the scope of the Bill. Their activities are peculiar to that particular group of mutuals. They understand that it is not possible to include them, and I gather that they are perfectly happy with the situation.

In conclusion, I am grateful to the Government and the Treasury solicitors for their assistance. I am also grateful to Mutuo, which gave me a great deal of help in the initial drafting of the Bill and subsequent discussions with the Government, and to Members of all parties in this House, who have been extremely supportive. I therefore trust that we can deal with the remaining stages of the Bill in the course of this morning.

9.42 am

Mr. Adrian Bailey (West Bromwich, West) (Lab/Co-op): As chair of the all-party group on building societies and financial mutuals, I am pleased to see the Third Reading of the Bill, even in its adapted and modified form.

I, too, congratulate the hon. Member for Bournemouth, West (Sir John Butterfill) on taking up the issue and navigating it through some tricky waters where there were plenty of obstacles, some of which were below the waterline and had not been seen. On Second Reading, I said that we were lucky to have somebody who had already achieved the objective on other occasions with private Members' Bills and who is well versed in the art of navigation. When I said that, I did not realise how important those skills would be, given the problems that have arisen.

I endorse the hon. Gentleman's remarks about the support and co-operation of both the Minister and the Treasury team in ensuring that the Bill, even in its modified form, has arrived where it has today. Its gestation started with the Miles report in 2004, which made what appeared to be a simple recommendation about changing the wholesale funding restraint. The subsequent Select Committee inquiry with the all-party group adopted that particular recommendation and added to it the need for building societies to be able to transfer engagements to another mutual. Again, that appeared to be a simple and logical step to take through legislation. However, when the complexities of financial regulation are merged with the complexities of corporate legislation, all sorts of problems arise, which is why the Bill has had such a difficult passage, albeit that everybody has tried to overcome the legal and financial complexities.

I endorse the hon. Gentleman's comments about insurance companies—again, that point was not foreseen. I hope that the good will and commitment behind the other provisions in the legislation will prevail once again, and that the problem will be overcome by the commitment and expertise of those involved.

On Second Reading, I commented that in my locality, the black country, we are blessed by having a number of the smaller mutuals—the West Bromwich building society would call itself a medium-sized mutual—that represent the historical root of the building society movement. The Tipton and Coseley and the Dudley are small building societies, and they have provided a service to local people in one of the most deprived areas of the country for many years. The Bill will enable them to continue to offer the sort of service that they provided for the community in the past.

When the all-party group investigated the relative competitiveness of the banking and building societies sectors, it became quite obvious that the advantage that mutual organisations have in not having to pay out dividends to shareholders enables them to provide better value and cheaper products to local people. In an area such as mine, where incomes are still low—historically house prices were low, but that is changing—the ability of local financial service providers to offer good-quality, low-cost products to people who may have lower incomes is absolutely essential and complements the Government's desire to ensure that areas of this country are not financially excluded.

Building societies have the advantage of having trusted brand names, and because of their historical root in local communities, they are well known and understand the communities that they serve. By passing this legislation and removing the wholesale funding restraint, or at least modifying it so that building societies can borrow more money, we will enable building societies to produce products that are even better tailored and suited to the needs of their local communities. Despite its complexity and its rather arcane nature, the Bill could have a significant part to play in helping people in lower income communities to develop their quality of life and get on the housing ladder.

From the perspective of the all-party group on building societies and financial mutuals, I reiterate my thanks to the hon. Member for Bournemouth, West for taking up the Bill, which could have quite profound long-term consequences. I also thank the Treasury team again for being prepared to embrace it and the principles behind it.

9.50 am

Dr. Vincent Cable (Twickenham) (LD): I should like to say a few words in support of the Bill, of which I was one of the original sponsors, and to congratulate the hon. Member for Bournemouth, West (Sir John Butterfill) on taking it through almost to its completion. I have apologised to him and other members of the Committee for not being here on Second Reading. There are a few comments that I would like to have made then, and would like to make now, but not at inordinate length.

Like several other colleagues in the House, I was a little shocked when I saw the Order Paper this morning. I had been prepared to discuss the Bill at rather greater

length than I now propose to do, and had a long disquisition prepared. Indeed, I was going to try to describe to the House an algebraic model of the funding structure of mutuals, which I thought would have supported the debate. However, it is probably no longer necessary, so I shall save it for another occasion. I also had a new clause, which has not been selected by the Speaker, so I do not need to speak to that at any length. More seriously, however, I would like to pass on to the Treasury the substance of that new clause, which can no longer be moved formally, in the form of a thought.

The point that I was endeavouring to make, which has some validity, is that we need a proper system of reporting on the progress of mutual institutions in a factual, statistical way. One of the points that has struck me throughout the debate is that much in the story about mutuality is of a qualitative kind. I have read the excellent report of the all-party group, of which the hon. Member for West Bromwich, West (Mr. Bailey) is the chair and which is the largest in the House. The group has done sterling work and has made the case for mutuality, but there are no tables in the report. There are a few facts and anecdotes, but there is not a great deal of back-up. If I am asked what share of the British economy is accounted for by mutual transactions, I have no idea. Is it 5 or 10 per cent., or 30 or 50 per cent.? Is it growing or is it contracting?

Madam Deputy Speaker: Order. I appreciate that the hon. Gentleman wished that he had been present on Second Reading, but we are now on Third Reading, so his remarks will have to be about the contents of the Bill.

Dr. Cable: The specific point that I wished to make about the Bill was that, in order to monitor its progress and implementation, we need a stronger statistical base than the current one, which is very fragmented. Under clause 1, for example, it is necessary to have information on the funding requirements of building societies. In preparing for this debate, I looked through all the basic data to try to find out where that information was. There is a wonderful book compiled by the Building Societies Association called the "Building Societies Yearbook", which is a real labour of love. Among its many tables, there are none that describe the funding ratios for building societies, unless one looks into the balance sheet summaries for each individual society. If we were trying to monitor the progress of the Bill when it became law, particularly the requirements of clause 1, we would not have a readily available source of material, so somebody somewhere should be collating it.

Similarly, the consolidation element provided for under clause 3 requires some idea of the progress that different segments of the mutual movement are achieving. Are they growing or contracting? How many of them are there? The data on that are very poor. For example, the only source of information that I could find on friendly societies was the annual report on them, which is a very good document. At the back it describes in some detail everything from the Liverpool Victoria, which is the biggest friendly society, right down to a wonderful institution that I would love to know more about, the Grand Order of Israel and Shield of David friendly society, whose total funds are zero. There is quite a range of institutions, but if we were trying to monitor the progress of the legislation, and mutuals legislation more generally, it would be helpful to have more background information.

Finally, on that specific point—I shall move on to more general considerations—there are very little data on the industrial and provident societies, which are the most numerous of the mutuals. I have discovered a fine Library paper, drawn up in 2002, giving a breakdown of all the different segments of industrial and provident societies, based on registration information, but I have not seen anything since. The Financial Services Authority, which is the source of the data, does not seem to have published any updates. We therefore just do not have any basis for judging what is happening in the mutual movement, with respect to consolidation and the other issues in clause 3.

I should like to leave the Minister with that thought. Quite apart from whether something could be formalised in legislation, it would helpful if the Government could think of a way of presenting regular reports on the progress of the mutual movement, to which he as the relevant Minister—he has described himself as the Minister for mutuals—has dedicated himself, so that we can assess its progress.

I should like to say a few words that I would have said on Second Reading about my personal interest in the subject and why I agreed to become a sponsor of the Bill.

Madam Deputy Speaker: Order. May I remind the hon. Gentleman again that whatever he would wish to have said on Second Reading cannot be rehearsed today, when we are dealing with the Third Reading of the Bill?

Dr. Cable: I fully accept and understand your ruling, Madam Deputy Speaker. I am not entirely sure what the distinction is, because in summarising our review of the Bill in Committee we are, in a sense, going over some of the basic arguments. I am happy to proceed from them, but—

Madam Deputy Speaker: Order. I should perhaps have reminded the hon. Gentleman that on Third Reading we are discussing what is actually in the Bill—in this case as amended in Committee—whereas on Second Reading we were dealing with its general principles.

Dr. Cable: In that case there is no particular reason for me to continue discussing my point, so I shall say a little about the three major components of the Bill as amended. As I understand it, the key component is clause 1, which enables some relaxation of societies' funding requirements and updates the Building Societies Act 1997, following the publication of the David Miles inquiry.

There are two issues connected with that, which probably need to be spelled out a little. The first is the greater freedom for building societies to grow and to draw on wholesale markets. In following some of the discussion, I was a little troubled by the potential implications, although I do support the move. The argument seemed to be that it was important that building societies should expand as rapidly as possible into mortgage lending. The model cited was Northern

[Dr. Cable]

Rock, which is the one demutualised society that has been able to expand, because it no longer has a funding limit, which is the essence of clause 1.

What worries me slightly is the assumption that rapid expansion into mortgage lending is intrinsically desirable. I suspect that we are reaching the point at which former societies such as Northern Rock are in danger of experiencing serious difficulties as a result of being over-extended in the housing market. It may be that very rapid expansion is not desirable. For example, Northern Rock may well find itself with a great deal of bad debt and having to pressure many of its borrowers into repossession. I therefore have slight doubts about the desirability of unlimited growth.

David Howarth (Cambridge) (LD): Does my hon. Friend agree that there is a slight problem, with which the Minister may be able to deal in his reply, as clause 1 now includes a one-way ratchet—the percentage may only be moved in one direction by the Treasury—but in the light of experience, a different policy may be needed at a later date?

Dr. Cable: That is right. To be fair, the Bill is not prescriptive. In fact, it gives the Treasury power to intervene if circumstances change. The position at the moment is that building societies do not use anything like their funding requirements. I had a look at the ratios: the highest is currently about 35 per cent., but some of them are down virtually to zero. The issue that my hon. Friend raises is logically valid, but I do not think that it is a pressing one in practice. I fully support the purpose of clause 1, but I would enter a slight caveat about the dangers of simply encouraging building societies to borrow from wholesale markets to expand their mortgage business.

Sir John Butterfill: I am not quite sure that I agree with the hon. Gentlemen. First, I do not think that there is a one-way ratchet. The Bill gives the Treasury the power to make orders, and presumably those orders could go in either direction. Secondly, the Bill enables the Treasury to move quickly if circumstances demand. Again, that does not imply that there is going to be a sudden rush to increase access to the wholesale markets. It will simply enable the Treasury, using its considerable discretion, to make the rules and, through the Financial Services Authority, ensure that there is compliance.

Dr. Cable: I was not in any sense trying to criticise the Bill, which I support as a sponsor, because it is not prescriptive. Indeed, it builds in the flexibilities that the hon. Gentleman described. I was simply trying to address the building societies over his head, as it were, and suggest that a rush into wholesale markets to expand mortgage lending may not be wise.

David Howarth: I do not want to labour the point, because I accept what my hon. Friend said about the Bill's practical effect not being as pressing as one might think at this point. However, there is a one-way ratchet in new subsection (6C), in which the Treasury's power to make an order

"may not be amended so as to reduce the percentage in the order"

and

"may not be revoked, unless it is replaced by another such order specifying the same or a greater percentage."

That is a one-way ratchet, and there is a policy question to be considered.

Dr. Cable: Yes, I take my hon. Friend's point, except that in practice that does not require building societies to increase their funding requirement. It gives the power to do so should they wish—that is the whole purpose of the legislation.

Finally, under this broad heading, the other piece of reasoning behind the key provision—clause 1—is that following the Miles report, the Bill will enable building societies to become more active in the fixed interest lending market. The assumption behind the Miles report is that there will be a transition over time to more long-term fixed interest lending, which would be facilitated by the greater use of wholesale markets. That is entirely sensible and it is a good reason for the hon. Member for Bournemouth, West to introduce the Bill.

Again, I would sound a slight cautionary note not just about whether that will happen but about whether, indeed, it is desirable. I have vivid memories of the mid-1970s, when I first bought a house in London, and of coming down from Glasgow and being offered a fixed interest long-term loan by Richmond council at what, at the time, was the almost ridiculously cheap rate of 14 per cent. That was a negative rate of interest, as we were in the middle of a financial crisis, and I was tempted, as it was much lower than what the building societies were offering, but I would have crippled my family if I had taken it. Past experience of long-term fixed interest lending suggests that we need to be careful before encouraging people to go down that road. However, despite those two caveats, the basic provisions of clause 1 are important. The way in which they have been modified by the Treasury is helpful, and I fully support them.

Just a sentence each on the two other basic provisions in the Bill. Clause 2 creates a level playing field for different kinds of claims on a building society should it unfortunately be forced into insolvency. That is an important corrective, but it was emphasised several times on Report that on no occasion since the second world war has a building society failed, so we are dealing with a hypothetical circumstance that is unlikely to arise. It is a necessary provision none the less.

My final point about the Bill was not discussed very much in any of our earlier proceedings, but it is important and in the long term it will probably be the most significant aspect, as it concerns the scope that it provides for the consolidation of different types of mutuals to merge with one another in a way that is not possible at present. Under current legislation, mutuals either have to demutualise to expand and diversify, or find an identical type of mutual institution. The Bill will permit much more diversity of operation. If a friendly society wishes to go in with a building society, or if a football supporters club wishes to link up with a friendly society, that is now possible. That is an important provision in the legislation which, in the

long term, will probably have far more far-reaching repercussions than clause 1.

Thank you, Madam Deputy Speaker, for indulging my attempt to make a rather more extended Third Reading speech than is allowed.

10.5 am

Mr. Mark Hoban (Fareham) (Con): I shall keep my remarks brief, Madam Deputy Speaker, conscious not only of your guidance to the hon. Member for Twickenham (Dr. Cable) but of the fact that the Second Reading of the Bill introduced by my parliamentary neighbour, the hon. Member for Portsmouth, North (Sarah McCarthy-Fry), is coming up next.

First, may I commend my hon. Friend the Member for Bournemouth, West (Sir John Butterfill) on steering his Bill successfully through the rocky waters of financial mutuals to Third Reading? This is his fourth Bill to reach that stage, and I suspect that it will reach the statute book in due course. It is the product of a collaborative—co-operative, even—relationship with the Treasury, and I spoke to Mutuo last week about the support that it received from the Treasury in discussing some of those issues. I welcome the Treasury's support in ensuring that the Bill reached this stage. I read the report of Committee proceedings in *Hansard*, as I was unable to participate on Wednesday. Sensible changes have been made to the Bill, and I welcome the way in which clause 1 in particular has been amended to clarify both the procedure whereby applications can be made for increases in the amount of funding from wholesale markets and the process for granting approval. That is an important freedom for building societies that will enable them to respond more appropriately to the growing demands from consumers for good-value mortgage products.

I wish to comment favourably on another change to the Bill. Opposition Members, particularly Front-Bench spokesmen, are often quick to criticise Government Ministers for evading further parliamentary scrutiny of legislation, so it would be churlish not to congratulate the Treasury on introducing the affirmative procedure in the Bill and ensuring that there will be debate on the regulations when they are drawn up. It is important, given the complexity of the issues that this—albeit short—Bill has raised, that there be further debate. I take on board my hon. Friend's comments about the fact that the amendments made in Committee exclude for the time being the mutual insurance company sector. While there are relatively few companies in that sector, they are important players, and I hope that time will be found, if a satisfactory conclusion can be reached, so that universal provision is put in place to ensure that mutuals in different categories can merge without losing their mutual status. It is in the interests of every financial mutual that that relationship exist across all such mutuals.

I hope that the amendments to the Bill enable mutual societies to continue to flourish. The hon. Member for West Bromwich, West (Mr. Bailey) referred to the West Bromwich building society. Having met its chairman and chief executive, I know the important role that that society plays in the community, and I hope that the Bill enables it and other financial mutuals to continue to go from strength to strength. Finally, may I once again congratulate my hon. Friend the Member for Bournemouth, West on his success and the way in which he has steered the Bill to this stage.

10.9 am

The Economic Secretary to the Treasury (Ed Balls): I echo the comments by Members on both sides of the House in congratulating the hon. Member for Bournemouth, West (Sir John Butterfill) on his achievement and saying how pleased and relieved we are to have reached this stage this morning. I echo especially the comments of my hon. Friend the Member for West Bromwich, West (Mr. Bailey), the chair of the all-party group, as the Bill has benefited from all-party support and co-operation in reaching this stage.

The Bill's amendments to building societies legislation regarding the wholesale funding limit and changes to the position of members in the event of insolvency, as well as amendments updating other mutuals legislation to make it easier for one type of mutual society to transfer to the ownership of a different type of mutual society as a subsidiary company, will strengthen the ability of building societies to compete in modern financial markets. They will make the playing field more level and continue to allow mutuals and building societies both to serve their communities—often their local communities—and in some cases to compete on the international, global stage, and to continue to innovate in doing so. Those are the characteristics that make mutuals work so effectively in our financial services arena.

Following the comments of the hon. Member for Fareham (Mr. Hoban), my hon. Friend the Member for West Bromwich, West will know that the West Bromwich building society has built on the leadership that mutuals and friendly societies have shown on the child trust fund. The hon. Member for Twickenham (Dr. Cable) may be interested to know that the vast majority of child trust funds are being provided by mutuals, and I could provide him with the exact statistic if he so wished. The West Bromwich building society is now also delivering a sharia-compliant child trust fund to meet the needs of British Muslims, in my hon. Friend's constituency and in the other constituencies that it serves. That is an example of a mutual innovating in the best interests of the whole community, but in a way that is particularly attuned to the needs of its local community. To allow that kind of innovation and local leadership to continue, the Government were very happy to support the Bill.

As the hon. Member for Fareham and others said, the Bill would not have got to this stage without the leadership of the hon. Member for Bournemouth, West, who has a fine legislative pedigree in the House. We are confident that the Bill will be a fourth strike for him. Nor would the Bill have progressed without the support of his advisers, especially Mutuo, which has also been helpful in discussions with the Treasury. I also pay tribute to the Treasury officials who, with the hon. Member for Bournemouth, West, have gone into great detail to make the Bill work.

After a thorough, wide-ranging Second Reading, the Bill went through a detailed and intensive Committee stage to ensure that its principles and intentions could be made to work within the complex and detailed

[Ed Balls]

technical arena of mutuals and co-operative legislation. I hope that the hon. Member for Bournemouth, West agrees that the amendments agreed in Committee deliver his intentions for the Bill. As the hon. Member for Fareham also pointed out, the changes also preserve the House's ability to debate through the affirmative procedure details of the orders that the Bill enables the Treasury to introduce in due course. Those will follow further consultation on the details of raising the funding limit in particular, and on other changes.

I will not go through all the details of the amendments introduced in Committee; suffice it to say that they were debated thoroughly in Committee, and consensus was reached on the right way forward. I will, however, deal with some points arising from this debate, and with a specific one that arises from discussions with the hon. Member for Bournemouth, West in Committee and subsequently.

In an intervention, the hon. Member for Twickenham asked whether the legislation would apply to credit unions. As he surmised, the answer is no: credit unions are not within the scope of the Bill. Under the Credit Unions Act 1979, credit unions are forbidden to transfer into companies or have subsidiaries. We are separately reviewing the credit unions legislation, and formal consultation will follow an announcement of our intention to consult in the autumn. I have some concerns about the amendments on reporting that he might have introduced on Report, but did not do so, because regulation in the sector is for the Financial Services Authority, and an important part of the flow of information to the regulator is that which is commercially sensitive and cannot be revealed. However, on his broader point that it would be advantageous both to the sector and the House for a detailed statement to be laid before us on the position and role of mutuals, credit unions and building societies in our economy and society, I can see the advantages of bringing that data together in one place. As we prepare our consultation, I will consider whether we could try to co-ordinate the provision of that information. I will report back on that matter.

The hon. Member for Cambridge (David Howarth) also made an intervention, which might better have been made in Committee, but that is by the by. The Liberal Democrats have attended for most of these debates, but have had a slight tendency to want to have the Second Reading in the Committee stage, and the Committee stage debate on Report and then on Third Reading. I hope that they are catching up—*[Interruption.]* I do not want to labour that point—

Kevin Brennan (Cardiff, West) (Lab): Or liberal it.

Ed Balls: Indeed not.

For the benefit of the House, however, I shall answer the point about the ratchet. As the hon. Member for Twickenham pointed out, there is not a requirement for building societies to fund up to the limit to be set in the order—it is an upper limit, which we will set after consultation. But we do not want to be in a position where a building society has funded up to that limit, and then the Government suddenly reduce that limit, as that could be deeply destabilising to the liquidity and balance sheet of a building society, which, up to that point, had been operating within the law and the regulations. While the Financial Services Authority, within its powers under the Financial Services and Markets Act 2000, can reduce the limit for a particular institution for supervisory or regulatory reasons, the House sets the overall framework for legislation and regulation. It would be a mistake to introduce a power to do something across the sector that would be so destabilising. In drafting the Bill, a deliberate decision was made to avoid the Government putting building societies in that situation.

Sir John Butterfill: Will the Minister confirm my understanding that although the limit may be raised from time to time, by order, and an individual society may at some time reach that new higher limit, there is no reason why the building society should not of its own volition reduce that amount of borrowing if it feels, particularly after consultation with the FSA, that it is too much? It is not an inevitable ratchet whereby borrowing at that higher level must continue.

Ed Balls: The hon. Gentleman once again reveals his detailed knowledge of the subject and why the Bill has been framed properly. He is right. We expect only a few building societies to move towards the limits that have been discussed, but we are creating a freedom that will allow that to happen. It is for individual societies, within those limits and on a day-to-day basis, to choose how to fund themselves. The important point is that legislation at the moment is restrictive and many building societies fear that it hampers their ability to compete and to raise appropriate funds in the wholesale market. That is what we are addressing.

As I know from the depth of my postbag and from the many letters that I have signed in the past month—once again, a tribute to the hon. Gentleman's experience in organising legislation of this type—there is widespread support from building societies and their supporters for the Bill and for allowing that freedom. I have been able to confirm our support for it in writing many times in recent weeks.

The hon. Gentleman raised one point that we have not been able to address satisfactorily. I explained in Committee that it is difficult precisely to define mutual insurers for the purposes of the Bill. Those that are friendly societies are covered by it, but those that have their own statutory basis cannot be covered in a public Bill. The remaining mutual insurers are companies limited by guarantee. We have considered whether the Bill could be extended to cover companies limited by guarantee that are also insurers, but because insurance is regulated on a Europe-wide basis, we would have to allow the same procedures to apply where the transfer is to a subsidiary of the body corporate in another member state which is similar to a company limited by a guarantee. As we discussed in Committee, that causes us a great deal of difficulty in properly specifying UK legislation which would work in that European context. For that reason, and despite our efforts, we were not able to include mutual insurers in new clause 3 in Committee. I told the hon. Gentleman that we would endeavour to see whether we could make further progress.

Madam Deputy Speaker: Order. Once again, we are going a little wide of the Bill. We are discussing what is in it, rather than what is not.

Ed Balls: I hope that you will allow me to make a final point about what might become part of the Bill in due course, Madam Deputy Speaker.

We are continuing to work with our advisers from Mutuo. I wrote to the hon. Gentleman yesterday, saying that we were happy to work further on the definitions of mutual insurers, but that it would take us days or weeks to know whether we could make progress on that. In conversation with the hon. Gentleman yesterday, on receipt of his letter, I reassured him that even though the Bill was programmed for Third Reading today, that work would continue and that if, in the time available, we could find a solution that would enable mutual insurance companies to be included in the transfer arrangements, we would consider with the appropriate authorities whether it would be possible to table appropriate amendments when the Bill is in the other place. I cannot, however, make a commitment that that will happen, because it has proved difficult to include them up to now, although I understand that in recent days the possibility of making progress has opened up. If we can, we will facilitate amendments in the other place, but we will not allow anything to occur that would destabilise the Bill or slow up its passage to the statute book.

We want, as the hon. Gentleman does, the Bill to be on the statute book at the earliest opportunity. With that caveat, we will continue to work to see whether a solution can be found. If it cannot, we will continue to see whether other opportunities arise, perhaps when he has another chance to bring a private Member's Bill before the House.

Sir John Butterfill: What the Minister suggests is sensible. It will involve making time available in this place for us to consider a Lords amendment, but I understand that that may be possible. I also fully understand that it may not be possible to find a solution. However, I am grateful to him for his efforts and I pay particular tribute to his contribution in getting the Bill to where it is today.

Ed Balls: The hon. Gentleman is generous. It has been a collective co-operative effort from hon. Members on both sides of the House. His leadership in particular has made it happen. We are on the verge, with consensual agreement, of taking an important further step forward for the building society and mutual sector in our economy and society. As I said, once the Bill reaches the statute book, with the Government's full support, it will strengthen further the position of building societies and mutuals. They play a crucial role in innovating, serving their local communities and competing nationally and internationally in what is a fiercely competitive global financial services market. I am happy and proud to commend the Bill to the House.

Question put and agreed to.

Bill accordingly read the Third time, and passed.

Electric Shock Training Devices Bill

Order for Second Reading read.

10.27 am

Sarah McCarthy-Fry (Portsmouth, North) (Lab/Co-op): I beg to move, That the Bill be now read a Second time.

I am conscious of the huge privilege of having the opportunity to introduce a private Member's Bill given my relatively short time in the House. I must express my surprise at having that opportunity today, because I did not expect it.

I thank the Bill's cross-party sponsors and all those on both sides of the House who have shown support. I also thank those who have signed my early-day motion 592 on electric shock training devices. I especially thank my hon. Friend the Member for Stroud (Mr. Drew), who tabled amendments to the Animal Welfare Act 2006 along the lines of the measures set out in the Bill. I also thank the Kennel Club which, along with other charities, has worked tirelessly on this issue and which has helped me to introduce the Bill. At this point, I also want to pay tribute to the Government for all the good work that has been done for animal welfare, including the 2006 Act, which came into force on 1 April. However, it does not go far enough on electric shock training devices.

There is a lot of support for the Bill, not just in the House but across the country more widely. I have received far more messages in support of it than I have received in opposition to it. I have also received a petition in support of it.

I was not aware of electric shock training devices until I was alerted to them by the Kennel Club last year, and I was horrified. The most well known of the devices is the electric shock collar, which in my view and the view of many others is cruel and unnecessary. For those who are not familiar with the concept, let me explain that the mechanics of the collar depend on the particular device chosen, but they are usually battery operated and the dog is subject to an electric current when she or he misbehaves. The idea is that that should be done to discourage negative behaviour.

I contend that there is an inherent and needless cruelty in that approach to training, and it is entirely unnecessary when there are plenty of positive training methods on the market. While some may say that a short sharp shock is worth it for an improvement in behaviour, I would argue that the shock is not short but repetitive, that it is not sharp but painful, that it does not always result in improved behaviour, and that there are alternative, painless methods to achieve that improved behaviour.

Bob Spink (Castle Point) (Con): I congratulate the hon. Lady on her excellent Bill, which I support as far as it goes. I also supported her early-day motion.

Will the hon. Lady add to her list of problems with those devices the fact that they can be used on animals not just for training purposes but in an abusive manner? That happens all too often, and is yet another reason why we should ban them.

Sarah McCarthy-Fry: I agree. The potential for misuse of the collars worries me greatly, and I think that it adds to the weight of the argument against them.

Electric shock collars teach an animal to respond out of fear rather than an actual willingness to obey. They do not address underlying behavioural problems, and may leave the causes of barking or aggression suppressed. Training a dog on the basis of fear poses the risk that at some time in the future it may turn on its owner or, God forbid, on an innocent child.

There are a number of positive alternatives that allow dogs to be trained more quickly and reliably, without the potential for abuse or ill-treatment. The hon. Member for Castle Point (Bob Spink) referred to misuse, and indeed the potential for misuse is great. I have heard of some dreadful instances in which those devices have been deliberately misused to cause harm or discomfort to animals. There is even anecdotal evidence from the United States of a parent using one on a child.

Of course there is potential for misuse in anything, and it would not be practical to ban everything that could possibly be misused. I know that the new duty of care provided by the Animal Welfare Act 2006 should prevent deliberate misuse of those devices. In my view, however, those arguments hold only if there is a positive benefit in using the devices in the first place. I would argue not only that there is no positive benefit, but that there is not even a neutral position. Those devices cause harm.

Mr. Robert Goodwill (Scarborough and Whitby) (Con): That is not the experience of my wife's cousin, who had a dog that would persistently jump up at people. She was at her wits' end: in fact, she was on the verge of getting rid of the dog. She tried one of these collars, and within about a week the dog stopped its behaviour, which was not only dangerous to small children but, in muddy weather, caused her deep embarrassment when other people's clothes were soiled. She has not needed to have recourse to the collar again.

Sarah McCarthy-Fry: I take the hon. Gentleman's point, but it seems a bit like using a sledgehammer to crack a nut. Are we really saying that it is acceptable to administer an electric shock to an animal to prevent one's clothes from getting muddy? I do not buy that argument.

Mr. Andrew Robathan (Blaby) (Con): The hon. Lady may have mentioned this already. If she has, I apologise. Does she own a dog, and if so what kind?

Sarah McCarthy-Fry: I do own a dog. It is the Heinz 57 variety—a good old-fashioned mongrel. It is typical of such dogs—there are all sorts of problems with it—but I would not dream of using an electronic training device to deal with some of those problems, such as jumping up at people. Owning a dog requires a huge time commitment if it is to be trained to behave properly. The problem I have with those devices is that people may think they are a quick and easy way of training a dog. "Let us just zap it with an electric shock," they may say. "Then we need not take the time to train it properly."

I should point out at this stage that my Bill contains a special exemption for electric proximity fences following representations from farmers and others in the rural community. I am more than happy to accommodate that exemption, as the fences work on a different principle in deterring an animal from leaving a fenced-off area. In the case of shock collars and other such devices, it is not possible for the animal to escape the restraint. However, I am not persuaded by the argument sometimes advanced in the rural community that the devices can be used to train dogs to stop them chasing sheep.

It is virtually impossible to use an electric shock collar to train a dog not to chase sheep. The theory is that the dog will believe that the sheep gave it an electric shock, and will not chase sheep again. However, it is impossible to know at which level the collar should be set when the dog is near sheep. For the dog to think that the sheep had shocked it, the trainer would have to wait until the dog was very near the sheep, or the dog might think that the shock had come from something else in the vicinity. Moreover, under the Dogs (Protection of Livestock) Act 1953, dogs being exercised near livestock must be kept on leads or under close control. Similarly, dogs in urban environments do not need shock collars to stop them from running on the road; they merely need to be kept on a lead.

Angela Watkinson (Upminster) (Con): The hon. Lady has clearly stated that she opposes the use of electric shock collars for training. She has also referred to the duty on dog owners to train them properly. Does she approve of the idea of imposing additional duties on breeders and people who sell dogs, and on those who buy them, to ensure that steps are taken so that the dogs are properly trained, are not a liability to others, and are safe among people and when they are out in public?

Sarah McCarthy-Fry: That is an important point. One of the problems, particularly in the case of dangerous dogs, is that people take on dogs with absolutely no appreciation of the time and commitment that will be required, and of what it takes to own a dog. If breeders and anyone who sells a dog made that clear when the dog is sold, or given in the case of rescue dogs, it would make people understand what they are taking on.

It has been argued that the devices are a method of last resort for dogs that do not respond to any other form of training. Indeed, I have received a letter from someone who assures me that without the use of an electric shock collar her dog would have had to be destroyed, as nothing else worked. But are we really saying that it is appropriate to torture animals to get them to do what we want them to do?

I have heard of many examples of so-called untrainable dogs being trained through intensive therapy with an animal behaviourist. I admit that such methods take a great deal of time and commitment—much more than zapping with the remote control of an electronic device—but, as we have all agreed, owning a pet involves a great deal of time, commitment and responsibility. What worries me is that because of the way in which the devices are marketed and because they are freely available, many responsible dog owners are led to believe they are a normal way of training an animal.

The problem with the argument that the devices are a method of last resort is that that is how they started out in the USA. Now they are routinely marketed as training devices for all dogs and puppies, and their use has grown exponentially. At present sales of electronic shock collars in this country are still relatively low, but they are growing. That makes it all the more important to ban them now, before they become the "normal" way of training a dog. They are not a normal way of training a dog, and they are unnecessary. Dogs are highly reactive to learning experiences and have a strong bond with humans, so it is possible to utilise their natural instincts to train them easily.

Angela Watkinson: While the hon. Lady has been speaking, I have been thinking about the training methods used by the Guide Dogs for the Blind Association. I think it relevant that certain breeds are much more susceptible and co-operative than others. It is notable that guide dogs tend to be retrievers and Labradors. It is also notable that when puppies that have been selected as being suitable are being walked, they always keep all four feet on the ground at the same time and do not jump up. Clearly there is a way of training them not to do so at a very young age. People, too, must be taught to bend down when they want to speak to a dog or pet it, so that the dog does not need to jump up. Lessons could be learnt from those methods.

Sarah McCarthy-Fry: Exactly. It is also important to note that the Guide Dogs for the Blind Association is not in favour of using electric shock devices to train dogs. There are numerous examples of dogs being trained in other ways to achieve the benefits that the hon. Lady has described.

All animals, ourselves included, learn through experience. If an action brings a positive outcome it will be repeated, as it is beneficial. However, dogs also have a natural, in-built "fight or flight" response when put in a situation that causes pain or fear. As a dog will have no idea what has caused the pain, it is far more likely to associate it with something in its immediate environment than to connect it with its own behaviour at the time. That something could be an area, an object, another dog, the owner or even a child, and the dog could become afraid or even act aggressively as a result.

Some people believe that it is okay if the collar is used only at a low-current setting. The difficulty with that approach is that the shock level may be too low to influence behaviour, thus the owner would have to increase it. The problem is that the dog can become accustomed to the gradually increasing discomfort. Carolyn Menteith, who is a dog trainer affiliated to the Association of Pet Dog Trainers, has said:

"An electric shock collar hurts. It has to. If it didn't, it wouldn't work."

There are a number of models to choose from; there are a number of anti-bark shock collars, which emit an electric shock of about 6 V to 9 V every time that the dog tries to bark while wearing one. By way of comparison, I should say that a Black and Decker drill also requires a 6 V battery. For about £270, one can get a remote control shock collar, which delivers a shock of about 3 V to 9 V via an owner-operated remote control. Incidentally, some of those devices do not come with instructions unless one pays extra.

I deliberately used the term "devices" in my Bill, because not just collars are available now—other such remote control devices exist. Electric shock leads are designed to stop a dog pulling on the lead; the level of shock increases in line with the amount of pressure that the dog puts on the lead. The most horrifying of all are electric shock mats, also known as wireless crates, which are designed to keep a dog in one place at home. They detect a dog's weight and emit electric shocks, via a collar, to the dog when it is within a 6 ft radius of the crate and until it returns. One can imagine the scenario involving a dog left unattended, possibly while the owner is at work. Should the owner misjudge the distance, the dog would be unable to go out to the toilet or to get to its food without receiving an electric shock.

Those devices are readily available via mail order and over the internet—they often come with poor instruction manuals—to people who have little or no idea of how best to use them. A quick Google search pulls up devices that have a range of 1 mile, four days' continuous use facility, an option for up to three dogs to be controlled individually from one handset, with a selection of three different modes, and a timer-controlled charging dock. Another website features a model that can deliver 16 levels of shock stimulation intensity. It makes one wonder to whom the devices are designed to appeal. Who needs the facility to zap three dogs from the same device?

To return to the point that the hon. Member for Upminster (Angela Watkinson) was making, some of the best trained dogs, including assistance dogs, are not trained using electric shock training devices. The police and the armed forces have banned the use of electric dog collars for training, and the collars are also condemned by the German Shepherd Club, the Kennel Club and the Royal Society for the Prevention of Cruelty to Animals.

As long ago as 2000, the Association of Chief Police Officers urged police forces not to use electric shock collars after it had heard evidence from the RSPCA and other animal welfare groups. Furthermore, the armed forces dog unit has also prohibited the use of electric shock collars. If we can train dogs to a high enough calibre to be used in our police and armed forces without resorting to electric shock training, why should we need to use such devices on household pets?

The primary purpose of any training programme should be to improve the relationship and communication between a dog and its owner through compassionate, reward-based training. The best way to have a well trained pet is by teaching one's dog to respond because it wants to respond, not because one has successfully managed to scare it half to death.

I should like to quote from correspondence received by the Kennel Club from people who have had bad experiences with these devices. A gundog trainer from Worcestershire noted:

"I had the misfortune to see a dog, which due to a fairly minor training problem, received the electric shock collar treatment, from a 'professional' gundog trainer. The shock treatment did not solve the problem and turned a reasonably biddable dog into an aggressive, non-compliant animal that is no longer able to obey any command...and distrusts most human beings".

[Sarah McCarthy-Fry]

The owner of a bearded collie reported the following:

"I know of two bearded collies (brothers) that lived happily together for more than three years. The owner had a problem with one who was a 'barker' and was advised to buy an electric shock anti-bark collar. However, when the dog received a shock, it turned on its mate, as it did not know where the shock had come from. On the third day his mate turned on him and a fight took place. The owner took the collar off but every time the dog which had worn the collar barked his mate turned on him and fights continued to occur".

The collars can also have a damaging long-term effect on a dog's well-being, as has been documented in the August-September 2006 newsletter of the UK Leonberger Association.

Bob Spink: The hon. Lady may not be aware that I have bred bearded collies. They are most exuberant and very intelligent dogs. The way to train them is through love and care, by trusting them and by building trust and a relationship with the dog, as with other dogs. This weekend, I shall be going to see Daisyfield Jessie, a racing greyhound, at Romford. She may retire at some stage, and when that happens, I hope to take her over. There is no more loving animal or no more easy pet to have than an ex-racing greyhound. They are wonderful dogs. We do not need to use electric shock devices to train these wonderful animals. Some people seek a short cut and an easy way, and that is symptomatic of society today. Everyone wants to find an easy way.

Madam Deputy Speaker (Sylvia Heal): Order. That is rather lengthy for an intervention.

Bob Spink: I accept that. I think that the hon. Lady gets my point.

Sarah McCarthy-Fry: I certainly do. The love that people have for their dogs comes through; genuine responsible dog owners are horrified by the thought that anyone would use these devices.

I return to the newsletter of the UK Leonberger Association, which stated:

"At a recent event one of the participants put an electric shock collar (anti-bark collar) on a dog to stop it barking. The dog screamed in agony and panic. As the collar was noise activated, the more she screamed, the more the collar administered shocks. Within a few days the dog had lost all the fur from her neck."

My final case study is a very sad case that was reported in the *The Argus*, a Brighton evening newspaper, a few years ago. A woman used an electric shock collar on her dogs, but the first time she did so it was by mistake when a small dog was walking past. For ever after, her dogs associated the shocks with small dogs and became afraid of them. One day when she was out with her dogs, an old lady walked past with a little shih tzu and her dogs became scared and attacked the little dog. It was taken to the vet but had to be put down. Her dogs had not shown aggressive behaviour before, and she was convinced that her dogs connected the pain of the electric shock with little dogs and that that had driven their uncharacteristic behaviour.

I am aware that those case studies are anecdotal, but considerable scientific research has been done on this. During the passage of the Animal Welfare Bill, the Department for Environment, Food and Rural Affairs would not consider a ban on electric shock collars, partly because it had not commissioned its own research and partly because of concerns regarding the validity of some of the existing research. When this was followed up, it transpired that just one particular study was causing concern, and on investigation, it was found that the concern was down only to how the research had been written up.

The research was referred to Dr. Stephen Wickens from the Universities Federation for Animal Welfare, who, after clarifying the research, was able to address these concerns. He then re-evaluted the findings and concluded:

"I certainly feel a lot happier that the conclusions of Dr Schilder's paper are justified".

Those conclusions stated:

"Shocks received during training are not only unpleasant but also painful and frightening."

I understand that DEFRA still believes that we require further research on this, but when a call went out last summer asking for universities to undertake this research, only one response was received. It could not be followed up, because it was a proposal for a study that would not have involved actually testing shock collars on dogs. On looking into the reasons for the poor response rate, it transpired that, in many cases, this type of study would not have got past the given university's ethics committee because it considered there to be enough research to prove that electric shock collars were cruel.

Rachel Casey and Emily Blackwell, who are both from the department of clinical veterinary science at the university of Bristol, have stated:

"Given the wealth of peer reviewed research currently available on the physiological and behavioural effects of aversive stimuli, such as electrical shocks, on a range of different species, as well as the peer reviewed work done on dogs by Schilder et al. Beerda et al and Christiansen et al, we feel that there is a sufficiently robust scientific argument for the banning of the use of electronic shock collars in dog training.

We would reiterate that we are unable to conduct a direct experimental study on the effects of shock collars on dogs, as such a study would not be viewed positively by the University ethics committee. In addition, such a study would require us to obtain a Home Office Licence, which is contrary to the ethos of the welfare charities that fund the majority of our research".

Another call has recently gone out, and it has elicited one response. That has got past the ethics committee, because the research is on dogs that are already used to these collars. I am struggling to see how this research can be valid. These dogs may already be conditioned, so surely there would need to be a control group. But of course that would not get past the ethics committee, so we have a Catch-22 situation. Meanwhile, the devices continue to be available for sale. The time scale envisaged for that further research is also very long: it is at least two years, during which time I am concerned that we will see an exponential growth in the use of such devices in this country.

Leaving all that aside, there is a precedent for banning a cruel and unnecessary practice on animals without needing extensive scientific research. I refer to tail docking, which the House voted to ban with no exemptions and for which there was far less scientific evidence to support a ban than is available for shock collars.

We have another precedent in that both the Welsh Assembly and the Scottish Parliament propose to start consultation later this year on banning electric shock training devices, without needing any further scientific research. The Scottish Minister for Environment and Rural Development, Ross Finnie, said in response to a recent parliamentary question that the Executive favoured banning the collars in principle and would launch a consultation on that later this year. The Minister for Environment, Planning and the Countryside in the Welsh Assembly, Carwyn Jones, announced in December last year that he intends to introduce legislation to ban electric dog collars and associated restraints.

I know that my Government are committed to animal welfare, and I am sure that the Minister does not want to inflict unnecessary pain on dogs. I understand the need for a sound evidence base, but I hope that he will take on board my arguments against the need for further research and heed the example set by our devolved institutions. I know that there is little chance that the Bill will succeed, but I ask him to undertake to follow Scotland and Wales and to start a consultation process with a view to bringing in secondary legislation under the Animal Welfare Act 2006 to ban those cruel and unnecessary devices.

10.51 am

Norman Baker (Lewes) (LD): I am happy to tell you, Madam Deputy Speaker, that I shall be rather briefer than I was at this stage last week. It is a peculiarity of this place that I came prepared to make speeches on two Bills—the Bill introduced by the hon. Member for Bournemouth, West (Sir John Butterfill) and the Bill introduced by the right hon. Member for Penrith and The Border (David Maclean)—and have ended up making a speech on an entirely different Bill. However, I am happy to do so. I have been reinstated on the Liberal Democrat Front Bench temporarily for that purpose.

I give my support and that of my party to the Bill. I congratulate the hon. Member for Portsmouth, North (Sarah McCarthy-Fry) on her success in the ballot. There is no doubt that this matter needs to be dealt with. It is disappointing that it was not dealt with in the otherwise helpful Animal Welfare Bill, which displayed foresight, which is now law. During the discussions on it, I represented my party, and I served on the Committee with the Minister who is present.

I wrote to the Minister on 27 July 2005 following representations that I had received about electric shock collars:

"The use of electric shock collars to train dogs is a very unpleasant and unnecessary practice. On top of causing stress to the dog through an unpleasant stimulus, I suspect that it does not build up the sort of trainer-dog relationship of trust that is desirable.

Electric shock collars train dogs to respond out of fear of further punishment rather than a natural willingness to obey. Both myself and the Kennel Club believe that positive behaviour by dogs is best encouraged by the use of positive training methods. Furthermore, it is of great concern that these devices are readily available to anybody, regardless of their experience in training dogs. This then increases the scope for their misuse, either through ignorance by owners untrained to use them, or through malice by those intent on deliberate cruelty."

I also expressed concern and disappointment that the Animal Welfare Bill, as it then was, did not outlaw the use of electric shock collars. I can tell the hon. Lady that I, and others, raised that during the Committee stage.

The Minister cares about these issues—I have no doubt about that. He demonstrated that in Committee, so it is disappointing that the issue has had to take the private Member's Bill route to be raised again. I hope that when he responds he will say that on reflection, having considered the matter and seen the strong views expressed across the House—Members from three parties so far have supported the measure—he will be inclined to give the Bill a fair wind. After all, the Government gave a fair wind to a Bill to exempt MPs from expenses. Surely they can give a fair wind to a Bill to stop torture and pain caused by humans to animals.

How do shock collars work? They work only by inflicting pain on animals, causing them distress and such a traumatic experience that they will avoid a particular form of behaviour in future. If they did not cause pain and trauma, they would not work. By definition, the shock collars have that effect on the animals.

In this day and age we should be finding more humane ways of training dogs. More humane ways exist, as the hon. Lady clearly set out. Some people say that there are people who can use shock collars responsibly, but that fails to take into account the fact that many people will buy those collars without proper training and use them irresponsibly. However we look at this matter, the Bill has highlighted an issue that deserves the support of the House.

10.55 am

Mr. Sadiq Khan (Tooting) (Lab): It is a pleasure to follow the hon. Member for Lewes (Norman Baker) and to speak in support of the Bill introduced by my friend and hon. Friend the Member for Portsmouth, North (Sarah McCarthy-Fry). She ended her excellent contribution by saying that she doubted whether her Bill would have success. Even if it does not, the points that she raised may come back in another form of legislation that the House will approve. It is important that the points that she raised be given a proper airing.

May I say, by way of introduction and in case there is an intervention to ask this question, that I do not own a dog. I never have.

Mr. Robathan: A cat?

Mr. Khan: I am asked whether I have owned a cat, and I have, for many years.

The points that I seek to make have been raised with me by constituents who own dogs, by those who do not own dogs, and also by experts. They have raised some important points, which have been echoed in the contributions by the hon. Member for Lewes and by my hon. Friend the Member for Portsmouth, North. Some of these points are worthy of being heard on the Floor of the House. It is worth remembering that, for a country that is known to love dogs and pets, we do not have the best track record in passing legislation concerning dogs. We all remember the Dangerous Dogs Act 1991 and some of the repercussions of that.

Some of the points that have been raised by animal welfare groups such as the RSPCA, the Dogs Trust and

[Mr. Khan]

the Kennel Club, have been referred to by my hon. Friend, are worthy of being given a proper outing. Some important points have been raised about why the Bill should be passed.

As someone who in a previous career spent his time interpreting legislation, I applaud the fact that the Bill has only nine clauses. If only all the Bills that we discussed in this place had nine clauses, life would be a lot more bearable for many of us.

The arguments in favour of banning electric shock collars are ample. There is pressure to ban. It is mostly directed at operator-controlled devices, on the ground that the dog has no means of escaping the stimulus. As has been said, they operate by inflicting fear and pain. There are more positive ways of training animals successfully. Those devices are capable of misuse, whether deliberate or unintentional. If used inappropriately, they can do more harm than good to the animal by, for example, provoking an aggressive reaction. Like any automated device, the collars can malfunction and inflict burns on dogs.

I have to confess that it seems that none of the people who work in my office owns a dog. I will need to ensure when I recruit next time that that is one of the questions that I ask interviewees. When I was preparing my speech on the Bill and I mentioned that I was coming to discuss electric shock training devices, they could not believe that such devices existed. That is one of the reasons why I congratulate my hon. Friend on introducing the Bill. She has made people aware that there are in existence things that one can buy lawfully, whereby dogs have electric shock collars placed on them and their owners, who claim to be dog lovers, use the button to elicit pain and control their pet. It is worth reminding ourselves—the hon. Member for Blaby (Mr. Robathan) raised the point—that the use of those devices can lead to laziness. Rather than training their dog and showing them compassion, people can be lazy, press the button and inflict pain.

The fact that the USA and some of our European partners allow the use of electric shock collars is not a reason for us not to outlaw them. They are of course banned in Denmark, Slovenia and Sweden, and there are restrictions on their availability and use in most Australian states. Finland, Germany, New Zealand, Norway and Switzerland have better legislation on this issue than we do, and Austria and Italy are considering introducing bans.

Bob Spink: Is the hon. Gentleman aware of the phenomenon whereby children in other countries have been known to get hold of these devices and torment animals with them?

Mr. Khan: I suspect that that is so. We all know that children imitate the behaviour of adults. If they see someone whom they love—their mother, father, uncle, auntie, grandmother or carer—using these devices on pets, what message does that send to them? It concerns me that adults—people in positions of influence, power and control—are using these devices on pets in the sight of their children.

I know that animal welfare is a core and passionate belief of my hon. Friend the Minister, as was demonstrated by the Animal Welfare Act 2006, which is now law. We have a track record of which we can be really proud, and I am pleased that his Department is making sure that proper research is undertaken; we may well end up with legislation based on evidence, rather than simply on the anecdotal experiences described to us by experts and constituents. The issues being raised today are extremely important not just because they were first raised by constituents and experts, but because they demonstrate our commitment to the welfare of the huge number of pets that are owned in this country.

The 2006 Act provides for the introduction of secondary legislation once proper research has been undertaken. I know that my hon. Friend the Minister has been listening thoughtfully to the points raised by my hon. Friend the Member for Portsmouth, North and the hon. Member for Lewes, and those made in the excellent interventions of other colleagues. It is really important that such research be undertaken as soon as possible, and that if the evidence shows the Minister—as we suspect it will—that electric shock training devices are an oxymoron, and cause much more harm than good, he will swiftly introduce secondary legislation to outlaw such collars.

The Government have a good track record on animal welfare, and I know that they are committed to ensuring that all such legislation is evidence-based, and that they take seriously the recommendations and research of the Environment, Food and Rural Affairs Committee. The Companion Animal Welfare Council is a very important advisory body that carries out independent studies of the use of training devices, and I am sure that it will help DEFRA to form policy, and that such studies will complement any separate research that DEFRA might commission. However, will my hon. Friend the Minister also examine overseas research, and consider the rationale behind the reasons why the countries that I mentioned earlier decided to ban electric shock training devices? It is worth looking at that evidence.

Angela Watkinson: The hon. Gentleman referred earlier to gratuitous acts of cruelty to animals, and I am sure that he is aware that RSPCA statistics show that the number of incidents of such cruelty, particularly by children, is rising alarmingly. The RSPCA is not sure why, or what effect that might be having on other forms of violence in our communities; however, the idea that shock collars could be part of that syndrome is extremely worrying, so he is right to raise the issue.

Mr. Khan: The hon. Lady makes an important point. There is clear evidence that when people torture and harm their children, it can lead to their children torturing and harming others when they become adults. We must also consider the important issue of the imitation of behaviour.

The gratuitous abuse of animals is clearly to be abhorred, but we know that many dog and other pet owners do behave responsibly. A trial is taking place this week that has highlighted the issues that have been raised. One concern that colleagues have mentioned—it led to the 2006 Act, which comes into force this month—is the lack of prosecutions hitherto. That is one reason why my hon. Friend the Minister, who has an excellent

track record on this issue, consolidated the 20 various pieces of such legislation reaching back to 1911. The Protection of Animals Act 1911 makes it clear that to cause unnecessary suffering to a domestic or captive animal is unlawful. However, this legislation, which is now almost 100 years old, has not led, so far as I am aware, to any prosecutions of pet owners for the misuse of electric shock training devices. I am surprised not by the lack of prosecutions for their use, but by the lack of prosecutions for their misuse. I am pleased that the 2006 Act provides for the introduction, if necessary, of secondary legislation in England and Wales regulating equipment harmful to animal welfare. I am sure that my hon. Friend the Minister has listened to the points that have been made and will take them seriously.

As has been said by my hon. Friend the Member for Portsmouth, North, Wales and Scotland are ahead of England in this area, as is often the case. Wales's Minister for Environment, Planning and the Countryside has said that he proposes to undertake a public consultation on banning the use of electric shock training collars for dogs in Wales, under the 2006 Act. The excellent Scottish Executive coalition, which will continue to exist after the elections on 3 May, will make an order banning these devices under the 2006 Act, which was enacted on 6 October last year. They are committed to undertaking a public consultation on banning the general use of certain types of electric shock collars.

I am looking to my hon. Friend the Minister to give in his response the same commitment, and to show the same compassion. I want him to show that the welfare of dogs and other animals is at the heart of what DEFRA does, and to ensure that if this Bill does not reach the statute book—although I still live in hope that it will—he will use the spirit and sentiment of it, taking into account the issues that have been raised today, to ensure that research on this issue is expedited. I hope that if those who carry out that research recommend a ban, he will come back to this place as soon as possible with secondary legislation to outlaw this outrageous behaviour.

11.8 am

Mr. Andrew Robathan (Blaby) (Con): I was interested to hear what the hon. Member for Tooting (Mr. Khan) had to say, and I agree with him entirely that any legislation on this matter should be based on scientific evidence. We are open to evidence the Minister might bring forward at a later stage. It is nice that a cat owner and a dog owner should agree, because traditionally they have somewhat differing views of life in general and of animal welfare in particular. However, I have a confession to make to the hon. Member for Portsmouth, North (Sarah McCarthy-Fry), whom I congratulate on introducing this Bill: I am not a dog owner, although I was until my dog was put down just before Christmas. She had had a good life, and I am afraid that it was necessary for her own welfare.

I was particularly impressed by the hon. Lady's speech. She and I are on entirely common ground on the need for responsible dog ownership. On this issue, it is irresponsible dog ownership and the welfare of dogs that concern me more than anything else, which is why I believe that, to a certain extent, this Bill somewhat misses the mark. On Merseyside not so long ago, a child was killed by an irresponsibly owned dog, if I might put it that way. There was a not dissimilar incident in Leicester last summer when a child was savaged and I believe killed—it did not happen in my constituency—by two rottweilers that were guarding a pub. That concerns me much more than this issue.

Electric shock training devices issue an electric shock to a dog's neck and are used for training and protection purposes. They have different strength settings, depending on the size of the dog. I would contend that there are occasions when the use of such devices is beneficial to an animal's welfare. The hon. Lady mentioned sheep worrying. I own and live on a farm, and sheep worrying is a real concern. Her arguments against using these devices in cases of sheep worrying were not necessarily scientifically based. Dogs may not mean to be malicious, but the sheep are worried by them and run away. A quick burst of electric shock will stop a dog chasing the sheep. Farmers can, rightly, shoot dogs to stop them worrying sheep, so if the device restrains a dog from doing so, or from running out on to a road, it can be argued to be beneficial to its welfare.

The hon. Lady has exempted proximity fences from the Bill, although I would point out gently that that is illogical. Either it is cruel to give an animal an electric shock or it is not. If the dog does not realise that it is running up to sheep that causes the electric shock, why will it realise that it will get a shock from a fence? To answer that requires scientific experiment, instead of relying on our feelings about it.

The point about electric shock devices is that they are not designed to be cruel. If animals suffer cruelty as the result of their use, it is the fault of the owner, rather than the device itself. We have discussed other methods of discipline. I am appalled by the way in which people ill-treat animals, both domestic and wild. Dogs are starved, flogged to within an inch of their lives or have burning items tied to their tails. One does not need an electric shock collar, which actually costs a lot of money, to ill-treat a dog. That is where the Bill misses the point slightly.

Last year we had the Animal Welfare Act 2006, which already makes provision for acts of cruelty and unnecessary suffering. I was not on the Committee that considered the Bill, but I suspect that this issue was discussed. I further understand that the Minister has agreed to look into the matter and commission further scientific research, so the Bill may not be very timely. Section 4 of the Act states:

> "A person commits an offence if...an act of his...causes an animal to suffer".

So the animal is already protected from unnecessary suffering, as is right and proper.

Norman Baker: The hon. Gentleman is making an interesting point, but it is not entirely clear whether someone could be prosecuted for cruelty to animals for using the device if it was legally available, as that would constitute a sensible defence.

Mr. Robathan: That is a valid point, which is why the issue needs further examination and discussion, rather than the feeling that it seems cruel to use an electric shock on an animal. Others might argue that it can be beneficial to the animal's welfare.

[Mr. Robathan]

Section 4 of the Act also has regard to whether

"the conduct concerned was in all the circumstances that of a reasonably competent and humane person."

The hon. Gentleman's point has validity there also. In the wider context of the treatment of animals, minor electric shocks—and they are minor—are not necessarily that cruel. With my last dog, I used to run through a field that had an electric fence in it and she would run joyously along it until she came into contact with it. That did seem to be cruel, and she did not like going through that field. However, the siting of the fence was reasonable, and as the hon. Lady might argue, I should have perhaps kept my dog on a lead so that she did not come into contact with the fence.

We rightly allow the castrating and neutering of many domestic and farm animals. If we did not castrate bulls, the problems would be huge. It is not pleasant, but I have seen it done and the young bull calf did not seem to be in terrible discomfort, although I cannot say so definitively as I have never—I am glad to say—been a young bull calf.

Where it can be proven that those using electric shock devices are abusing animals and where the balance is not weighted in favour of animal welfare benefits, it is clearly already an offence. It would therefore be premature to impose a blanket ban. We could also say that smacking a dog should be illegal, and many people might. I would argue that that is taking anthropomorphism too far. I loved both my dogs and I am very keen on animal welfare, but I smacked them from time to time and it improved their behaviour. They are not human beings—although smacking children also improves their behaviour, in my opinion. However, I shall not pursue that line of argument—

Mr. Khan: Oh, go on.

Mr. Robathan: I could, believe me.

The greater concerns are dangerous dogs and irresponsible dog ownership. Anything that improves responsible dog ownership should be applauded. However, by banning the use of a training device, this measure could further restrict the ability of dog owners to act responsibly and train their dogs well. I am not generally well disposed towards the Bill, therefore, but I look forward to hearing what the Minister has to say.

11.16 am

The Minister for Local Environment, Marine and Animal Welfare (Mr. Ben Bradshaw): I congratulate my hon. Friend the Member for Portsmouth, North (Sarah McCarthy-Fry) on her Bill and on the way in which she has approached the issue. We have had several detailed and civilised conversations about it, and she has had discussions with my officials. I also congratulate the other hon. Members on both sides of the House who have contributed to this welcome debate.

I completely understand and sympathise with the motives behind the Bill. I appreciate that the issue arouses strong feelings in people, as I know from my postbag and the lengthy debates that we had on the subject during the passage of the Animal Welfare Act 2006. I am also grateful that hon. Members have recognised that Act as a major step forward for animal welfare. Indeed, it is probably the most important such step for nearly a century. I am also grateful for their recognition of my commitment to improving animal welfare. I was proud to be able to take over responsibility for that legislation from my predecessor, my right hon. Friend the Member for Scunthorpe (Mr. Morley).

While we have much sympathy for the concerns that my hon. Friend the Member for Portsmouth, North raises, we do not believe that primary legislation on this issue is appropriate or timely. We need a stronger evidence base and more research before we consider further the request that she and my hon. Friend the Member for Tooting (Mr. Khan) have made to take action against the devices through secondary legislation. She is right to say that many animal welfare organisations are concerned about the use—and indeed misuse—of the devices. Any misuse would already be covered by the welfare and cruelty offences in the Act. It will always be difficult, whether one is talking about the use of such devices, a stick or even the hand of the hon. Member for Blaby (Mr. Robathan), for courts to determine whether a cruelty offence has been committed, but that is why we have the Act. As with all legislation, the Act will have to be tested in the courts, but I am confident—as was discussed at some length during its passage—that it will give the courts powers to come down hard on people who can be shown to be abusing such equipment.

Bob Spink: Does the Minister accept, however, that if the devices were banned there would be far fewer opportunities for their abuse or misuse?

Mr. Bradshaw: Of course, but the implication of the hon. Gentleman's question is that we should ban devices that many responsible dog owners—who love their animals no less than he and other Members love their dogs—have told me they find useful as a last resort. The use of such a device prevents their dog from causing accidents and distress to other people, and also stops the dog behaving in a way that could lead to far greater suffering for itself, because it could be shot by a farmer or injured by running in front of a car.

I was given a couple of examples of such use by loving, decent, kind animal owners who live near my constituency, in the Devon countryside where, as the hon. Member for Blaby pointed out, there are many sheep. In one case, the problem was that the animal chased sheep, even though the owner had taken it to dog training classes and dog clubs. In the end a friend recommended that she try an electric shock collar. She used it only once, but the dog never again chased sheep. If she had not used the device, the likelihood was either that her dog would have been shot or that she would have had to have it put down.

The second example is similar, but relates to perimeter fences—although I realise that the Bill has an exemption covering them. The loving owners of the dogs discovered that the only way they could prevent the dogs from escaping from the garden and chasing sheep was by erecting a perimeter fence. Such fences can be modified so that after one initial shock, a whistle sounds on subsequent occasions, which prevents the dog from

running away. After installing the fence, those owners, too, never again had a problem with their dogs running away.

We are keen to understand more, however, and to find out about practice in other countries. When I met my hon. Friend the Member for Portsmouth, North a few weeks ago, I undertook to ask the chief vet to write to her counterparts in every other EU member state, and we are starting to receive replies. The situation is quite patchy. As my hon. Friend the Member for Tooting pointed out, one or two countries have banned the devices but the majority have not, although they regulate them. Like us, they have animal welfare legislation that prevents the misuse of such devices. We are still waiting for information, but so far the majority view in the EU seems to be that Governments have concluded that the best thing is to regulate the sale and use of the devices rather than to ban them.

In New Zealand, which my hon. Friend the Member for Portsmouth, North and I discussed when she came to see me, the devices are not banned, but their use is covered by a dog code. We shall continue to examine what other countries do and learn from their experience. When Governments are considering legislation, it is important that they consider best practice in other countries, and I have tried to introduce that principle in my Department since I became a Minister. We can often learn both from how other countries draw up legislation—so that we avoid making mistakes—and by adopting their good practice.

My hon. Friend drew attention to the research that has been carried out in other countries, and we shall look at it. To respond to a point made by my hon. Friend the Member for Tooting, we recently set up the Companion Animal Welfare Council, which is the companion animal equivalent to the Farm Animal Welfare Council, which has provided us with extremely valuable independent research on animal welfare issues. We have asked the Companion Animal Welfare Council to carry out an audit of research and practice in other countries and make a report. In addition, we are actively commissioning our own further research, which we hope to begin later this year and which could supply the evidence base for us to proceed down the secondary legislative route—as my hon. Friend would like us to do.

I shall outline why we think secondary legislation is more appropriate than spending time in the Chamber passing primary legislation. The Animal Welfare Act is an enabling measure, as I repeatedly pointed out during its passage, not least in discussions with the hon. Member for Lewes (Norman Baker). The Act is an umbrella piece of legislation, which guarantees for the first time that the welfare needs of animals must be met—its most advanced step forward. However, we have made it clear, before, during and since the passage of the measure, that most of the nitty-gritty, such as electronic training devices or the other contentious issues discussed—circuses or the welfare of greyhounds, for example—would in time be dealt with through regulation and secondary legislation. There will be consultation on those issues and they will be discussed by Members in the House.

To pick bits out of the Act and give them special primary legislative treatment would not be a sensible approach and could open the floodgates to every interest group. Different groups have more enthusiasm for certain elements of animal welfare. The hon. Member for Lewes will remember that in Committee I said that the Government were under great pressure to introduce secondary legislation quickly after the passage of the Animal Welfare Act 2006. Some organisations are pushing us urgently to legislate on greyhounds, and others on circuses, pet fairs and so on.

I hope that my hon. Friend the Member for Portsmouth, North will accept that we are genuine when we say that primary legislation is not the appropriate route for bringing in a ban or restriction on electronic devices, but that we are committed to deal with the devices through secondary legislation, should the evidence emerge and should parliamentary and public consultation point to that route.

There are one or two technical problems with the Bill. As my hon. Friend acknowledges, it exempts perimeter fences, but the advice from our lawyers is that it could catch other electronic devices such as ordinary electric fences at the margins of fields, to which the hon. Member for Blaby referred, as well as the electric goads used—for example, in slaughter houses—to prevent worse animal welfare problems, because the animal might hurt itself or thrash about in panic.

I hope that my brief response has satisfied my hon. Friend that we are committed to further examination of the issue, because we need to listen not just to the animal welfare organisations that have been campaigning for a considerable time for a ban on the devices. I completely accept what she says about some of the new devices that are coming on to the market, particularly the so-called cat mats, or animal training mats. I am not aware that they are yet on sale in the UK, but if that were to be the case I should have strong concerns.

Although I can understand the arguments made by some owners that electronic training devices are useful as a last resort to prevent animals from straying or worrying sheep, I cannot for the life of me understand why anybody would require an electronic mat in their home that delivered a shock to a cat or any other animal that moved off it. That would seem to me to have absolutely no justification whatever. I am aware that Members are concerned about a number of other devices—citronella sprays, for example, which, although they do not deliver a shock, could be regarded as just as unpleasant in respect of the smell offence that they give to animals that have a far higher sense of smell than humans.

We are committed to spending a considerable sum on further research. As far as possible, we want to base our decisions on good evidence and we will continue to examine the issue very closely. On the basis of what I have said, I am afraid that the Government cannot support the Bill.

Question put and negatived.

Health and Safety (Offences) Bill

Order for Second Reading read.

11.31 am

Mr. Wayne David (Caerphilly) (Lab): I beg to move, That the Bill be now read a second time. This is a small, but important, Bill. Some 25 years ago, I worked for the Workers Educational Association, when one aspect of my job was to teach health and safety courses for the Trades Union Congress. I stressed then what I believe is still true today—that health and safety is in everyone's interest. It is obviously in the interest of the workers, but it is also of interest to the employers. Good health and safety practices are in the interest of the profitability of firms and the safety of the people employed.

That was back in 1974, but when I began to take an interest once again in health and safety, I was surprised by the fact that we have not seen any recent changes in the level of fines for health and safety offences. The most recent fines were introduced in 1991 and 1992 and since then there has been no change. That is why I agreed to put forward this small but important Bill.

The Bill does three things to modify the framework of the maximum penalty set out in section 33 of the Health and Safety at Work, etc. Act 1974. First, it proposes to raise the maximum fine that may be imposed in the lower courts to £20,000 for most health and safety offences. At the moment, fines for some offences have a maximum of only £5,000. Secondly, it makes imprisonment an option for most health and safety offences in both the lower and higher courts. Thirdly, it is designed to make certain offences that are currently triable only in the lower courts triable in either the lower or the higher courts.

Norman Baker (Lewes) (LD): Let me say at the outset that I support the Bill. If the Bill is successful in its present form, will the maximum fine increase annually with the rate of inflation, or will we have to go through this exercise again at some point in the future?

Mr. David: There is nothing in the Bill to allow increases to rise according to the rate of inflation. In all fairness, what we need to do is keep the issue under constant review, which has happened in the past, but it has been some time, as I said, since we have had an opportunity to propose changes to the legislation along the lines that I have outlined.

Bob Spink (Castle Point) (Con): I congratulate the hon. Member for Caerphilly (Mr. David) on introducing this measure. I think that I can support it as a good measure. The hon. Gentleman's reasoning for it is sound, as was his reasoning in response to the hon. Member for Lewes (Norman Baker). I am concerned about one matter. By increasing the fines from about £5,000 to £20,000 for a range of offences, may we be losing the discrimination in some way between very serious offences that cause harm to individuals and others that do not, which in my view makes them less serious? Contravening requirements in ports, in relation to public inquiries or special investigations, for example, is a much lower level of seriousness than offences under section 33(1)(a), which are very serious indeed. Is it right to remove that discrimination or does the hon. Gentleman believe that, at some stage, the more serious offences should merit a fine even higher than £20,000?

Mr. David: I thank the hon. Gentleman for his very constructive and sensible intervention. There are a range of penalties available, including imprisonment in certain cases, which I shall come on to in a few moments. However, the important point about health and safety legislation in this country is not necessarily just that people who transgress the law will be fined a certain amount of money. More important, I would argue, is the principle of proportionality, so that we impose proportionate fines in accordance with particular offences. They must vary and be kept under constant review.

Another important principle, however, is that of deterrence. Nobody wants to go through the process of increasing the number of health and safety trials. As things stand, we are talking about a relatively small number of cases being brought a year. In 2004-05, for example, there were 712 cases and a 95 per cent. prosecution of cases leading to convictions. Only a small number of cases are brought forward and I do not envisage an increase. The important thing, however, is to focus people's minds on the issue of health and safety—and on the element of deterrence, which is part of it. Focusing minds is entirely positive.

To reinforce that line of argument, I would like to cite two important reviews of recent years. First, there was the Hampton review, "Reducing administrative burdens: effective inspection and enforcement". That review was extremely forceful in the arguments that it advanced, not just on the issue of fines, but on the matter of reducing administrative burdens, as its title implies. There was also the Macrory report entitled "Regulating Justice: Making Sanctions Effective". Those two reports strongly supported the line of argument set out today and embodied in the Bill. I would also stress the fact that the Bill is the result of joint consideration by the Health and Safety Executive, the Department for Work and Pensions and the Home Office. I believe that there is a consensus in favour of the changes that I am outlining today.

Some of the most powerful arguments in favour of the Bill were put forward by judges when they made certain remarks in the process of sentencing—and I would like to quote some examples of that. For example, in 1995, a prosecution arose from the deaths of two students by carbon monoxide poisoning in the rented accommodation that they shared. The landlord was charged under section 3(2) of the Health and Safety at Work, etc. Act 1974 and regulation 4(3) of the Gas Safety (Installation and Use) Regulations 1984.

After the jury returned guilty verdicts on each count, the judge asked the prosecution counsel if the matter had been referred to the Crown Prosecution Service for consideration of more serious charges, namely manslaughter. Counsel explained that the police had investigated and passed the papers to the CPS, which had decided not to press charges for manslaughter. The Health and Safety Executive had held the prosecution back until that had been decided.

The judge fined the defendant on each count, and ordered him to pay prosecution costs. The defendant

was given 12 months to pay with a warning that he faced two years' imprisonment if he failed to do so. The judge opened his sentencing remarks by saying, significantly:

"These offences do not carry imprisonment. If they did I wouldn't want you, nor the public, to be under any delusions that I would sentence you to prison and I would send you to prison for a substantial period of time."

A year later, in 1996, there was a prosecution following a methane gas explosion underground at a coal mine. Two workmen were badly burnt. The mine manager was found guilty on five counts concerning management of the mine, ventilation and explosives use. The judge, in concluding, said that he was surprised, considering the seriousness of the offences, that fines were the only available penalty. The judge sought advice on the matter from the Health and Safety Executive through counsel before passing sentence.

If I may, I will quote one further example in support of this aspect of the Bill. In 1996, again, the defendants—a company, one of its directors and a manager—were prosecuted for illegally employing young children to pack food products in a factory. All pleaded guilty. The company was convicted of seven charges of illegal child employment and fined. The director and manager were also fined and made to pay costs. The judge said in his concluding remarks:

"These matters are so serious that I should consider imprisonment. But Parliament has given no such power to the courts to pass such a sentence."

He also said:

"Such abuse of young children is wholly unacceptable."

Those are some examples of where imprisonment was, in the considered view of judges, something that should have been on the statute book.

Another change that I propose to section 33 of the 1974 Act is a change in the level of fines available. In support of my proposals, I want to quote excerpts from the Hampton review report that explain the case clearly. The report stated:

"In 2003-04, the Health and Safety Executive prosecuted 1,756 cases, with an average fine on conviction of £4,036 in magistrates' courts, and £33,036 in Crown Courts. The deterrent effect of such fines is likely to be low. For any company other than the smallest, a £5,000 fine is likely to be an insignificant sum."

It went on to say:

"Fines set at such low levels are no deterrent—indeed, a rational company in any of the cases highlighted"—

a number of examples were quoted in the report—

"would have been acting to its economic advantage by breaking the law. The elimination of gain from law-breaking is essential if businesses are to be allowed to operate on a level playing-field, but neither regulators nor businesses believe that appropriate fines will result from most prosecutions."

That is an important and objective statement. The report went on to say:

"The penalty regime should aim to have an effective deterrent effect on those contemplating illegal activity."

Mr. Robert Goodwill (Scarborough and Whitby) (Con): Are not the majority of businesses in this country small businesses? It would not surprise me if there was widespread ignorance of the levels of fines. If the fines were doubled, quadrupled or multiplied by 10 it would not have any impact on those companies that are not aware of the fines that they face if they breach the regulations.

Mr. David: It is important to put the issue of fines in a broader context. I do not think that anyone would seriously suggest that health and safety legislation is based solely on deterrents and threats. It is important to recognise that health and safety legislation in this country has put the emphasis on prevention and on putting measures in force to raise awareness of procedures and so on. It is important to see my proposals in that broader context. What is being suggested is not a fundamental change in the way in which we approach health and safety matters, but simply a change to one element of the health and safety regime to ensure maximum compliance and maximum awareness.

I would suggest, too, that most employers in this country—including small employers—are responsible, reasonable, fair-minded, health-and-safety-conscious individuals. All the evidence suggests that. Nevertheless, unfortunately, a small minority, when looking at their competitiveness and weighing up the pros and cons of investment, take into account the result of not complying with heath and safety legislation, and cut corners to increase profitability when making their plans for the future. The Hampton report focused its remarks on an attempt to tackle that, and that is one of the arguments behind my proposals today.

I want to quote from another report, which I mentioned in my opening remarks: the Macrory review report. It stated that

"lack of an effective deterrent compromises the effectiveness of the regulatory relationship."

The word "relationship" is important. It went on:

"Without credible and meaningful sanctions, regulators are forced to pursue a more burdensome and bureaucratic enforcement policy."

It also stated:

"When prosecutions do take place, it is reasonable to assume that they are for the most serious offences and offenders. Sentencing should also reflect this level of seriousness"—

that goes back to a point that was made earlier—

"and be a strong deterrent signal for others in the regulated community."

The report went on to state:

"Effective sanctioning is an important signal in achieving deterrence. If criminal prosecutions sent out a strong signal of deterrence, then regulators would be able to impose less onerous burdens on legitimate business by conducting fewer inspections."

That, too, is important. The number of inspectors and the number of inspections that take place are an obvious consideration, and it is a powerful argument that the costs to the Health and Safety Executive and the administrative burden on employers would be reduced by this new regime.

However, the report went on to state that

"currently legitimate businesses see their unscrupulous competitors cut corners, and gain competitive advantage, without facing serious financial or other consequences."

That point, too, was made earlier. Not only do we need this change to prevent such unscrupulous behaviour, but we need to recognise that the situation is unfair to

[Mr. David]

the vast majority of reasonable and fair employers. They abide by the rules, they ensure that things are done properly; why should a small minority, for competitive advantage, unscrupulously get away with it?

Mr. Sadiq Khan (Tooting) (Lab): I, too, congratulate my hon. Friend on the Bill. Is that not just the point? The Bill would place no additional requirements on good businesses. All that it would do is ensure that the small number of bad businesses were punished and deter others from following their example.

Mr. David: That is a good way to put it. The 1974 Act is an extremely powerful and effective piece of legislation, but it might need to be fine-tuned and updated from time to time, so that we have the appropriate fines in place to ensure the deterrent element. No extra costs, burdens or responsibilities whatsoever will be placed on employers.

I hope that the House will agree to approach the Bill in a consensual manner, and that all parties will agree that the proposal is reasonable. It builds on the fine principles of the 1974 Act, reflects the good consensus on both sides of industry and would result in health and safety being taken more seriously and made still more effective.

11.49 am

Mr. Robert Goodwill (Scarborough and Whitby) (Con): First, I thank the hon. Member for Caerphilly (Mr. David) for introducing the Bill. I would guess that he is pleasantly surprised that we have had the opportunity to debate it this morning, and I suspect that the fact that there was widespread speculation about what we might have been doing today had we not been discussing the Bill has meant that people who have a real interest in the subject are not here. It is a great shame that we have not had the opportunity to debate the issue in Government time, as it would then have received the attention that it deserves.

I am sure that everyone in the workplace—the management, the workers and the customers—are interested in maintaining the highest standards of health and safety. My family's involvement in my industry, agriculture, goes back three generations, and agriculture does not have a good health and safety record. Construction, too, is a dangerous industry. Unfortunately, many small businesses that do their best to maintain the highest levels of health and safety occasionally have accidents, but it is not because they do not show the necessary duty of care, but because that is the nature of the industry, and that is my concern. Towards the north of my constituency, there is a potash mine, probably the biggest mine in the United Kingdom, which employs 1,000 people. Sadly, there have been accidents there in recent months, but that is not because the employers are negligent; they do everything that they can to make sure that the mine is as safe as it can be, but sadly the nature of some industries means that accidents take place.

Recently, I was discussing how I could improve health and safety on my farm. I note that the requirement placed on employers is to do all that is reasonably practicable. Our biggest concern on my farm is that there is no mobile phone signal, so if my tractor driver had an accident in a far-flung field, he could not summon help. We identified that as the health and safety issue that most concerned us. Unfortunately, that is out of our hands. I suppose that if we were to do everything that could be reasonably expected of us, we could buy some sort of short-range radio system to put in the tractors, but sadly, one has to decide to stop somewhere.

I am a landlord, and the hon. Member for Caerphilly mentioned the cases that occasionally hit the headlines of people being poisoned by carbon monoxide in holiday homes or on domestic premises. As a landlord with three small properties on Teesside, that is something that I worry about, because the properties have gas central heating. Although we do everything that is required of us—we have annual CORGI inspections and issue the certificates to the tenant—how do I know that the tenant will not put something over the flue of the boiler? How often should I check? Perhaps it would be reasonable to do so every week. What happens if he takes the battery out of his carbon monoxide detector in the kitchen and puts it in the remote control for the television? How many people have been killed because they have taken the battery out of a smoke detector or a carbon monoxide detector, just so they can change the channels without getting out of their chair? We read about such cases in the paper.

Mr. Khan: Does the hon. Gentleman accept that the Bill, if enacted, would put no additional obligations on landlords, employers or business?

Mr. Goodwill: Yes, I accept that good employers and landlords already comply with the legislation. My concern is that, by and large, the level of the fines is not widely known. We all know that if we get caught speeding, we will get three points and a £60 fine, and we all know that if we get caught drink-driving, we will lose our licence for a year. Everyone is aware of those fines. The point that I made in my intervention on the hon. Member for Caerphilly during his excellent opening speech was that there is no widespread knowledge of the level of the fines, so increasing the fines is unlikely to have much effect. Putting more effort into inspections might be the way to target bad employers and landlords.

Would the Bill reduce serious infringements? I suspect not. What we need are deterrents, which include a good inspection regime and good trade unions in the workplace that are not frightened to draw problems to employers' attention. I am also concerned about how courts will interpret the reversal of the burden of proof. It is always said that we are innocent until proven guilty, but in cases in which we employers have to prove that we are doing everything that is reasonably practicable, the burden of proof is reversed. As I said in relation to the inspection of smoke detectors, how far should one go? What is reasonably practicable? That is a point on which the courts would have to rule, and not something that could be put in this reforming Bill. When I looked at the Bill, I was amazed at how wide the net can be cast. I was very surprised to read that the case of Jean Charles de Menezes, who was shot during an anti-terrorist operation, has been brought under the Health and

Safety at Work, etc. Act 1974. That legislation not only applies to the workplace, but covers the issue of showing a duty of care.

It is the big cases that hit the headlines that bring home to people how important it is to maintain high levels of health and safety. There have been big pay-outs in recent years. The engineering firm Balfour Beatty and Network Rail were fined £13.5 million for breaches of health and safety at Hatfield, where four people were killed in 2000. Many people in Scotland remember the Larkhall gas blast in 1999, in which a family of four died when a leaking pipe exploded, destroying their house in Larkhall, south Lanarkshire, a few days before Christmas. The blast was so powerful that their fridge was projected on to the roof of a neighbour's home, and the scene was likened to a war zone. After a 27-week trial, utility firm Transco was found guilty under health and safety legislation of failing to maintain the corroded and leaking gas main that ran through the family's garden. It was fined £15 million in August 2005, which at the time set a UK record for health and safety prosecutions. It is that type of case that brings home to people how important it is to comply with health and safety legislation, not the fact that someone was fined £4,000 instead of £2,000, or the fact that somebody's penalties were increased marginally.

The Ladbroke Grove train crash on 5 October 1999, in which 31 people were killed when a Thames Trains commuter service smashed into a First Great Western train after going through a red light at Ladbroke Grove in west London, resulted in a £2 million fine for Thames Trains for two breaches of health and safety regulations. Six people died and seven were seriously injured when a steel pin holding together a passenger walkway came loose as hundreds of people were boarding the Prins Filip ferry from Ramsgate to Ostend. That resulted in a £1.7 million fine for two Swedish firms that admitted errors. The Port of Ramsgate, which managed the port, was fined £200,000, and Lloyd's Register of Shipping, which certified the walkway, was fined £500,000. That brings home to companies how important it is to comply with the legislation.

I am pleased that we have had the opportunity to debate the Bill, but I think that this is the right place, but not the right time, to make such changes. I wonder why a private Member's Bill has had to be used to bring forward measures that should be in Government legislation. The measures need proper scrutiny in Government time. I hope that the Government will reflect on that, and will allow the measures the more intense scrutiny and the full procedures that accompany proper Government legislation, so that the measures can have a much better passage through the House.

11.58 am

Mr. Sadiq Khan (Tooting) (Lab): It is a privilege to speak in favour of the Bill introduced by my hon. Friend the Member for Caerphilly (Mr. David). I do not know how he managed to swing it so that his Bill received a Second Reading on the day before workers memorial day; he must have influence in some very high places. Today, I am speaking from my experiences as a trade union[illegible] and as a solicitor who has acted for the victims of injury in the workplace and for their bereaved families. In fact, some of the cases to which the hon. Member for Scarborough and Whitby (Mr. Goodwill) referred were cases in which the firm that I co-founded acted on behalf of the bereaved families, or of those who had been injured.

When one speaks to victims of incidents at work or their family members, one finds that what they are really after is not compensation, but justice. They want to ensure that no death or personal injury takes place again, and that we are not put in a situation in which we can say, "Oh my God, not again." That is the motivation for using the Health and Safety at Work, etc. Act 1974 and looking to the Health and Safety Executive to bring a prosecution.

It is worth considering the micro impact—that on the individual—and the macro impact. The cost of work-related accidents and ill health to society has been estimated at between £11 billion and £18 billion—the equivalent of 2 to 3 per cent. of the UK's gross domestic product. Those vast costs crudely suggest the waste of productivity and the scale of human suffering that stems from health and safety offences.

The hon. Member for Scarborough and Whitby asked why the Bill had to come from a Back Bencher. I remind him that we recently commemorated a measure that a Back Bencher introduced 200 years ago—it began the outlawing of slavery. I therefore have no problems with a Back Bencher promoting the Bill and I fully support my hon. Friend's measure.

Bob Spink: Is the hon. Gentleman aware of the even more recent case of the most used criminal law in the land? It is the Confiscation of Alcohol (Young Persons) Act 1997, which began as a private Member's Bill.

Mr. Khan: The hon. Gentleman, who is the king of interventions, made a good intervention, as usual. I suspect that he did that because he promoted the Act to which he referred. I will not hold that against him. It is an example of why we should not criticise the Government for not thinking of the idea first.

The Bill does not criticise the Health and Safety Executive or local authorities, which do all they can to bring successful health and safety prosecutions. The Bill is not about changing the requirements on business. The hon. Member for Scarborough and Whitby made several good points that are worth a response. He asked about the burdens on landlords, employers and businesses. The Bill would not add further burdens. He spoke of his concern about the reverse burden of proof, but the measure complies with article 6 of the European convention on human rights. If he believes that more money should be spent on having more HSE inspectors and on advertising and making people aware of sentences for breaches of health and safety, he can table an amendment to the Finance Bill next week to increase expenditure so that more money can be spent on those matters.

The hon. Gentleman also referred to the long sentences that courts pass. It is worth bearing in mind that none of the sentences in the measure is mandatory.

[Mr. Khan]

They simply give the judges further tools if they believe that a higher penalty should be imposed on somebody who breaks the law.

The Bill has three clauses and I congratulate my hon. Friend the Member for Caerphilly on making it so short. I am especially pleased with two aspects of it. First, it provides that magistrates courts and Crown courts can imprison people when appropriate for health and safety offences. Secondly, it provides that some cases that were previously triable only in the magistrates court can be sent to the Crown court. That means that a magistrate could send a case to the Crown court.

I do not foresee loads of extra people going to prison. I expect the Bill to be used as a more effective deterrent, especially to directors and managers, whose influence on securing good health and safety practice is critical. Let us be clear: most health and safety breaches are not the fault of an individual director, but due to systemic failures. The idea that the Bill will mean directors queuing up to go to prison is not borne out by the facts.

As I said, I welcome the excellent measure and I congratulate my hon. Friend again on promoting it. I believe that it will lead to a change in the behaviour of those few employers, landlords and businesses who have been guilty of flagrant disregard of health and safety legislation, leading our judges to demonstrate frustration in some cases. It will give judges the right tools to punish adequately the guilty landlord, employer and business. I commend it to the House.

12.4 pm

Bob Spink (Castle Point) (Con): I congratulate the hon. Member for Caerphilly (Mr. David) on promoting the Bill and the excellent case that he made for it. I also congratulate all those involved in drafting the measure because it appears to be a good Bill.

Canvey Island is in my constituency and I therefore have knowledge of control of major accident hazard—COMAH—industrial sites. My constituents have to live with the danger that the site represents. They want to know that I am in this place ensuring that they have the maximum protection and that the law enables judges to make proper decisions and thus deter people from taking safety short cuts on industrial sites. Indeed, my constituents are deeply concerned about industrial hazards, given the incidents at Flixborough and Buncefield, as well as accidents in the USA and Canada on sites similar to the one that is proposed for Canvey Island and the one that already operates there.

My constituents want us to realise the vision of my right hon. Friend the leader of the Conservative party of being a caring party that does not simply have the knee-jerk reaction of protecting the interests of big business but takes account of the interests of the community and business employees. I am sure that Conservative Front Benchers want to do that.

The hon. Member for Tooting (Mr. Khan) made an excellent speech. I agree with him that we do not anticipate many more people being sent to prison. We want to give judges the ability, which they do not currently have but say that they want and need to use prison as an ultimate deterrent so that people do not take short cuts but take a little more care to prevent the accidents that cause so much human suffering and loss, as well as loss of productivity.

My hon. Friend the Member for Scarborough and Whitby (Mr. Goodwill) made an excellent point when he said that prevention is much better than dealing with such matters in the courts after the event. Perhaps the opportunities for prevention would be better if the number of health and safety professionals had not fallen in the past three years by approximately 25 per cent. I draw the attention of the House to early-day motion 1320 on Health and Safety Executive job cuts, which points out the lack of resources being made available for maintaining health and safety for UK workers, and the fact that staff numbers have fallen from 4,282 in April 2004 to 3,225 in March 2007.

Mr. Khan: I am fascinated by those figures and by the hon. Gentleman's reference to his compassionate leader. He clearly expects cross-party consensus on the Bill and would be shocked if the Bill were pressed to a vote.

Bob Spink: No, I would not be shocked, because a further good point was made by my colleagues on the Conservative Benches about the need for further scrutiny to ensure that this excellent Bill, or a Bill similar to it, achieves everything that it should achieve.

I congratulate my hon. Friend the Member for Scarborough and Whitby on making that excellent point about prevention. As he said, this is the sort of Bill that could benefit from proper scrutiny in the House in Government time. I wait to hear the comments from my hon. Friend the Member for Upminster (Angela Watkinson), from the Front-Bench, before deciding how I will vote on the Bill.

12.10 pm

Angela Watkinson (Upminster) (Con): I add my congratulations to the hon. Member for Caerphilly (Mr. David) on bringing the Bill before us. There cannot be a Member in the entire House who does not acknowledge the importance of the subject. Although it is probably impossible for us to make life entirely accident-free and safe for everybody under every circumstance, we should do everything we can through the legislative process to move towards that goal.

The hon. Member for Tooting (Mr. Khan) congratulated the hon. Member for Caerphilly on making the Bill brief—it contains only three clauses—but it could have extensive consequences. I echo the comments of several of my colleagues that the subject is so weighty that the Bill deserves Government time and proper scrutiny, so it should proceed through Parliament like any normal Bill, to ensure that every aspect of it is taken into consideration and it does not have unintended consequences.

I have no doubt that the Bill is full of good intentions, which we would all echo. Its main purpose is to increase fines for health and safety offences, and to increase the potential for custodial sentences in certain circumstances and the options for trial in lower or higher courts. We would all support that, but we need to consider every possible circumstance before we can be sure that it is the right thing to do.

My first thought was about the financial effects of the Bill. The explanatory notes point out that it would lead only to a minimal increase in the prison population. That is a topical concern because of the crisis in prison capacity. A range of offences which most of us would consider to be deserving of custodial sentences are being excluded because of the lack of prison capacity, rather than the gravity of the offence. The notes also claim that the Bill might lead to a few additional cases being heard in the higher courts. It would have little financial effect on the public purse, but it would have a serious financial effect on offenders. That is its main purpose.

The hon. Member for Caerphilly spoke of proportionality—that is, relating the gravity of the offence to the level of the fine. That is an extremely important consideration because the level of offences encompassed by the Bill varies widely.

Mr. David: The hon. Lady expressed some support for the broad thrust of the Bill, but argued that more time needs to be spent examining it in Committee. Can she explain to the House how examination in Committee would add to the Bill, bearing in mind that the issue has been discussed for a number of years already?

Angela Watkinson: I imagine that one of the hon. Gentleman's intentions is to bring the level of fines up to date. The range of circumstances in which offences under the Health and Safety at Work, etc. Act 1974 can be committed is very wide. I have been jotting down a selection, which I am sure is only a small selection of the potential list that could be covered. We need more in-depth scrutiny to examine all the potential circumstances, and the way in which the new level of fines and the opportunity for custodial sentencing could affect employers, Government Departments and the range of bodies which would be subject to the Bill.

Norman Baker: I agree that there should be extra scrutiny, which will come in Committee if the Bill is given its Second Reading. Do the official Opposition want that scrutiny to take place in Committee?

Angela Watkinson: I would like scrutiny in Committee in Government time, which would allow the Bill to be scrutinised by a larger number of hon. Members. As is sadly the case with private Members' Bills on Fridays, the audience is rather sparse. The subject will interest many colleagues on both sides of the House, who will want to be involved in scrutinising the legislation, which is why I feel that the Bill deserves Government time.

The explanatory notes refer to the European convention on human rights and include the intriguing phrase:

"'so far as is reasonably practicable', often referred to as 'SFAIRP'".

That is a new one on me, although perhaps it is common knowledge among hon. Members who spend more time than me reading Bills. I wonder what a judge would make of it. I know that we have gone a long way since the days when a judge would ask, "And who are the Beatles?", but it would not surprise me if a judge were to ask what SFAIRP means. Our scrutiny should consider the wide range of circumstances, and the position on whether people have taken every reasonable step to make sure that health and safety requirements have been complied with.

The Bill is compatible with article 6 of the ECHR in that it strikes a fair balance between the fundamental rights of the individual and the general interests of the community. On human rights issues, the clash is always between the human rights of an individual and the human rights of the wider community. In particular, case law in that area has established that before any question of whether the reverse burden of proof applies, the defendant must be proved to have owed a duty, which is a relevant point, and it has be established that the matters that need to be proved in order to establish a defence are matters within the defendant's personal knowledge.

I am glad that the hon. Member for Caerphilly referred to the Hampton review, because when we consider not only this Bill, but any legislation, we must ensure that we are not introducing excessive regulation on business and organisations that are already overburdened. In our efforts to make sure that every aspect is covered, we must ensure that the legislation is not excessive or unnecessary, and that it does not duplicate existing legislation.

I am particularly interested to know the hon. Gentleman's view on intrinsically dangerous occupations, such as the police, the armed forces, sport and certain areas in health, and whether what is reasonable and health and safety regulations can sit comfortably together. We need to scrutinise such matters more closely.

Health and safety is a minefield for a large range of public buildings. The House of Commons is an obvious example, because all the time it is full of people, such as people who are employed here, and the general public who are visiting. I am not sure which category hon. Members fall into; we probably have a foot in both camps. The opportunities for transgressing health and safety regulations are wide with regard to Departments, and in particular to local government. Our town halls experience a very heavy footfall of members of the public, and local government must be mindful of health and safety regulations.

Mr. Khan: With the greatest respect, the hon. Lady has fundamentally misunderstood the Bill. The Bill does not widen the scope of the Health and Safety at Work, etc. Act 1974; it simply increases the tools at the disposal of the judge vis-à-vis sentences. Why does she believe that the Public Bill Committee procedure cannot scrutinise a three-clause Bill in the normal way?

Angela Watkinson: It is the very increase in the level of fines and the potential for custodial sentencing that will mean all those organisations having to be more aware of the dangers of not dotting the i's and crossing the t's of health and safety regulations.

Mr. Khan: The point is that the landlords, employers and businesses would still be guilty of the same offence as they would now, except that the tools at the disposal of the judge would be wider, so he or she could impose a heavier sentence. He or she could also decide not to impose a heavier sentence, because of the ignorance of

[Mr. Khan]

the employer, landlord or business. The sentences are not mandatory; they are optional.

Angela Watkinson: One of the things that we could be considering is how to ensure that everybody who is subject to the legislation is aware of the offences that they might be committing. My hon. Friend the Member for Scarborough and Whitby (Mr. Goodwill) touched on that subject. A lot of employers and organisers of sports events, for example, might not be absolutely aware of the detail of their liabilities, or the levels of fines.

Mr. David: The hon. Lady is generous in giving way, but all the points that she is making would extend the Bill considerably. We are all in favour of more publicity and awareness, but those matters can be considered in other ways. Her comments are not really focused on the proposed legislation before us.

Angela Watkinson: The legislation would increase the level of fines, which is hugely important to anybody who might be liable to them. It is incumbent on us to ensure that the effect of the higher fines is fair, reasonable and right. The great test of any law is whether it is reasonable.

One of my daughters is an environmental health officer. Indeed, if I had known that the Bill was coming up so soon in the programme this morning, I would have done well to have an in-depth conversation with her. One of her powers is to close down restaurants. Restaurants are a minefield for health and safety, not only for the staff, because of the potential for burns and cuts and so on, but for the customers, because of potential problems with hygiene. That is an example of where it is important to ensure the spread of information, not only about the levels of fines and what might happen to organisers or employers, but about the effect on the people who are subject to them.

Reference has already been made to the construction industry, in which cranes, machinery and scaffolding are involved. A lot of smaller building firms and contractors might not know exactly where they are liable. The spread of information about the danger of increased fines and the potential for custodial sentences, which could put a small building firm out of business, would not only increase attention to the detail of the legislation, but increase health and safety standards, by highlighting the penalties of not adhering to them.

There are so many industries in which health and safety must be extremely difficult to comply with—transport and the fishing industry, for example. There are obviously extensive and detailed health and safety requirements for owners of trawlers, but I imagine that it must be extremely difficult to comply with them out at sea in a storm.

Martin Linton (Battersea) (Lab): The hon. Lady seems to be coming close to saying that it is all right for employers to disregard health and safety legislation if the fine is low. Is she aware that tomorrow is workers memorial day? I shall be unveiling a plaque to two people who were killed in a crane accident in Battersea last September. She mentioned cranes, and a crane contractor is an example of the kind of employer who would be affected by the legislation. In view of the fact that two people died in that accident and another has died in a crane accident since then, perhaps it is time there were higher fines in health and safety legislation.

Angela Watkinson: The hon. Gentleman has entirely misunderstood the point that I was making. If the information is distributed to all those contractors in the construction industry and any other organisation or industry where there is potential for accident—we are talking about an obvious example—there will be greater knowledge of the detailed requirements of health and safety regulations that apply to each company or sphere of the construction industry, so there will be greater understanding. That is how health and safety standards for employers, employees, members of the public and anyone present in those circumstances are pushed up, and that is obviously the purpose of the Bill and of previous Bills on the subject.

Mr. Khan: Once again, with the greatest respect, may I suggest that the hon. Lady may be confusing liability and publicity? Nobody who is not liable before the Bill is enacted will be liable after is enacted. The core of the past 15 minutes of her contribution has been about the lack of publicity. However, she believes that more employers, landlords and businesses must be aware of the penalties, and that is a different point. The Bill's three clauses are not in breach of the publicity point that she is making.

Angela Watkinson: The point that I am making concerns the need for greater understanding by everyone who might commit an offence under health and safety legislation as a result of ignorance or lack of attention to the detail of the regulations in their particular sphere. That is how accidents happen, and that is why employees' health and safety is worse than it should be. The level of awareness created by increased publicity and information will improve safety standards for employees by making them aware of the fact that fines, or the opportunities for custodial sentences, have increased. We all hope that that will make all those employers look in much greater detail at their responsibilities, and scrutinise them to make sure that they are put in place.

The hon. Member for Caerphilly (Mr. David) mentioned the proportionality of fines and the severity of offences. Has he considered proportionality as it relates to the size of the organisation? In other words, how do multinationals and large companies deal with health and safety regulations, and how do small employers employing two or three people tackle vexatious complaints made under health and safety provisions? A genuine accident occurs if someone trips or falls in an office, shop or small organisation. If the employer is found guilty and given a heavy fine, it could cause the organisation to close, so proportionality needs to be taken into account to prove intention.

Mr. Khan: The hon. Lady put that question to my hon. Friend the Member for Caerphilly (Mr. David), but may I be so bold as to answer it? Yes, the Health and Safety Executive found that more than 6,000 businesses merited enforcement action, but it thought it worth while to prosecute only 1,000, because it took

into account things such as the size of the business and whether it would close down as a result. The sentences passed by judges on the businesses that were prosecuted took into account the size of the business, profitability, the number of employees, whether they had contravened the regulations before, and whether they were aware of the risk. Again, with the greatest respect, I think that the points that the hon. Lady is making are flawed.

Angela Watkinson: We all want to protect very small businesses from the effects of excessive regulation and legislation. It is essential that we are fair; time and again the "reasonable" test is applied in court hearings. The court considers what is reasonable and practicable, and whether businesses have made every possible effort to comply with restrictions and provide protection for their employees. There is, however, such a thing as a genuine accident. It is not the case that everything that happens in life is someone's fault. The more legislation there is, especially measures offering the potential for compensation, the more we encourage some people to make vexatious claims against employers. We must make sure that legislation is watertight; there is a difference between a vexatious claim by someone who has stubbed their toe and a claim by someone who has suffered serious injury as a result of a lack of compliance with health and safety regulations, which will affect their future employability as well as their health for the rest of their life.

Mr. David: The hon. Lady is straying into areas that are not related at all to the legislation under consideration. Does she accept that all the evidence—two reports have been cited—indicates that a very small minority of unscrupulous employers are aware of the legislation, but have calculated that, given the fine that they are likely to receive for breaching it, it is to their long-term competitive advantage to ignore and flout the legislation?

Angela Watkinson: Yes, I do accept that, and we need to distinguish between those people and the well-intentioned employers who have made what they thought was every effort to comply with the legislation or relevant regulations, but have found that they have transgressed in some small way and laid themselves open to large fines.

The Conservative party has committed itself, as have all Members, to the highest possible standards of health and safety—*[Interruption.]* Let me explain the Conservative party's position to the Minister, as he seems to be expressing some doubts about it. The Conservative party believes that a healthy and safe work force is a productive one, good for business and good for the economy. We want health and safety enforced in an efficient and effective manner, which burdens business no more than is necessary. We have recently secured a debate in the Commons on health and safety regulations in the construction and design industries—a debate that would not have taken place had we not called for it—to question Ministers on the best way of implementing such regulations.

We are concerned, however, that the effects of the Bill could be more extensive than intended, or, as often happens with new legislation, that there could be unintended practical or financial consequences. The level of fines and the custodial sentences proposed could have a serious impact in certain circumstances where negligence may not have been deliberate, or employers may have misunderstood or not kept up to date with regulations. There is a difference between wilful negligence—knowingly exposing employees to danger—and not having kept up to date and been aware of the latest instructions and regulations. The flow of information is therefore important, so that employees are aware of their rights and personal responsibilities to take proper precautions in their job or career, and employers ensure that the circumstances in which employees carry out their tasks are as safe as possible, in accordance with the regulations.

Mr. Khan: Is that not why the Health and Safety Executive has its powers? Most breaches are dealt with by inspectors serving enforcement notices and giving information and advice, so that already happens. I say again that the Bill does not affect liability.

Angela Watkinson: The hon. Gentleman says that the process already happens. If it was already happening, and everything was working perfectly, the hon. Member for Caerphilly would not have found it necessary to bring in the Bill to increase the penalties with the level of fines and threat of custodial sentence proposed. We would like every employee to be able to go to work every day knowing that their best interests were being cared for. We all know, however, that there are circumstances in which that is not the case.

Martin Linton: Does the hon. Lady accept that without any wilful negligence on the part of a company, it may nevertheless factor the level of fines into the level of maintenance that it carries out by doing a cost-benefit analysis? If the cost of neglect is not so great, the company will not pay so much attention to it. One clearly cannot pre-empt the decision of the Health and Safety Commission on the accident that I referred to, but the fact is that the small contractor whose crane was involved in a double fatality in September was also involved in a fatality in Liverpool in November. It is important for such companies to know that the level of fines is such that it will not pay them to neglect the maintenance of their cranes in any circumstances.

Angela Watkinson: There is no doubt that there are serious circumstances, such as those described by the hon. Gentleman, when a higher fine is deserved. It is important that employers know about an increased level of fines and the threat of a custodial sentence, so that there is an incentive to ensure that every possible regulation has been covered to protect crane users, or anyone else using heavy plant and machinery, in the construction industry and elsewhere. Their jobs should be made as safe as is humanly possible.

I shall take the Bill to a Division. It should have further scrutiny in Government time, because the measures are too important to put through in a private Member's Bill, and I want them to be scrutinised properly by the House. The implications of higher fines and custodial sentences are serious.

12.36 pm

The Minister for Pensions Reform (James Purnell): So much for caring conservatism. The test was set by the hon. Member for Castle Point (Bob Spink), who mysteriously had to make a screeching U-turn at the end of his speech and find a procedural reason why he objected to the Bill, which was not evident when he began.

The interesting thing about the debate is not so much the case made by the hon. Member for Upminster (Angela Watkinson), which was wide of the Bill, but why she objects to it. She speaks from the Conservative Front Bench and has obviously received orders from the Conservative leade. to object to it. We have the privilege of having the hon. Member for Rutland and Melton (Alan Duncan) in the House—at one point, I thought that the hon. Lady was filibustering his Bill. I believe that he is the shadow spokesman for trade and industry. During the course of my speech, it is possible for him to make a phone call to his leader to discover whether the ridiculous position taken by the Conservative Front-Bench spokesman can be overturned so that finally, after four attempts, we can get this moderate but important increase in fines, which has been asked of us by judges, on the statute book, rather than having the procedural objection that she is hiding behind. I encourage him to make that call.

Angela Watkinson: I reassure the Minister that I have not spoken to the leader of my party this morning.

James Purnell: More and more mysterious! We now have freelancing from the Opposition Front-Bench spokesman against the wishes of her leader. The phone call is becoming ever more important. We need to know, before the end of the debate, whether there has been a total collapse of collective responsibility. I do not know whether the hon. Lady is a member of the Cornerstone group or the No Turning Back group—or perhaps both—but the right wing of the Conservative party is showing that the professions of caring conservatism from the party's leadership are totally hollow.

Bob Spink *rose—*

James Purnell: While the hon. Member for Rutland and Melton considers whether to make the phone call, I shall take an intervention from the hon. Gentleman, who, I have no doubt, will make it clear that his vote will be in favour of the Bill.

Bob Spink: The Minister would not wish to be disingenuous, so I shall allow him to correct the record on my activities in the debate. He will recall that at the start I intervened on the hon. Member for Caerphilly and explained why I had doubts about the Bill as drafted, although I support the intention to protect workers and provide greater deterrents. The reasons for my doubts included the provision of the same level of sanction for very serious offences as for much less serious offences, and I gave a couple of examples to support my view. I am sure the Minister will accept that explanation.

James Purnell: I would accept it if the hon. Gentleman were keen for the Bill to proceed to a Committee stage. All those matters could be debated in Committee. I rather suspect, given what he said about his constituency, that he knows his constituents are worried about the Bill, and that his Front Bench has put him in the rather awkward position of having to object to it.

It is clear that an order has come down from the Conservative party leadership, for we know that the Front Bench would not be operating in such a way without such an order. An order to object to the Bill has come down for some mysterious reason. That reason must, in fact, be that the professions of caring conservatism that we hear are not genuine. It must be that when the Conservatives see the words "health and safety", they think "regulation" and "burden on business". They do not think about the people who have been affected by these issues, and they are not committed to health and safety in the way in which the hon. Member for Upminster claimed that they were.

Angela Watkinson: The Minister ought to know that the reason for my stance is that we care so much about the Bill that we do not consider it sufficient for it be passed as a private Member's Bill. We believe that it should be dealt with in Government time, and given proper scrutiny by the whole House.

James Purnell: That is a ridiculous argument. Does it mean that the Conservatives, including the hon. Lady, will not be tabling any private Members' Bills during the remainder of the Session? Of course not. There is a reason why the Conservatives are objecting to this specific Bill. They are disingenuously hiding behind a procedural reason for doing so, but the real reason is that while they like to talk about caring conservatism, when put to the test they do not believe in it, and default to the right.

Norman Baker: I am in some difficulty here. Perhaps the Minister can help me. Can he explain the rather incoherent argument that to secure greater scrutiny it is necessary to block a Bill's progression to its Committee stage?

James Purnell: That is a rather well-made point. The only explanation that I can find is that the Conservatives oppose the Bill but do not have the courage to say so. That goes to the heart of the contradiction in the modern Conservative party—

Angela Watkinson *rose—*

James Purnell: —which I hope the hon. Member for Upminster will continue to elucidate.

Angela Watkinson: My I ask whether the Minister has discussed the Bill with his opposite number?

James Purnell: I am not the health and safety Minister. The health and safety Minister is my colleague Lord Hunt, who, I am sure, consults the Opposition on a regular basis. But if we are to judge the Opposition on the basis of the stance that they have taken today, they are clearly not committed to the Bill's objectives, so I wonder whether any such discussion would have been worth while.

I wonder whether the hon. Lady has read what some judges have said about the current legislation. Let me

begin with the case of Paul Regan, a cowboy gas fitter who put customers at risk from deadly carbon monoxide fumes. The judge said

"The family were put at risk of death by poisoning or explosion",

and declared that he would not allow the man within 150 miles of his house. He also said that the man

"should go to prison for 18 months",

but that as things were he could only fine him. Does the hon. Lady think that that is justified, and does she feel proud of the action she is taking by not allowing the judge to have the greater power for which he has specifically asked us?

Angela Watkinson: We are not trying to prevent the judge from having that power—*[Interruption.]* No, we are not. It is right that that option should be open to him. However, the Bill should be dealt with in Government time. It is an important Bill, and the whole House should be able to be involved in it.

James Purnell: As was pointed out by my hon. Friend the Member for Tooting (Mr. Khan), the abolition of slavery began with a private Member's Bill. We have race and gender equality in this country, and that too was initiated through private Members' Bills. If the hon. Lady thinks that race and gender equality is less important than this she can say so, but the fact remains that it came about as a result of private Members' Bills. It is perfectly appropriate for this matter to be dealt with by means of a private Member's Bill, and the hon. Lady knows that full well.

Bob Spink: The Minister has been very generous in giving way. Indeed, I wondered whether he was filibustering on the Bill himself. However, he is not addressing himself to the Bill but playing political games. Does he not accept that while we all agree that judges should have powers to imprison people in certain circumstances in which currently they have no such powers, that is not the only thing that the Bill would allow? It would allow many other things to be done, and they require proper scrutiny. For instance, it gives the same level of sentencing powers, including imprisoning people, for minor, less serious offences that do not cause harm to any individual. I am talking, for example, about offences under section 33(1)(d) of the current Act. That provision deals simply with contravening a requirement imposed in relation to a public inquiry. That matter can be dealt with without sending someone to prison or giving them a £20,000 fine. Will the Minister address the specific technical issues in the Bill, so that we can do the job that we are supposed to be doing this afternoon?

James Purnell: I would be happy to do that in Committee, but the hon. Gentleman is about to object to that. I would accept his professions of good faith if he were to vote with us, but I suspect that he will not do so. He knows full well that a judge would have discretion about whether to use imprisonment or whether to impose a fine of less than £20,000. The problem is that a fine of up to £5,000 only may be given now.

Perhaps the hon. Gentleman would like to talk to the parents of the children who were illegally employed by a company in whose case the judge said:

"These matters are so serious that a court should consider imprisonment. But Parliament"

—that is the hon. Gentleman and his Front-Bench team—

"has given no such power to the courts to pass such a sentence."

We have the opportunity to do so in the next few minutes.

If the hon. Gentleman is serious about his professions, he will vote for us, as I hope he will. I also hope that the hon. Member for Rutland and Melton is starting to think about whether he should make that phone call to his leader, because otherwise we shall pursue the Opposition with this issue. It is yet another illustration of the hollowness of their claim to have changed the Conservative party—this shows that it has not changed.

I shall give the hon. Member for Upminster one final example. The case involves a gas safety installation where people's lives were put at risk. Guilty verdicts were returned, and the judge opened his sentencing remarks by saying:

"These offences do not carry imprisonment, if they did I wouldn't want you, nor the public, to be under any delusions that I would sentence you to prison and I would send you to prison for a substantial period of time".

By voting against this Bill, the Conservatives are preventing judges from having that option, and are making it more likely that these things will happen again. It is clear that the Government welcome the Bill, which has been promoted by my hon. Friend the Member for Caerphilly. There have been plenty of opportunities to discuss this. A Bill was introduced in 1999, 2000, 2003 and 2004, and on each occasion it fell on Second Reading. We could debate the matter fully were we allowed to take the Bill into Committee: if the Leader of the Conservative party had an 11th-hour change of heart. It appears that we will not have that opportunity.

The proposals are entirely consistent with the Hampton and McCrory reports. We are satisfied that the Health and Safety Executive and local authorities are doing all that they can to bring about the right level of prosecutions and to have the light touch for which the hon. Member for Upminster was asking. However, it is clear that in certain extreme and serious cases where people's lives have been put at risk—I have made it clear that we are talking about child working, asbestos being badly removed and gas fitting that puts people's lives at risk—the fine available should be greater than £5,000.

The majority of the hon. Lady's case rested on roving rather widely across health and safety legislation. She started to make hypothetical comments about what might happen were health and safety legislation liability extended. I can reassure her that the Bill does not do that; it makes no difference to the liability, changing only the level of the fine and imprisonment. Either she has concerns about the existing legislation, in which case she should object to it, or she is happy with it, in which case she should have confined her argument only to the issue of the fine. If she agrees with the current health and safety legislation and if she agrees that proper fines should be available, she should vote for the Bill, rather than object to it.

[James Purnell]

The hon. Lady started talking, at one random point, about whether people in this House might fall over. I can give her the reassurance, should she want it, that the Government have Crown immunity, thus I believe that it applies to this House.

I notice that the hon. Member for Rutland and Melton has not left the Chamber. He may be using telepathic communication, or trying to communicate with the Leader of the Opposition by secretly texting him. I hope that he has not done so because that would be against the rules. We know that the Leader of the Opposition does text; perhaps he has.

We are about to find out whether the Conservative party will pass the test set by one of their own, the hon. Member for Castle Point (Bob Spink), and whether it is genuinely a caring party.

Mr. Deputy Speaker (Sir Alan Haselhurst): Does the hon. Member for Caerphilly (Mr. David) wish to reply to the debate?

12.50 pm

Mr. David: Mr. Deputy Speaker, as you have prompted me, I would, rather unexpectedly, like to make a few remarks. I was genuinely hoping that there would be cross-party consensus—

Norman Baker: There is.

Mr. David: Including all parties. I am genuinely disappointed because, as the Minister mentioned, the debate in its latter stages focused on issues that are not in the Bill. It proposes a modest change to the Health and Safety at Work etc. Act 1974. That legislation has been widely accepted as a huge step forward and a path-breaking measure not just in this country but in many others. This Bill suggests a modest and limited modification to that Act in terms of fines and the potential for custodial sentences. Unfortunately, the debate in its latter stages has tended to go well beyond that, which is extremely unfortunate. I again urge hon. Members seriously to consider whether they want to be depicted outside—

Mr. Khan: Conservative Members.

Mr. David: I again urge Conservative Members seriously to consider whether they want to be depicted outside the Chamber as being against fair health and safety standards and against reasonable fines being introduced. Inevitably, that will mean a reduction in health and safety standards.

It is not for me to say to Conservative Members how they should be projected outside the Chamber, but in all common sense and reasonableness I urge them to support the Bill.

Question put, That the Bill be now read a Second time:—

The House divided: Ayes 20, Noes 3.

Division No. 100] **[12.52**

AYES

Ainsworth, rh Mr. Bob	McCabe, Steve
Baird, Vera	McCarthy-Fry, Sarah
Baker, Norman	Merron, Gillian
Balls, Ed	Miliband, Edward
Bell, Sir Stuart	Oliver, Mr. Bill
David, Mr. Wayne	Pound, Stephen
Hill, rh Keith	Purnell, James
Hoon, rh Mr. Geoffrey	Twigg, Derek
Howarth, David	
Khan, Mr. Sadiq	**Tellers for the Ayes:**
Kramer, Susan	**Kevin Brennan and**
Linton, Martin	**Liz Blackman**

NOES

Evans, Mr. Nigel	**Tellers for the Noes:**
Lilley, rh Mr. Peter	**Mr. Robert Goodwill and**
Spink, Bob	**Angela Watkinson**

It appearing on the report of the Division that 40 Members were not present, MR. DEPUTY SPEAKER *declared that the Question was not decided, and the business under consideration stood over until the next sitting of the House.*

Streetscape and Highways Design Bill

Order for Second Reading read.

1.3 pm

Alan Duncan (Rutland and Melton) (Con): I beg to move, That the Bill be now read a Second time.

It is an unexpected and happy surprise to have the opportunity to move the Second Reading of this Bill, which is supported by hon. Members on both sides of the House. It is a Bill that attempts to introduce a complete change in the climate and culture of local government highway authorities' decisions about the implementation of the regulations and directions that govern how our road signs are located and what they look like. Most areas of public policy require budgets and targets, and most address clear cases of need, such as teaching the young or treating the old. On issues such as taxation and spending, the battleground is well established across the divide of the House, but there are some matters that are shaped by Government and cause intense irritation while rarely figuring on the political radar. One such issue is our streetscape and the design of our roads.

Local councils are measured by the National Audit Office against all sorts of vague criteria to assess their performance in the likes of social services, housing and education, but nowhere are they held to account for the desecration they inflict on our roads. Highways officers are the monsters of local government, who for too long have got away with appalling practices and almost no accountability. They have become a law unto themselves and they need serious reining in.

Britain's roads are better than most; their basic design is sound, central reservations are well designed, directional sign posting to show the way to this or that town is good and practical, and their safety record is strong. However, that is where the good news ends. The bad news is that throughout Britain our streetscape is in serious decline and it is entirely the fault of local highways officers.

Existing legislation, if properly implemented, presents no obstacle to good design, yet its interpretation by highways officers invariably converts well intentioned guidelines into brutalist schemes. When we travel down any road in the UK, we encounter millions of metal poles and bossy signs where just a few would suffice. Most of them are wholly unnecessary but no councillor dares challenge the erroneous advice of the highways officer who says they are essential if the council is to avoid legal liability.

Every pelican crossing tends to have two banks of lights where one would suffice, and the greatest abomination of the 21st century so far—Kettering's new business park junction—has 118 metal poles and more light bulbs than Heathrow. The officers who countenanced its design should hang their heads in shame.

Aesthetics matter. Our built environment affects our quality of life; it requires good design, good taste and good management. Each is rare on the streets of most of our councils. Highways officers shape our streetscape with almost no accountability and, more often than not, poor aesthetic judgment. They cover all their imaginary risks with excessive over-building and nobody stops to say, "No".

The list of sign crimes is endless. Signposts such as "No Entry" roundels should be on the back line of the road, yet increasingly they are planted right on the edge of the kerb. New signs are placed where they obscure existing ones. Temporary signs such as "New Junction Ahead" or "New Layout Ahead" remain in place for years—one in Leicester has been there for more than a decade. Most triangular signs, such as those alerting a driver to a road junction, are optional, yet in many cases highways officers wrongly advise that they are obligatory. Needless bollards and chevrons are built into roundabouts. Councillors are often told that signs have to be illuminated when in fact most of them do not.

When new signs are erected, old ones are not removed. There are often two signs—or even many more—where just one would do. Schemes for clearways, weight restrictions or, increasingly, cycle paths never properly assess the blight of the signs that accompany them. On cycle paths all over the country, we have seen the proliferation of little blue roundels; in one example, there was one every 50 yards. I am all for cycle paths, but we do not need all the metal signs that go with them—a little painted diagram on the tarmac would be enough. Instead, there are millions of blue signs on our streets, most of them directed at passing traffic, which is utterly irrelevant to the message being conveyed. If the signs are to be there at all, they should be 3 ft high and on the pavement, to advise cyclists and pedestrians that it is shared space.

One of the greatest abominations is the red route in London. As a result of Transport for London's handling of the issue, if we go down the end of the A1 or Finchley road, we find a red route "no stopping" sign on almost every lamppost or every 20 yards, so I think that people have got the message. At the end of the A1 in the last two-mile stretch where it begins to come into a more residential area, one can see 30 signs within about 20 square yards in some places. That is absurd: it does nothing for safety; it makes everything look ugly; and, in many cases, because of the confusion that ensues, it makes our driving and our roads less safe.

As things stand, certainly no voter and, in most cases, no elected councillor has much of a chance of getting anything changed. The problem is exacerbated by a total lack of expertise among contractors about what is necessary and what is not. They just do what they are told and are mostly concerned with the tarmac and the route of the road: they never think about the finish. A newly built bypass in Rutland in my own constituency was, I am pleased to say, within a month of opening able to have three quarters of its signs removed—and it now looks good.

Councillors need to learn to be firm with highways officers whose interpretation of the road signs regulations is often simply plain wrong. Both our urban and our rural streetscape are in serious decline. Council officers, particularly the highways officers, are the serial offenders, and most of them require the firm leadership that is being so effectively displayed nearby in Kensington and Chelsea, where this issue has become a high priority under Deputy Leader Daniel Moylan.

In the absence of a revolution in officers' culture, sadly, I have to say, the only practical solution lies in

[Alan Duncan]

legislation. My Streetscape and Highways Design Bill is an attempt to address that infuriating deficiency in the public realm. It will empower and embolden councillors to take highways officers to task, enable them to challenge on the basis of proper expertise, and equip those councillors to take command over highways decisions rather than rest, as they do now, when highways officers take brutalist command of decisions over them.

David Howarth (Cambridge) (LD): I am certainly supportive of the Bill. I recall that when I was trying to reduce the number of signs in Cambridge, the Cambridgeshire county council did not even know how many signs it had—and one of the Bill's provisions will deal with that. However, does the hon. Gentleman recognise that sometimes the problem does lie with central Government and that sometimes the central Government have odd regulations about what kind of signs have to be used? For example, there appears to be a regulation stating that we are not allowed to have a sign saying "No entry except for cyclists", so we have to have a very complicated set of other signs instead. Sometimes, as I say, the problem does lie with central Government.

Alan Duncan: The hon. Gentleman makes a perfectly good point. When I was shadow Secretary of State for Transport, I tried to get to grips with a telephone directory-sized manual of traffic signs, directions and regulations. By and large, a lot of the content of the book was pretty good, because some sort of consistency in respect of signposts is helpful to establish understanding and promote safety on our roads.

What I have since discovered, however, is that many highways officers completely misunderstand what those regulations require them to do. Many aspects of signposting are voluntary or optional, but the highways officers often tell councillors that the rules state that they are compulsory. The Government or the Department for Transport can always amend those regulations—that is not the problem—and they did so, I believe, in 2002, when they did a pretty good job of it. The real problem lies in the practical application on the ground within highways authorities. Highways officers have power over councillors in a way that even planning officers in some ways do not. These highways officers have the power to say, "Oh, councillor, you must have that; otherwise the council might face legal liability". Much of that is stuff and nonsense, but no councillor dares to say, "Well, I don't believe that." They hide behind the risk and do not want to do anything about it. I want to try to establish a culture change whereby councillors can find out the truth so that they can take good decisions and we end up with safe roads that look good.

The Bill is not expensive—if anything, it is cost-cutting. I am not aware of a single council other than Kensington and Chelsea that has a written highways policy against which subsequent planning decisions are measured. Councils have never stopped to think, "How do I want my highways area to look?" or "Do I want to go for the highest number of signs possible or the lowest?" As soon as they are made to stop and think, they say "Well, I'd rather have fewer." Under the Bill, every council would be required to publish a highways policy, which could be three or four pages—it does not have to be a glossy publication. Invariably, any such considered policy would reflect the council's desire to see fewer road signs, less metal and far less visual pollution. Within the community of local government, best practice would emerge and that model, which would most likely be a minimalist policy, would be adopted.

For instance, the Government—I am full of admiration and praise for this measure—working with English Heritage, the Department for Transport and the Campaign to Protect Rural England, have published "Streets for All", which has also had regional editions. It is a really good document that evidences how streets can be made to look better, with advice such as using wood instead of metal. It asks what kind of paving should be used on the pavement and whether the colour matches the environment. It asks what kind of traffic lights should be used and whether pelican crossings have to have great big gantries with the traffic light, as they invariably do, or whether there can just be a little button on the pole by the pavement with a green man and a red man—it could be a woman; a green androgynous figure—to tell people that they are safe to cross the road. All those examples of best practice have been well researched and well documented and they are used, but highways authorities do not embrace them sufficiently. I want to see best practice emerge, and if councils had highways policies there would be a yardstick against which officers' advice would have to be tempered and tested.

Crucially, there is also the Audit Commission. In my constituency a few years ago, a contractor put in signs for a 7.5 tonne weight limit. Almost every sign was in the wrong place according to the advice and guidelines given by Government. Instead of being set back on the hedge line of a nice country lane, they were right up on the corner where inevitably passing traffic—horseboxes, mowers and so on—would dent them and knock them down. They looked disgusting. Even when there was a tiny country lane with two stone houses 5 m across from each other, two signs were put up when one would have done. These people are morons and they are not following the rules. The trouble is, when I went to the Audit Commission with an assessment of what the contractors had done, the money that they had spent and the standards of their decisions, the Audit Commission said, "We have no scope within our remit to hold them to account."

Unless a council has real leadership, there are problems with highways officers, bad design, poor practice and even wrongly sited signs that are just left there, and no one has any form of redress. There is a great vacuum in terms of setting good standards in local government. If we have to take such a measure—in many ways, I regret that we do—I want the Audit Commission to embrace the built environment in its assessment of a council. I want to see the Audit Commission's remit revised.

The Bill would require councils to audit their sign population, and it would compel the Department for Transport to offer professional advice to any councillor who wished to question the validity of his local highway officer's interpretation of the rules. It is important for an audit of signs to be held. It would not

have to be done very often, but the problem is that it has never happened. When a new sign is put up, no one stops to think about what signs are already there, and no one tries to balance more modern signs with the older ones.

Angela Watkinson (Upminster) (Con): As part of that audit procedure, does my hon. Friend think that note should be taken of safety implications, particularly as regards highway signage? The plethora of information and signage is often a distraction to drivers, and it can be detrimental and dangerous when people are trying to look at carriageway markings, at whether there are variable speed limits, and at all sorts of information right across the spectrum of their windscreen. That plethora of signs can actually do more harm than good.

Alan Duncan: My hon. Friend is absolutely right. Any pilot could tell us of the well known phenomenon of the danger of having too many lights on a runway. My bête noire is Kettering business park junction, which needs a stick of dynamite. It is very dangerous; there is a great deal of rubber on the road, because there are two junctions right next to each other, each with 30 or 40 traffic lights. Drivers look at the lights ahead, rather than the set of lights that they are approaching. The authorities have so overbuilt the junction that instead of making it safe, they have made it dangerous.

The same applies to many other roads. Let me give an example: we do not need always need a triangular sign to tell us when there is a road joining from the left. These days, at such points, there is usually an illuminated bollard, and one can normally see whether a car is waiting to turn out of the road. That is the most helpful visual aid to safe driving. Having too many signs is an impediment to safe driving, and it looks horrid, so it is less safe and less attractive. Highway authorities ought to have to audit the signs, so that they know what is there. If some of the signs are attractive and old-fashioned, the council may want to keep them, because it may think that they add to the environment. When councils undertake the audit, they will suddenly find milestones and other features of our streetscape that they will want to preserve and maintain.

It is important to have an audit of signs, a written highways policy, and somewhere councillors can turn to when they feel that they are being bamboozled by highway officers. I am not saying that everyone should be able to phone up the Department for Transport, but I phone it from time to time, and the expertise in the Department is very good. There are some very good people there who know the issues inside out and who roll their eyes in despair at some of the things that are done by councils. I ask them, "Will you please visit my constituency and explain to these people why what they are doing is wrong, and is not even required under the regulations that they think they're enforcing?" Understandably, people at the Department answer that they just do not have the people to visit all the councils. Frankly, they would need an army if they were to try to stop councils doing all the bad things that they do. A councillor needs to be able to pick up the phone, explain the issue and ask an expert in the Department for Transport whether a sign is really obligatory or not.

I can give another example. A councillor wanted to make a lovely little country back lane one-way, because it was a bit of a rat run in peak hours. She was told that all the signs would have to be illuminated, that 20 signs would be needed, and that it would cost £100,000. It could have been done for £3,000, and I do not like well intentioned councillors being misled by professional officers. My Bill tries to ensure that in the future, councillors will no longer be bamboozled by tasteless philistines.

I estimate that as many as half of what I call non-directional signs, or warning signs, could be uprooted for the better. I would like many of them to be uprooted. I want a change in the culture of road design, for which the expertise exists. Britain has got some good roads. The paradox is that some rural areas are covered in signs, yet when I go to Newcastle—I am shadow Minister for Tyneside—it has minimalist street furniture on roundabouts. That urban area is an example to many rural areas.

I would like us all to become clutter busters. I would like more than half our signs to be uprooted. Most clearway signs are unnecessary. If they are put up on a main road, two further "end of clearway" signs have to be erected on every road that leads into the main road. That is unnecessary and visually ghastly.

If the Bill gets a Second Reading, we will have less confusion, less maintenance, less visual pollution and a much better and safer built environment. Securing the Second Reading debate today was unexpected but I hope that the Government do not object to the Bill. If they destroy the measure, the danger is that we shall have more dangerous roads and that all our constituencies will end up looking less attractive.

We all love our constituencies and feel strongly about local issues. The Bill has implications for every hon. Member and presents an opportunity to do something in our constituencies that makes life happier and pleasanter.

Angela Watkinson: My hon. Friend knows that London local authorities receive parcels of money for specific uses from Transport for London. For example, a London local authority will get a parcel of money for red tarmacking a carriageway or speed bumps, and because the money cannot be used for any other purpose, the authority will look for somewhere to put speed bumps when it possibly did not intend to have them. That takes away decision making from local authorities.

Alan Duncan: My hon. Friend is right. One of the problems of a stream of Government money for specific purposes is that it can have perverse outcomes. I had a similar experience in my constituency, where a lump of money was given for safer routes to school. To my great dismay, red paint was applied all over a country lane where kids had walked for centuries perfectly happily with their satchels or ridden on their bikes. It indicated where children were supposed to walk on their way to school. I cannot imagine a more moronic scheme or use of money. Kids will walk where they want to walk and not follow expensive red paint, even if it has desecrated my nice rural constituency.

My Bill tries to secure a culture change and I hope that the Government will let it go into Committee. Why

[Alan Duncan]

do we not thrash it out in Committee? If the Government want to destroy it later and introduce a their Bill on the subject, that is fine. I ask the Whip what the point is of destroying a well intentioned Bill, which is not party political. It affects every constituency and will make our constituencies and roads more attractive and safer. I hope that the House will give me leave to take the Bill into Committee so that we can raise the profile and significance of an issue about which many people have never thought. Now that they have, they will say, "Yeah, he's got a point."

1.29 pm

Norman Baker (Lewes) (LD): I congratulate the hon. Member for Rutland and Melton (Alan Duncan) on his idiosyncratic Bill, which I support because it touches on an important issue. The hon. Gentleman may like to know that I encouraged my county council a year or two ago to identify and remove unnecessary signage in my constituency, of which there is plenty, not least for the reasons that he gave. There are signs where, for example, speed limit termination points have changed and the old poles have been left, with the signs removed. There are signs warning of cattle where farms are no longer operating. There is plenty of signage like that, which brings the system into disrepute, can be a danger and creates clutter in rural areas.

The hon. Gentleman is right to say that the signage itself is, by and large, correct and useful. I would offer one caveat: the sign that supposedly bans pedestrians, which is a red circle with a human figure in it. Pedestrians, who may not be familiar with the highway code, see that as an invitation to walk along that route, rather than as a prohibition, as the sign is intended to convey. I wish the Department for Transport would deal with that sign, although I do not suppose it will.

Signs are sometimes used by highway officials, to use the hon. Gentleman's term, as an alternative to providing proper road safety measures. Pressure comes from a councillor, a road safety group or residents who point out a problem that may require a change to road layout or some other expensive remedy. The solution provided by highways officers is to erect a sign as a means of showing the people concerned that something has been done. That achieves very little, but it demonstrates that the council in question has done something. Many signs have been erected to get residents groups off highway officers' backs, rather than to achieve a road safety objective. There are too many signs that say the equivalent of "Do not throw stones at this notice", and very little else.

There is a growing tendency towards the inclusion of advertisements on highway land, which is encouraged by some highway authorities. That is regrettable. We see advertisements on roundabouts, for example, which adds to clutter and, as well as disfiguring the environment, presents a potential hazard for motorists, who have to take in those signs as well as relevant ones on the highway.

I agree that the Bill should be subjected to scrutiny. If the Government have something against it, they should set out their objections in Committee. The hon. Gentleman's argument has been undermined slightly by his colleague, the hon. Member for Upminster (Angela Watkinson), who argued exactly the opposite on the previous Bill.

1.32 pm

Mr. Robert Goodwill (Scarborough and Whitby) (Con): I congratulate my hon. Friend the Member for Rutland and Melton (Alan Duncan) on securing a Second Reading of his Bill. That gives me my first opportunity to speak from the Dispatch Box, but I expect that it will be short-lived.

There can be few people who have not noticed the plethora of signs that seem to proliferate around our cities, countryside and villages. In my village in north Yorkshire in recent months electricity poles have been removed, which has enhanced the rural environment, although British Telecom has erected additional telegraph poles for lines that were previously carried by the electricity poles.

Two weeks ago, I spent a day in Scarborough in my constituency with people from the Scarborough blind and partially sighted centre. I experienced what it is like to be blind. I wore glasses which almost entirely prevented me from seeing anything. The first 10 minutes were quite a novelty, but after that it was very difficult to get around. I was fortunate to have a lady holding me by the arm. The problem was not just the pavement cafes with their tables and chairs, cars parked on the pavement, or dog dirt, which blind people often have to contend with. The problem was also all the signposts that seem to sprout up from the pavement and cause blind people such difficulty.

In Scarborough we have non-drinking zones, or rather, zones where police can ask people to desist from drinking and, if necessary, confiscate drink. The problem facing Scarborough borough council when it brought the zones into force was that nobody noticed the signs. There were so many signs already that people did not notice the new ones. The council had to come up with a fluorescent green sign, which it hoped would be more noticeable. That has been only partially successful because there are so many signs around the town—advertising signs, road signs, parking signs and so on.

When a local authority advocates the common-sense approach suggested by my hon. Friend, it often finds that it becomes tied up in bureaucracy, rules and regulations. The Minister knows that Scarborough borough council has put in an application to decriminalise parking in the town. When it put in signs to remind people which zones are residents' zones and which zones are disc zones, it thought that in many cases it would make sense to use an existing pole—if there is a street lamp standard or speed limit sign, why not put the parking sign on the same post?

Unfortunately, that common-sense approach was undone by two enterprising former police officers with tape measures, who managed to overturn a number of fines for people, including members of their families, because the signs were, for example, 30 cm too far apart. Scarborough borough council has therefore had to put up new signs, despite nobody having been misled about the parking regime. Nobody has written to me saying, "I have been done. I did not realise that it was a two-hour disc zone. I did not realise that we had to pay

to park." The regulations are so prescriptive that they do not allow local authorities to show a degree of discretion in putting up signs. If the Bill becomes law, I hope that we will examine co-ordinating the erection of street lighting and signs and the maintenance of parking regimes.

Scarborough borough council has done a lot of work, and although this matter may not be at the top of the Minister's in-tray, I hope that it is successful in getting its decriminalisation through, which will restore a little bit of sanity in Scarborough, where people are parking on yellow lines willy-nilly and there is a feeling that the parking regime is not being enforced. This may not happen today, but I look forward to the Minister letting me know that she has managed to look at the improvements in Scarborough.

I hope that we can use a bit of common sense. We already have bi-party support in the House, and perhaps the Minister can make that tri-party support. I think that people up and down the country would be pleased to see a little bit of common sense on the statute book for a change.

Alan Duncan: I omitted to say—I hope that this adds weight to what my hon. Friend has just said and persuades the Minister to support the Bill—that the Bill has the enthusiastic support of English Heritage, the Campaign to Protect Rural England and the RAC Foundation, which is very thoughtful on road matters. I hope that the Government do not want to defy that good sense.

Mr. Goodwill: We have discussed our streets being neat and uncluttered, and those words can also be used to describe my hon. Friend—I will not suggest which hon. Members could be used to describe the streets as they are at the moment.

I commend the Bill to the House.

1.38 pm

The Parliamentary Under-Secretary of State for Transport (Gillian Merron): I assure the hon. Member for Scarborough and Whitby (Mr. Goodwill) that there is plenty of common sense on the issue. I have no doubt that the principle behind Bill introduced by the hon. Member for Rutland and Melton (Alan Duncan) is good, and I share his wish to see greater progress. I note that a range of organisations has expressed enthusiasm, which is understandable, but I respectfully suggest that that enthusiasm relates to the principle, the issue and the practice that is already in place, rather than a wish to see new legislation.

The Bill is unnecessary; it duplicates existing legislation; and given the drafting, it lacks the teeth to do the job. I understand why the hon. Member for Rutland and Melton wants to do the job, but the Bill does not make the right references. To the credit of the hon. Gentleman, he has paid tribute to a number of actions taken by the Department for Transport, for which I am grateful. However, I assure the House that action to improve and sustain highway design and the streetscape is absolutely a Government policy objective, and I shall be very happy to explain what we are doing about it in practice.

Mr. Goodwill: Surely the whole point of the Bill is to remove swathes of legislation that place restrictions on the discretion of local authorities. The problem with parking is that the book is so thick that many local authorities do not always manage to comply with every letter of the law.

Gillian Merron: The Bill is about signs in local areas. I believe, as I presume the hon. Gentleman does, that local matters are best dealt with locally.

Good design of roads and streets is a fundamental issue. We support the principle of avoiding unnecessary roadside clutter and minimising the environmental impact of traffic signs, as far as that is safe and reasonably practicable. The challenge at the national and local levels is to promote and deliver good practice. It is true that it is not unusual to see unnecessary or badly designed traffic management measures, traffic signs or other street furniture. However, improvements will not be delivered by the proposed legislation.

The hon. Member for Rutland and Melton implored us to put the Bill through Committee, but I note that he just voted against that for the Health and Safety (Offences) Bill.

Alan Duncan: I did not vote in that Division.

Gillian Merron: Then I apologise to the hon. Gentleman. There are certainly many hon. Members on his Benches who did do that, but I hope that he will forgive my error.

Streetscape and highway design have been rightly devolved to local authorities, other than on roads for which the Secretary of State is the highways authority, such as motorways, which are the responsibility of the Highways Agency. We have concerns that the proposed Bill has the potential to confuse practitioners, because of ambiguities about its application and duplication of existing legislation and guidance. The Secretary of State already provides guidance on streetscape and highways design, which is aimed at, and readily available to, highways authorities. We do not need new legislation to continue doing that. The Department for Transport provides guidance on a wide range of design issues through documents such local transport notes, traffic advisory leaflets, the "Traffic Signs Manual" and other good practice guides and manuals, including the recently published "Manual for Streets", to which I shall make further reference.

The proposed Bill would extend to Wales as well as England. However, the matters covered in the Bill are almost entirely devolved to the Welsh Assembly Government. The Highways Agency, an executive agency of the Department for Transport, designs and maintains roads in accordance with its "Design Manual for Roads and Bridges", which provides detailed design advice and standards. The advice is reviewed periodically to ensure that it is consistent with best practice. Further updates and chapters, including landscape and townscape assessment, are scheduled for publication over the next few years.

Alan Duncan: What the Minister is saying is absolutely accurate and I do not deny it for a second, but can she point to elements of guidance that encourage minimalist rather than brutalist designs?

[Alan Duncan]

There seems to be no downward pressure in those guidelines, and that is what I am seeking.

Gillian Merron: I do not know whether the hon. Gentleman has seen it, but I would refer him to the "Manual for Streets", which makes the exact point that he has just made.

Volume 10 of the "Design Manual for Roads and Bridges" includes urban design elements. Environmental design considerations have been an integral part of scheme development in the Highways Agency since its inception. The agency seeks to mitigate potentially adverse impacts and to take opportunities to enhance the environment, while of course taking account of value for money. The Department for Transport works with many other organisations to produce guidance on highway designs and improve the quality of highways and their surroundings. We heard earlier about the excellent work by English Heritage in "Streets for All", which has been applauded by the hon. Member for Rutland and Melton, who was good enough to write to the Minister of State, Department for Transport, last year, making the same comments.

We accept the need for improvement, and we continue to develop further guidance. The House will wish to be made aware of three key projects that have a direct, positive impact. I have already referred to the first—the "Manual for Streets", which I launched at the end of March 2007 with the Institution of Highways and Transportation. It was drawn up with the full co-operation of stakeholders, including local authorities. It encourages a fresh approach to residential street design, and it demonstrates the Government's commitment to introduce changes to current design criteria to ensure that the designing of streets as attractive places in their own right is a priority. It gives guidance on the use of traffic signs and the importance of minimising street clutter.

The second project underpins further good practice guidance, specifically to address the concerns that have been expressed today about traffic signs, signals and the paraphernalia of local traffic management schemes, which may be excessive and detract from the streetscape. The new guidance is expected to be published in autumn this year. The third piece of work is advice covering the installation of pedestrian guard railing which, again, will be published later this year. All the guidance produced by the Department for Transport and its partners is aimed at, and is readily available to, local authorities and others. Publications are widely publicised and described on the Department's website. A number of them are available free of charge, and others are available for purchase from the relevant publisher, usually The Stationery Office.

Clause 2 requires highway authorities to publish

"in such manner as they consider appropriate, a policy on the...design of traffic signs and highway developments ('a design policy')."

The requirements in the clause are unnecessary, because local authorities are responsible for designing schemes to fit local circumstances, making important assessments—and this is all about balance—about the level of risk and the balance of social, environmental, economic and safety requirements. They already have a range of powers and duties under which they can maintain and improve the road network, manage its use and the activities that take place on it. We have a range of legislation, from the Road Traffic Regulation Act 1984 and the Traffic Management Act 2004 to the new Town and Country Planning (Control of Advertisements) (England) Regulations 2007 which, the hon. Member for Lewes (Norman Baker) will be interested to know, came into force on 6 April this year. The skills of designers in that area have been called into question, and the Department is working with the Institute of Highway Incorporate Engineers Institute to promote a new qualification in traffic signing skills. The Department has also recently endorsed new computer software which, it is hoped, will help sign designers to use and understand the Traffic Signs Regulations and General Directions 2002 more easily.

Alan Duncan: If, for instance, a council has poor aesthetic judgment and appears indifferent to a contractor putting signs in the wrong place—perhaps on the edge of a kerb instead of on the back line of a road—to whom, under the guidelines, can people turn for redress?

Gillian Merron: Clearly, the local authority is the responsible authority, and it is accountable to its electorate. In the debate, the hon. Gentleman expressed a wish that authorities or elected officials should be able to seek support. Obviously, they can do so. The Department for Transport is freely accessible to people who wish to call it, e-mail it, write to it, or look at its website, to offer the advice required. We must understand, however, that this is a local authority matter, and many of the hon. Gentleman's comments concerned the quality of the running of local authorities, so he may wish to pursue the matter elsewhere.

The hon. Gentleman raised, too, the accountability of highways officers, who are accountable to elected members of local authorities because they are local authority employees. One could make that comment about any local authority, so I do not think that it is necessary for the House to legislate in that regard.

Local transport plans also include a section on the importance of addressing quality of life issues, including the quality of public spaces and better streetscapes. The guidance specifically mentions the need for careful consideration to be given to the design and use of traffic management equipment. It makes it clear that local authority proposals should not just minimise adverse impacts on the physical environment but actively enhance it. It states that local authorities should ensure that their local transport plans minimise the impact of clutter on the street scene, and encourages the use of local street audits.

The hon. Member for Rutland and Melton referred to revising the Audit Commission's remit, which is not contained in his Bill. He also referred to the Rutland bypass and said that three quarters of signs were removed soon after its opening. That is why it has been included in the Department's streetscape project, leading to good practice guidance later this year. We are pleased that we have been able to play our part, and that Rutland has been so helpful.

Alan Duncan: I am grateful to the Minister for thanking Rutland. In turn, may I thank her and her Department for letting aspects of that design, such as minimalist street furniture on a roundabout, be part of a specific Department for Transport study? I hope that the contribution of my little county has been helpful in formulating the policies that will now come from her Department.

Gillian Merron: That is something on which we are all in agreement.

The Bill is unnecessary, an over-regulation and a duplication. Under existing powers, the Secretary of State already provides guidance and advice on design of streetscape and highways, which is widely used by local authorities. Government planning policy already states that local planning authorities should publish local design policies. The Department for Transport's local transport plan guidance to local authorities explains the importance of better streetscapes and minimising street clutter, and encourages street audits.

I emphasise that local authorities are responsible for designing highway schemes to fit local circumstances, and already have a range of powers and duties to do so under existing legislation. As I have said, we should never forget that local authorities are accountable, and are encouraged to consult locally on new schemes. The challenge is for authorities to apply legislation and guidance through local policies in such a way that they contribute to the quality of public spaces, through good design, using street signs as and where appropriate and maintaining streets and highways. I therefore ask the House to oppose the Bill.

Question put, That the Bill be now read a Second time:—

The House divided: Ayes 10, Noes 10.

Division No. 101] **[1.53 pm**

AYES

Baker, Norman	Lilley, rh Mr. Peter
Davies, Philip	Spink, Bob
Duncan, Alan	Willetts, Mr. David
Greenway, Mr. John	
Howarth, David	**Tellers for the Ayes:**
Hughes, Simon	**Angela Watkinson and**
Kramer, Susan	**Mr. Robert Goodwill**

NOES

Ainsworth, rh Mr. Bob	McCarthy-Fry, Sarah
Balls, Ed	Merron, Gillian
Brennan, Kevin	Pound, Stephen
David, Mr. Wayne	
Hill, rh Keith	**Tellers for the Noes:**
Hoon, rh Mr. Geoffrey	**Liz Blackman and**
Linton, Martin	**Steve McCabe**

It appearing on the report of the Division that 40 Members were not present, MR. DEPUTY SPEAKER *declared that the Question was not decided, and the business under consideration stood over until the next sitting of the House.*

BA Flight 149

Motion made, and Question proposed, That this House do now adjourn.—*[Liz Blackman.]*

2.4 pm

Norman Baker (Lewes) (LD): It is good to have a marginally elongated time for the Adjournment debate, although I assure you that I have no intention of occupying all the available time, Mr. Deputy Speaker. Such a tactic is perhaps best reserved for other occasions.

It is good to see that the duty Minister is present. The happy coincidence is that, as a defence Minister, he dealt with some of these issues in a different capacity earlier in his ministerial career. This is a serious matter concerning British Airways flight 149, which landed in Kuwait when it was on its way to Kuala Lumpur. It took off from Heathrow on 1 August 1990 at 6.15 pm, having been delayed for a couple of hours. The captain blamed an air conditioning problem, but has subsequently said that he was hoping that the flight would be pulled. However, the plane did take off at 6.15 pm and arrived in Kuwait City at 3 am the following morning.

As a consequence of the decision to land, the plane was subsequently destroyed, and the crew and passengers were captured by Iraqi troops. They were held for weeks in pretty awful conditions. However distant we are from those events, all of us can recall the terrible picture that filled the newspapers of that poor five-year-old lad, Stuart Lockwood, being patted by Saddam Hussein while clearly traumatised.

I shall discuss what some of the crew and passengers suffered in due course. The official version of events is that the situation could not have been foreseen, that it was unhelpful and unfortunate for those involved, and that the plane was landed before the invasion of Kuwait had taken place. The Prime Minister at the time, Mrs. Margaret Thatcher, said:

"The British Airways flight landed, its passengers disembarked, and the crew handed over to a successor crew and went to their hotels. All that took place before the invasion: the invasion was later."—[*Official Report,* 6 September 1990; Vol. 177, c. 739.]

Already at that time—within 24 hours—significant doubts had been expressed in senior circles about whether that was the case.

I give credit to the present Deputy Prime Minister, who I believe was the Labour party's shadow transport secretary, for investigating that matter and pursuing it over a couple of years. He raised the matter in the House and in letters to the next Prime Minister, John Major.

In a reply dated 2 October 1992, Mr. Major said the following:

"It was clear immediately before the invasion that Iraq was massing troops on its border with Kuwait but the Government had no firm evidence that Saddam Hussein would invade, still less occupy, the whole of Kuwait."

I shall show that that is not the case. He also said:

"The British Government did not attempt to influence BA's decision to operate flight BA 149 on 1-2 August."

I shall show that that is not the case. He continued:

[Norman Baker]

"It was not until approximately 0300 GMT that we had clear evidence of a full-scale Iraqi invasion of Kuwait."

I shall show that that is not the case. In addition, he said:

"I can confirm, however, that there were no British military personnel on board the flight."

Unless semantics are brought into play, I can show that that is not the case.

A further letter from the then Prime Minister to the present Deputy Prime Minister, dated 5 April 1993, pulled back slightly from that position in accepting that the sound of tanks and gunfire had been heard at an earlier point than had been implied by the previous letter. It is worth pointing out that the crew and passengers said that when the planed touched down, they heard the sound of tanks and gunfire. That is evidence that the invasion was well under way by that point, and did not take place some hours later, as Mrs. Thatcher, as Prime Minister, had suggested.

There has been an investigation into this matter on and off by a journalist called Steve Davis. The Minister may, or may not, have seen an article in *The Mail on Sunday* last year. There was also a documentary on the matter which was put on at a ridiculously late hour by the BBC. That referred to the views of what might be called special forces.

I have here today copies of affidavits signed by members of special forces to the effect that they were on that plane and were put there to carry out a mission at the request of the British Government. It is not my intention, as you will understand, Mr. Deputy Speaker, to give the names of those particular individuals. That would be irresponsible. However, because the Government have continually denied that this took place, I do want to read out the relevant sections that demonstrate that, in fact, the version of events is as the journalist has said, rather than Ministers have continually suggested.

The Minister for Europe (Mr. Geoffrey Hoon): I am grateful to the hon. Gentleman for giving way. He is displaying commendable restraint in suggesting that he would not read out publicly the names of suggested members of United Kingdom special forces, but presumably he is going to ask me to investigate those allegations. Therefore, I hope that he will make those names available to me at any rate.

Norman Baker: That is a perfectly reasonable request. I need to check that with those who have signed the document, but the Minister is right to make that request and I will reflect on it.

I will read out the relevant sections, which do not reveal any sensitive details, I hope. Soldier A, let me say, for lack of a better expression, says:

"I submit this affidavit/statement of truth as my final correspondence on the matter regarding my involvement with Flight BA 149. That details...are true and accurate accounts of events as recalled by me to the very best of my memory and ability as per my direct involvement in the covert operation flown into Kuwait on flight BA 149, and the subsequent gathering of intelligence material of Iraqi troop strengths, positions and unit identification in 1990. That Operation Iscariot was an INC organised and executed operation. That I was on flight BA 149, as a member of INC and the subsequent mission/operation as outlined."

A further affidavit, from someone who I shall for the purpose of the debate call Soldier B, says:

"That entire operation...was...authorised by Prime Minister Margaret Thatcher. That 'the party' only agreed to supply basic facts surrounding operation to help bring out the truth."

That refers to the affidavits.

"That 'Iscariot' was an INC operation, INC standing for 'Increment'. INC was formed shortly after the Iranian embassy siege of 1980 when Margaret Thatcher authorised the set-up and operation of INC due to increased media attention being focused upon the Special Air Service after 'Operation Nimrod' was screened live worldwide that ended the siege. Members are/were drawn mainly from ex forces and even serving forces personnel."

The Minister will understand that I have been given some information. I have had to try to make a judgement in my own way, as best I can and as responsibly as I can, as to what I should say in open session and what I should not say. Let me just say this, which I hope is acceptable. The information that I have been given is that the use of INC was designed to provide Ministers at the time with perfect deniability, that members of INC were paid from secret overseas bank accounts and, crucially, promised immunity from prosecution for any alleged crimes committed while overseas. That deniability is at the heart of the letters that the then Prime Minister, John Major, wrote to the present Deputy Prime Minister saying that there were no British serving personnel on board. There were no British serving personnel on board, but only because serving British personnel were not used. Instead, others who had resigned were used in an arm's-length capacity. Therefore, the impression given is not consistent with the action that was taken.

There is also external corroboration of those statements, or at least of the events of those days. Corroboration has come from Nate Howell, the then United States ambassador in Kuwait, who has confirmed publicly on the record that such an operation took place, and from Ed Ciriello, who has declared himself as a CIA agent working alongside MI6 in Saudi Arabia at the time of the invasion. It has also come from Captain Lawrence Eddingfield, captain of the USS Antietam, who rescued two of the mission team. Richard Tomlinson, the former MI6 agent—the Minister might want to give less credence to this—e-mailed me to confirm that he was aware of the operation and that it did take place. He gave me details consistent with the affidavits that I have referred to.

In the letter to which I have referred, the former Prime Minister John Major said that "no firm evidence" was available to suggest that an invasion was to take place. We know from public historical records, which are now open, that the head of the CIA told the then President Bush a week before the invasion that the Iraqis would invade, and that this warning was passed to both Washington and London. We are told that there was no attempt to influence BA's decision to operate flight 149. Given that we know that the invasion started when the plane was four hours' flying time from Kuwait, the decision not to inform the captain clearly suggests that a decision was taken to allow the plane to land.

I am not making a judgment as to whether it was correct to put those special forces in on that occasion; there was clearly a danger to passengers and crew, but there may well have been a calculation that it was in the

national interest to do that. I am not in a position to make that judgment, and I do not make that accusation. Nor am I in any way criticising the individuals who took part in the operation, who doubtless showed considerable dedication and heroism in a difficult situation. What I am criticising is the failure of successive Governments to tell us the truth subsequent to those events, and their failure to understand the legacy for the crew and passengers, which cannot be dealt with satisfactorily until there is closure on this matter. That is the issue that I want the Minister predominantly to address when he replies.

It is also clear from evidence in sworn affidavits submitted to the US Court that the Government of the day advised British Airways that it was safe to fly. In particular, BA had been briefed by the person described as the MI6 head in Kuwait, whose name I also have, that there would be no invasion, so BA appears also to have been misled. With 200,000 troops and tanks gathered on the border very close to Kuwait, and given the general background noise from Iraq at the time, I suggest that it was a reasonable assumption that there might well have been an invasion, even if there was no detailed intelligence to confirm that.

The plane touched down, moreover, at a deserted airport. Every other flight from every other airline had been cancelled for hours, there were no staff, and the one or two individuals who were hanging around were considerably surprised when a plane touched down. We are asked to believe that Britain—with all our expertise and intelligence, and with people on the ground—was the only country in the world not to realise what was going on, and to be unable to cancel our flight into the country. That stretches credibility.

I also point out in support of my proposition that the time of invasion was known. An unlikely source, Mrs. Thatcher's memoirs, "The Downing Street Years", gives a timeline significantly different from the one that she gave to Parliament—one which corresponds to the timeline that I believe actually occurred. So even the Prime Minister of the day herself changed her mind about the version of events given to the House of Commons, but no correction of the comments made at the time has been given to the House.

There is a human aspect to this issue, and that is the experience of the hostages. I have met some of those who were held in Kuwait and subsequently in Iraq by Saddam Hussein. Many of them bear the scars to this day in terms of how they feel and the effect that it has had on their lives. Even if they did not experience physical abuse, they are still scarred. Plenty of them did experience physical abuse and there are eye-witness accounts of murder, mock executions, serious assaults, rape and other sexual assaults. The Minister will know that a dossier of the full horrors was compiled. Some 1,868 people were interviewed on the instigation of the then Defence Secretary, Tom King, but the dossier has never been released. The Minister was asked, when he was Defence Secretary, to release that document by the right hon. Member for Cynon Valley (Ann Clwyd). When he refused to do so, I understand that she reported him to the parliamentary ombudsman under the open Government rules. I am not clear what became of that complaint: perhaps the Minister will tell us.

One of the major demands of the crew and passengers, for whom I am speaking today, is that the dossier compiled in Operation Sandcastle, as I believe it was called, should be put in the public domain. If it contains sensitive security details, such as the names of individuals, they can be redacted before publication. However, it is not acceptable to those who went through so much for the issue to be swept under the carpet, as appears to have been done.

Those who were present witnessed some horrendous examples of brutality by the Iraqis on Kuwaiti civilians. They could see them from where they were staying. Those people came from the normality of Britain and were catapulted into that situation, for months on end. They had to live in terrible conditions, often with no running water, and it is not surprising that the legacy of their experiences has remained with them for many years.

Those to whom I have spoken, both crew and passengers, have genuinely not been motivated by a desire to obtain compensation. However, they are angry with the Government—not this Government in particular, but the British Government as an entity—that French passengers won more than £3 million from British Airways in compensation, and that US passengers were paid off when BA settled in secret rather than have the matter exposed in a Texas court. I shall say no more on the issue of compensation, because I am aware of its sensitivity.

The plane, BA 149, was destroyed by, as I understand it, a US fighter plane, to prevent its falling into the hands of Saddam Hussein. That may have been a sensible military decision, but it meant that BA got a huge insurance payout, unlike the passengers on the plane.

This Government's response has been disappointing, and I hope that the Minister will go some way towards redressing that this afternoon. I am not making a political issue of this. The events to which I refer took place under a different Administration back in 1990, and insofar as they were challenged, were challenged effectively by the present Deputy Prime Minister, who made it his business to do so as the then shadow Transport Secretary.

Naively, I thought that when information was brought to the attention of the present Government action would follow—after all, to put it crudely, righting a wrong from the past was no skin off their nose—yet I am disappointed by the response I received. I wrote to the Prime Minister on 16 October 2006 to ask him to do three things. I make the same requests of the Minister for Europe.

I asked the Prime Minister if he would meet a small delegation of passengers and crew to hear their concerns, which has not happened since their return from Iraq. I asked if he would arrange for the release, subject to the removal of operationally sensitive material, of the internal review papers relating to the episode, which I understand goes under the name of Operation Sandcastle. Finally, I asked him to instigate an inquiry to consider all aspects of the episode and what might be learned from it.

I am sorry to say that the Prime Minister did not reply, so I wrote a further letter on 20 November asking him to do so. In December, I received a reply not from

[Norman Baker]

the Prime Minister but from a Minister of State at the Foreign and Commonwealth Office, whose substantive comment was:

"Regarding BA flight 149, the Government of the day made its position clear and I have nothing further to add."

That is far from helpful, given the concerns that have been expressed.

I received a letter from Downing street, but it was written by somebody as far away from the Prime Minister as possible, so given the strong feelings of the crew and passengers, I wrote again to the Prime Minister, on 10 January, to ask for his response,. All I received in return was a further letter from the Foreign Office Minister in which he said:

"I have, however, suggested to Ann Clwyd that passengers and crew might like to take the opportunity to meet the FCO's Director of Consular Services, Rob Macaire, so that he can hear of their experiences and perhaps seek their thoughts on how we could further develop our consular support to British Nationals caught up in traumatic events overseas."

In so far as that is an offer, it is better than nothing, but it is not much.

I am pursuing the issue for two reasons. The first is that I do not like cover-ups. I do not like the fact that the House was told something that was subsequently shown to be incorrect and that no correction was made to the House. As a matter of parliamentary democracy, there should be a correction.

Most of all, however, I am pursuing the matter for the crew and passengers who suffered weeks or months of hell under Saddam Hussein. After all, in recent years the Government told us that Saddam Hussein had to be dealt with because he was a threat to human rights. That was apparently part of the justification for the Iraq war.

The individuals held in Iraq deserve better treatment than they have received from this country. Through no fault of their own, they ended up in a terrible situation and were treated appallingly by Saddam Hussein's regime. The least they should expect from this country is an explanation, so that they can finally achieve closure on an important matter.

2.28 pm

The Minister for Europe (Mr. Geoffrey Hoon): I thank the hon. Member for Lewes (Norman Baker) for giving me this opportunity to try to answer the various questions he has raised about BA flight 149 on 1 and 2 August 1990.

The House will be aware that the hon. Gentleman has alleged on several occasions, in the House and elsewhere, and—as he has made clear—in correspondence with the current Government, that the British Government of the day in 1990, knowing that the invasion was about to take place, negligently allowed British Airways flight 149 to land in Kuwait after it had been invaded by Iraq. He has also alleged that the Government did that to facilitate the entry of UK "special operatives" to Kuwait, and as a result endangered the passengers and crew on the flight.

The hon. Gentleman has linked two issues. The first concerns the treatment of the passengers and crew. No one is in any doubt that they were treated appallingly, as were many people—not least the people of Kuwait. I say that, speaking as someone who was a regular visitor to Kuwait—both as a Foreign Office Minister and subsequently as Secretary of State for Defence. I do not know whether the hon. Gentleman has had the opportunity of visiting Kuwait, but a significant proportion of that country's small population disappeared during that period and I regularly visited the museum that was established by the Government and met many people who had lost—

It being half-past Two o'clock, the motion for the Adjournment of the House lapsed, without Question put.

Motion made, and Question proposed, That this House do now adjourn.—*[Liz Blackman.]*

Mr. Hoon: I regularly met quite senior members of the Government, the royal family and people at all levels of Kuwaiti society who lost family and friends during that period. No one on behalf of the Government is in any way going to underestimate the appalling treatment of people from this country and from Kuwait at the hands of what was a brutal and appalling regime. There is simply no doubt about that and I am not going to enter into a debate with the hon. Gentleman about it. I hope that he will accept from me that the Government take those matters every bit as seriously as he does.

The real issue—and the real challenge that the hon. Gentleman makes—relates to how all that came about. His suggestion is that there was a deliberate effort to take advantage of this flight in order to place Government operatives in this position for whatever reason—if I may paraphrase what he described—knowing that in all likelihood the passengers on the plane would effectively be taken prisoner.

I am not going to go through the various allegations, not least because the hon. Gentleman has indicated that he has further evidence to substantiate them. I am perfectly willing to look further into that, but I want to repeat what he fairly set out as the then Government's position. He quoted the then Prime Minister's statement of 6 September 1990. I apologise for repeating it, but it is important to set out the then Government's view fairly. She said:

"The British Airways flight landed, its passengers disembarked, and the crew handed over to a successor crew and went to their hotels. All that took place before the invasion: the invasion was later"—[*Official Report*, 6 September 1990; Vol. 177, c. 739.].

The Government were satisfied that there was no negligence or oversight on their part. As the hon. Gentleman has quite properly set out, in both 1992 and 1993, the then Prime Minister, now Sir John Major, replied to letters on this particular issue from my right hon. Friend the Deputy Prime Minister. The letters emphasised that those serving British military personnel were on board the flight. Again, the Government of the day were satisfied that there was no negligence or oversight on their part.

I have studied some of the material that the hon. Gentleman relies on. I have read at least two newspaper or magazine publications about these allegations. I hope that he will accept from me that nothing that I have heard today—so far, at any rate—has taken the matter much further forward. He will understand, I hope, the point I made about the identities of the

people involved. I praise him for his responsibility in not naming the individuals publicly, but he will understand that I have means of verifying whether these people are, in fact, who they say they are.

Norman Baker: It is my understanding that elements in the Ministry of Defence have been in touch with these people subsequent to the signing of the affidavits, which may suggest that the MOD knows who they are.

Mr. Hoon: I am not aware of that, but it would be possible for me to verify, for example, whether the antecedents are as the hon. Gentleman is suggesting. I am certainly willing to do that, but it obviously depends on my being given their identity. I mention that simply because there are those who sometimes believe that they have been involved in events of this kind, but sadly it sometimes turns out not to be the case. What I can say to the hon. Gentleman is that I have looked at the evidence to date and I have personally asked both the relevant Departments with responsibilities in this area whether the outline allegations are in any way justified. I am going to read out some words very carefully, which go beyond what has been said before, and should not be capable of misinterpretation. I want to make it clear that I have been told that the Government at the time did not attempt in any way to exploit the flight by any means whatever.

The hon. Gentleman has criticised previous statements as ambiguous and capable of different interpretations. On the evidence that I have seen so far and the investigations that I have caused to be set in motion, there is no justification for suggesting that the Government of the day sought to take advantage of the flight for any of the reasons that he suggested. However, I am perfectly willing—as I always am—to look at evidence, but that means facts. It means specific affidavits, if he has them.

I hope that the hon. Gentleman will accept, in the spirit of friendly parliamentary debate, that simply saying that there are affidavits and not producing them is not particularly helpful for a Minister who is willing to consider matters and to check whether they contain facts that might allow the matter to be taken further. *[Interruption.]* The hon. Gentleman waves the affidavits at me, and I can see that they are pieces of paper with writing on them, but that does not take matters much further unless I have the opportunity to see for myself what they contain, as well as the identities of the people who have supposedly sworn them, so that I can check them. I am willing to do that. I approach these matters with an entirely open mind.

The hon. Gentleman has rightly pointed out that neither this Government nor I were in any way responsible for the events, but, as he says—I agree—if there are allegations, it is important that they should be subject to investigation. However, at this stage, because there is no new evidence before me, I am not prepared to launch an inquiry or to act on his request until I have had a further opportunity to consider matters in more detail. I assure him that I will approach matters in an open-minded way, as long as I have the facts before me. I hope that he will accept that in the spirit in which it is offered. So far, I have seen nothing today or during my investigations that would cause me to revise the views of my predecessors or previous Governments.

Question put and agreed to.

Adjourned accordingly at twenty-three minutes to Three o'clock.

House of Commons

Monday 30 April 2007

The House met at half-past Two o'clock

PRAYERS

[MR. SPEAKER *in the Chair*]

Oral Answers to Questions

HOME DEPARTMENT

The Secretary of State was asked—

Identity Cards

1. **Mr. David Evennett** (Bexleyheath and Crayford) (Con): When he plans to announce the timetable for the introduction of compulsory identity cards throughout the UK. [134273]

The Parliamentary Under-Secretary of State for the Home Department (Joan Ryan): Identity cards can be made compulsory for all United Kingdom residents only after further primary legislation. However, we will start issuing identity cards to British citizens from 2009, alongside compulsory biometric immigration documents to foreign nationals from 2008.

Mr. Evennett: I thank the Under-Secretary for that response. We understand that the cost of the identity card scheme will be more than £5 billion and that, to date, the Chancellor of the Exchequer has not given his commitment to the resources necessary to make it compulsory throughout the country. What faith can people have in identity cards or in the Under-Secretary's timetable when the Treasury could pull the plug on the scheme at the drop of a hat?

Joan Ryan: The Chancellor, the Treasury and the whole Government support the policy of introducing identity cards and I think that the hon. Gentleman is well aware of that. Perhaps he could tell us why—

Mr. Speaker: No.

Andrew Mackinlay (Thurrock) (Lab): Do "foreign nationals" for whom the biometric documents will be issued include citizens of the Irish Republic?

Joan Ryan: The identity card scheme will apply throughout the United Kingdom, including Northern Ireland. *[Interruption.]* It is intended to apply to people of any nationality who are legally resident and aged 16 or over. We were in regular contact with the Irish authorities, including the Irish embassy in London, during the passage of the Identity Cards Act 2006. The principle of the common travel area, which covers the UK, Ireland, the Channel Islands and the Isle of Man, will be unaffected.

Dr. Vincent Cable (Twickenham) (LD): Will the Under-Secretary explain why the ID card cost report, which was due to be published a month ago, did not appear, even though the Government have a legal obligation to ensure its publication?

Joan Ryan: The costs will be presented, as we are committed to doing, in the cost report, which will be published shortly, and in the Identity and Passport Service annual accounts for 2006-07. The hon. Gentleman can rest assured that the report will be before him soon.

Sir Patrick Cormack (South Staffordshire) (Con): May I revert to the question that the hon. Member for Thurrock (Andrew Mackinlay) asked? Will citizens of the Irish Republic be among the first tranche of people who have the documents— yes or no? Who else will be in the first tranche?

Joan Ryan: The introduction of ID cards in Ireland is, as the hon. Gentleman knows, a matter for the Irish Government.

Immigration Points System

2. **Mr. Jim Cunningham** (Coventry, South) (Lab): What assessment he has made of the likely impact on numbers of people entering the UK of the new immigration points system to be introduced in 2008. [134274]

The Minister for Immigration, Citizenship and Nationality (Mr. Liam Byrne): On 18 April, I announced the timetable for the points-based system. It will ensure that migrants can come to Britain to work or study only if they have something to give that Britain needs.

Mr. Cunningham: I thank my hon. Friend for that answer, but how will the new system affect asylum seekers who are waiting for appeals and deportations, given that he has set new criteria?

Mr. Byrne: As my hon. Friend knows, the number of deportations has hit an all-time high—we now deport somebody, on average, every eight minutes. However, the points system will make it even easier to remove those who have no legal right to be here. Everybody who comes here under the points system to study or work in skilled jobs will need a sponsor. Those sponsors will be required to help us fulfil obligations. However, the commitment is backed by two important changes. First, there is £100 million extra for immigration policing, against which the Liberal Democrats shamefully voted when it came to the crunch in Committee. Secondly, there are the compulsory ID cards for foreign nationals. They derive from a system that I believe that Her Majesty's loyal Opposition still plan to shut down.

Mr. Peter Lilley (Hitchin and Harpenden) (Con): The Government have spun the measure as designed to restrict the number of people coming into this country. Is it significant that the Minister failed to answer the question whether it would do that? In the light of the use of the existing points-based system for highly

skilled immigrants in the opposite way to that intended—namely, when it was found that relatively few people who had the number of points applied, the Government simply reduced the number of points required until the numbers increased by a multiple of those under the previous system—what possible ground is there for believing that the Government will use the new system to restrict rather than to pretend to restrict numbers?

Mr. Byrne: The points-based system has a simple objective: it is designed to ensure that those who come to this country from abroad, either to work or to study, have something to give that Britain needs. One of the virtues of the points-based system is that it is easier to move the bar up or down. I happen to think that that is not a decision that should be taken in a dark room in the Home Office. We need a much more open debate in this country about where our economy needs migration and where it does not. That is why we propose establishing a migration advisory committee, so that we can receive that independent advice. I also happen to think that we should take into account the wider impact of migration. That is why we propose establishing a transparent forum in which people can come together to advise us on where migration is having a wider impact on communities up and down the country. Those are measures that I would have thought the right hon. Gentleman would support.

Mrs. Ann Cryer (Keighley) (Lab): I welcome the points-based system, which is an excellent idea that will improve the quality of immigrants. However, what impact will it have on the 600-odd people who are entering the Bradford district, including my constituency, on the grounds of marriage for permanent settlement?

Mr. Byrne: Like the system in Australia, the points system is designed to apply to those people who seek to come to this country either to work or to study. There are provisions in the immigration rules to reunite British citizens with loved ones from abroad, which is an important objective that we continue to support. However, I say to my hon. Friend, with some gratitude, that we have further reforms to make to the immigration rules on marriage. There is a case for examining whether we should make English a pre-entry requirement, rather than one that is imposed once people are here. We must continue to bear down on forced marriage, an issue on which my hon. Friend has bravely championed her position in this House and beyond.

Stewart Hosie (Dundee, East) (SNP): The Minister said that he wanted an open debate. He then mentioned the migration advisory committee, the creation of which is something that I have welcomed previously. Will he make a statement on the specific, narrow point of the number and type of people the Home Office has assessed are coming in, and where they might be going? The Minister will be aware that the risks and opportunities differ in the nations, the English regions and every local authority area. Will he make a statement to the House and allow questions on that specific, narrow point, so that people from all parts of the country and hon. Members from all parts of the House can have their say on the risks and opportunities that they believe their areas face?

Mr. Byrne: When we finalise our plans for the forum designed to consider the wider impact of migration, we shall of course make a statement to the House and I shall of course be happy to answer questions, either inside or outside the House. Different regions in the country have different needs from migration. That is precisely why the First Minister was right to promote the fresh talent initiative in Scotland. I am not sure whether the scheme has the hon. Gentleman's support, but it has been enormously successful in Scotland and shows that the immigration system needs to be flexible in order to take account of the different needs of different parts of our economy.

Keith Vaz (Leicester, East) (Lab): Much as I admire the Minister's boyish charm, I am sorry to tell him, as I told his predecessor, that the points-based system will simply not work, because it will keep out the very people whom we need in this country. For example, there is a shortage of chefs, who wish to come to our restaurants. He cannot sell the policy unless he sorts out the mess that the Government have created over the highly skilled migrant workers programme. Does he have an answer to the questions put to him by the people he met at the meeting that I chaired in the Committee Room upstairs?

Mr. Speaker: Order. That question was far too long.

Mr. Patrick McLoughlin (West Derbyshire) (Con): Let's have a boyish answer.

Mr. Byrne: As ever, I am grateful to my right hon. Friend for his advice. I was grateful, too, to him for bringing together a group of those who had applied under the highly skilled migrant programme, in order to understand the impact of tightening the rules on their opportunities in this country. However, we have an obligation to ensure that only those who have something that Britain actually needs are able to come. The meeting that my right hon. Friend organised was helpful to me in getting the planning of the points-based system right. The system will be introduced in January, so there is still time for some fine-tuning to be made and for some of his observations to be taken on board.

Alistair Burt (North-East Bedfordshire) (Con): The sheer scale of increased immigration in recent years has made it easier for traffickers and smugglers to bring in women for the purposes of sexual exploitation, to the extent that we are now perhaps Europe's No. 1 destination for such women. Will anything in the new points system make it easier to identify the traffickers and smugglers, and thereby reduce the trade and prevent that monicker from being applied to this country any longer?

Mr. Byrne: The hon. Gentleman is right to say that global migration has changed; it has doubled since the 1960s. Net migration into this country is pretty much in line with the Organisation for Economic Co-operation and Development average. Of course, as global movement becomes easier, people will seek to exploit it, and that is exactly why my right hon. Friend the Home Secretary and the Under-Secretary of State for the Home Department, my hon. Friend the Member for

Gedling (Mr. Coaker), have brought forward the UK action plan on trafficking. That will have to be backed up by increased resources for immigration policing, which is why our measures are so important. It was a disappointment that the Liberal Democrats opposed them. Biometric identity technology will be important too, because it will help us to understand with confidence precisely who is coming into and leaving the country. That will make the business of enforcement much easier, and I urge the Conservatives to support our plans.

Knife Crime

3. **Ms Karen Buck** (Regent's Park and Kensington, North) (Lab): What his priorities are for tackling knife crime. [134275]

The Parliamentary Under-Secretary of State for the Home Department (Mr. Vernon Coaker): The Government fully recognise the importance of tackling knife crime. This is a complex issue and we are using a variety of measures, encompassing legislation, enforcement, education and prevention, to address it. Those measures form part of the Home Office action plan on guns, knives and gangs, which is being taken forward through the Home Secretary's round table.

Ms Buck: The recent spate of knife crimes, including those that claimed the lives of two young men in my constituency, might not be an indication of a worsening trend overall, but that is not how it feels on the street. A recent poll found that one in three Londoners thought that knife crime had reached an all-time high. Does my hon. Friend accept that perception is as important as actuality, particularly when it comes to discouraging young people from carrying knives for the purpose, as they see it, of defending themselves? What steps will he take to support the voluntary and community organisations, such as Working with Men, which deal with young people who carry weapons to defend themselves?

Mr. Coaker: I thank my hon. Friend for that question. It is important to get the facts out about knife crime. Without being complacent or underestimating people's very real fear of knife crime, and given that knives are generally available, the British crime survey reports that only 6 to 7 per cent. of violent crime is knife-related. That figure has remained relatively stable for several years; in 1997, the figure was 5 per cent. However, we need to address the problem of knife crime, and we shall do so using a variety of measures, including tough enforcement of the law, increased police powers and, as my hon. Friend says, working with community organisations to try to address the fear of crime. We have done that through organisations such as the Damilola Taylor Trust and the Boyhood to Manhood initiative, and we are working through the Connected Fund to support more community organisations in getting across the message that knives are dangerous. We are doing all that we can to reassure communities.

David T.C. Davies (Monmouth) (Con): In the areas of London where knives are routinely carried, the police could use section 60 of the Criminal Justice and Public Order Act 1994 to carry out random stop-searches. Will the Minister tell us why that is not being done, and whether it is a priority for him that it should be done?

Mr. Coaker: It is being done when appropriate and when the police consider it necessary. The hon. Gentleman will also know that we have recently increased the sentence available to the courts for simple possession from two to four years. Knife crime is a problem that we need to address through tough enforcement of the law, through giving the police more powers and through working with communities to try to prevent young people from carrying knives in the first place.

Ms Diane Abbott (Hackney, North and Stoke Newington) (Lab): Does my hon. Friend agree that the violent gang culture that generates knife crime also generates the gun crime that we see on the streets of my constituency? As well as ensuring that we have effective policing and the right sentence tariff, the Government need to do more to deal with family breakdown and educational under-achievement, which are partly at the root of the issue.

Mr. Coaker: Of course we need to address the problems that my hon. Friend has mentioned. The Government are considering whether to make membership of a gang an aggravating factor in relation to sentencing. It is clearly a worry for us all that some young people seem to give more credence to the values of their gang than to the values of society in general. We will tackle that problem through a variety of means including increasing police powers and supporting communities. A recent community initiative that I have looked at is the Boyhood to Manhood initiative, which tries to give young black people, in particular, positive role models.

James Brokenshire (Hornchurch) (Con): Given the Minister's earlier comments, he recognises that effective enforcement to stop knives getting into the hands of young people is an essential part of the fight against violent crime. Yet in 2005, the last year for which figures are available, just 19 people were convicted of selling knives or blades to youngsters under 16. What commitment can the Minister give to address the failure in enforcement and to make it clear that there is no knife amnesty for selling blades to those who are under age?

Mr. Coaker: The clearest indication of the fact that the Government take knife crime extremely seriously is the increase in the sentence for possession from two to four years, which we expect to be enforced. The sentence given to anyone charged with that offence and brought before the courts is a matter for the courts. Let there be no doubt, however, that the Government consider possession to be a serious offence, and expect the courts to act accordingly.

Mr. Stephen Hepburn (Jarrow) (Lab): Will the Minister support and welcome the "Knives Ruin Lives" campaign run by my local newspaper, *The Shields Gazette*? Does he agree that the only way to tackle this blight on our streets is to ensure that anyone convicted of carrying a knife serves a jail sentence?

Mr. Coaker: I am happy to congratulate *The Shields Gazette* on its "Knives Ruin Lives" campaign in Jarrow and beyond. That is just the sort of community initiative that we need. Of course, it is up to the Government to pass tough laws and see that they are enforced, which is what we want. The community and local media must also take action, however, and we must all work together to show that the knife culture in certain parts of some of our communities is not acceptable, and that we will take steps to deal with it.

Net Migration

4. **Mr. James Clappison** (Hertsmere) (Con): What recent representations he has received on the level of net migration to the UK. [134276]

The Minister for Immigration, Citizenship and Nationality (Mr. Liam Byrne): Not as many as I hope to receive once the migration advisory committee and the migration impact forum are up and running over the next few months.

Mr. Clappison: We all recognise the contribution made by migrants and the undoubted benefits of some migration. As part of the debate, will the Minister accept that recent net migration—running at 400,000 in the past two years alone—has been historically unprecedented, and that the pressure on housing and public services is unsustainable? All of that is due, in no small measure, to Government policy changes. To put it in the Minister's terms, should the bar be set higher or lower? Under his points-based system, will either he or the migration advisory committee have the power to set a limit?

Mr. Byrne: The hon. Gentleman is right that net migration is up in the UK, as it is across the advanced west—the figure for Britain is the same as the OECD average. When we make migration decisions, we must consider which parts of our economy need migrants and which do not, on which we need independent advice. The hon. Gentleman is right that we must take into account the wider impact of migration on communities. We plan to bring together public services up and down the country so that, when we make migration decisions, we do so in full knowledge of the impacts on communities up and down Britain.

Mr. Brian Jenkins (Tamworth) (Lab): My hon. Friend has the sympathy of the House and the country in the tasks that he is undertaking. We must realise how difficult it is to stop the hundreds of thousands of people across Europe and the rest of the world who wish to make their way to this island paradise—especially after 10 years of Labour Government. But surely he realises that his points scheme deals only with legal immigration, and it is not the legal immigration that is causing problems. Illegal immigration, and bogus asylum seekers, are undermining the status of the legal immigrants, whom we welcome to Britain. Will he assure the House that his methods will reduce the number of illegal immigrants and bogus asylum seekers getting to this island?

Mr. Byrne: I am happy to give my hon. Friend that assurance. If we are to tackle illegal immigration, we must stop illegal journeys and illegal jobs. That is exactly why we have published plans to set up a second offshore border control to keep our borders more secure, and why we have said that we will increase spending on immigration policing by £100 million next year—a measure that the Liberal Democrats voted against. Both measures, however, must be underpinned by a different way of identifying whether people are who they say they are, which is why biometric identity technology is so important. That underpins biometric visas and compulsory biometric ID cards for foreign nationals. That is why it is such an error for the Conservative party to pledge that it will close that system down.

Mr. David Ruffley (Bury St. Edmunds) (Con): Will the Minister put the Blairite spin to one side, and tell us by how much the annual number of immigrants to the United Kingdom will fall in the year following the introduction of his new points system? A ballpark figure will do.

Mr. Byrne: I do not know whether I have given the hon. Gentleman a misleading impression, but I am not the general secretary of a Soviet-style central planning system—*[Laughter.]* I do not sit, together with my colleagues, in an office in the Home Office deciding what the needs of the British economy will be next year. We need to understand where in our economy migration is needed and where it is not, which is why the migration advisory committee is so important, but in setting the bar we must take into account the wider impact of migration, and that is precisely what we plan to do.

Hugh Bayley (City of York) (Lab): The increase in the number of doctors and dentists in my constituency would not have happened had it not been possible to recruit dentists from foreign countries. Will my hon. Friend reassure me that people filling essential posts in this country for which there was no local candidate will still be given fast-tracked immigration status and fast-tracked work permits?

Mr. Byrne: My hon. Friend is right to say that migrants from abroad have performed vital roles not just in our economy but in our public services. In the last couple of years people coming to this country from the new accession countries have provided some 2,500 jobs in the NHS and NHS dentistry, and that is before we take into account the number of people from eastern Europe who are working in our social care sector. If there are roles that cannot be filled locally, both our public services and United Kingdom businesses should have the chance to fill them with the right people from abroad.

Mr. Bernard Jenkin (North Essex) (Con): Will the Minister acknowledge that the net immigration figures were unacceptably inflated last week by the failure to deport two Libyan terrorist suspects, which even the judge described as a threat to our national security? Is it not time we accepted that the Human Rights Act 1998 is bad law, and that we need a new Human Rights Act that will balance matters involving people's individual rights against—

Mr. Speaker: Order. That is rather wide of the question.

Mr. David Heathcoat-Amory (Wells) (Con): Is the Minister aware of figures released last month by the Department for Communities and Local Government which showed that house building is now roughly keeping pace with household formation from indigenous sources, but also that household formation from immigration is due to reach about 73,000 a year? What prospect is there of ending house price inflation and giving people a chance to own their homes at a reasonable price while net immigration continues to run at those unacceptable and out-of-control levels?

Mr. Byrne: The right hon. Gentleman has made an important point, which underlines the need for us to take account of the wider impacts of migration on society when making immigration decisions. The points-based system gives us a flexible way of either raising or lowering the bar that people must cross to come to this country, but I do not think our decision on precisely where the bar sits should be based on an economic rationale alone. We must take account of those wider impacts, which is why the migration advisory committee and the migration impact forum will be so important.

David Taylor (North-West Leicestershire) (Lab/Co-op): An assessment of the figures relating to people migrating to the United Kingdom for a year or more shows that about a quarter say that their reason for coming here is to undertake a course of formal study. How confident is he that appropriate assessments are conducted in relation to the institutions and courses that a substantial number of people coming to this country are about to attend and undertake?

Mr. Byrne: My hon. Friend is right to underline the contribution that foreign students make to the economy. We estimate that last year foreign students brought in about £5 billion to the education system in Britain, but we have to ensure that the colleges to which people are going are legitimate and that people have the right qualifications in order to undertake those courses. That is why we will be investing up to £20 million next year in a compliance network of Border and Immigration Agency officers to check that colleges are not bending the rules.

Damian Green (Ashford) (Con): The Minister's widely acclaimed charms cannot disguise the fact that his actions are largely ineffectual, mostly because the Government have no idea how many people have come here. The Office for National Statistics says that only 56,000 Polish citizens entered Britain in 2005, yet mysteriously the Department for Work and Pensions tells us that 170,000 Polish citizens applied for new national insurance numbers in 2005-06. They cannot both be right. Will he admit that, as long as the Government fail to secure our borders and to know how many people are coming here and staying here, immigration policy will remain the single biggest failure in the long-term shambles that the Home Office has become?

Mr. Byrne: That is an absolutely extraordinary claim from the hon. Gentleman, who I hold in the highest regard for the contribution that he has made to Opposition Front-Bench immigration policy—he has injected a degree of humanity into it that was not there a year or two ago. He will not have any credibility arguing that point when it was his party that began dismantling exit controls in 1994, and it is his party that has said that it will shut down the biometric identification system, which will support biometric visas and biometric identification in Britain and which is vital to our counting people in and out. As an alternative, he proposes to set a limit. That limit does not apply to the European Union; it does not apply to asylum seekers; and we have yet to find out whether it applies to family members. Even though I think it has—

Mr. Speaker: Order. I call Judy Mallaber.

Child Abuse (Internet)

5. **Judy Mallaber** (Amber Valley) (Lab): What further steps he plans to take to stop access to images of child abuse via the internet in response to the annual report of the Internet Watch Foundation; and if he will make a statement. [134277]

The Parliamentary Under-Secretary of State for the Home Department (Mr. Vernon Coaker): The Government welcome the report of the Internet Watch Foundation, which was published this month, and congratulate the IWF and their partners on their work and achievements.

We continue to work very closely with the internet service providers industry in the UK to ensure that blocking mechanisms are in place to restrict access to the sites identified by the Internet Watch Foundation. We are aiming for every ISP to support the blocking mechanism by the end of 2007. Additionally, the Department is supporting work by the British Standards Institution to develop a kite-mark for software products that PC-owners can use to block access to the sites at software level. That will be available by the end of the year.

Judy Mallaber: I congratulate the IWF, mobile phone companies, ISPs, the police, the charities and the Government's taskforce on making the UK a country that has virtually eradicated the hosting of those disgusting sites, but the IWF report showed that an increasing proportion—90 per cent.—are hosted in the US and Russia, and that the images are getting worse and more disgusting. What action can the Government take to encourage and to help those countries to improve their performance in blocking sites? Will my hon. Friend consider discussing with his Foreign Office colleagues organising an intergovernmental conference with Russia, the US, the European Union and the UK to stop children being abused and raped in front of the camera for profit?

Mr. Coaker: I thank my hon. Friend for her question, the sentiments of which I know will be supported by all hon. Members. Just to reiterate the points that she made, 83 per cent. of all illegal child abuse websites that the IWF identified were hosted in the US and Russia, and 90 per cent. of those victims

were under 12 years of age. What is increasingly worrying is the severity of the images that are posted on the sites. My hon. Friend makes an extremely important point. We are looking to work through the EU, the Council of Europe, the United Nations and other international bodies to see what we can do to encourage some of our international partners to take a more effective approach to blocking those sites. Hosting a conference is perhaps one of the ideas that we need to look at.

Mr. Anthony Steen (Totnes) (Con): In his parliamentary answer in February, the Minister said that he would publish the research report on the exploitation and abuse of children in this country by a funded organisation, the Child Exploitation and Online Protection Centre—CEOPC—and that that would give us an idea of the nature and scale of child abuse and exploitation.He undertook to publish it by April. Will he produce the rabbit out of his hat this afternoon?

Mr. Coaker: I am sorry to disappoint the hon. Gentleman, but I cannot produce the report that he mentions today. However, the report that CEOPC is in the process of producing is extremely important. I know that my right hon. Friend the Home Secretary will look at it in due course, and we will publish it as soon as possible. It deals with child abuse—as the hon. Gentleman knows, because of his work in that area—but also with child trafficking. The Government want to expand our knowledge and understanding of the extent of this problem and the numbers involved. We will publish the report as soon as possible.

John Robertson (Glasgow, North-West) (Lab): Does my hon. Friend not agree that it is time that the servers themselves policed such sites as come into this country? People with computers use those servers, and it is time the servers did the policing. Can a hotline not be set up so that complaints can be made about such illegal sites coming through our computer systems? Should not ISPs be forced to put up such information on their sites so that it can be passed on to the necessary people?

Mr. Coaker: We are trying to make progress through self-regulation and, as my hon. Friend knows, we have good relationships with internet service providers and mobile telephone operators. We have a target that by the end of 2007 all of our operators will have blocking mechanisms in place. Good progress is being made: almost 90 per cent. of those images are being blocked by our ISPs. They also provide that if people access such sites a message pops up informing them that they have accessed illegal material. We are considering what message ought to pop up on the computer screen, and examining the possibility of making it a tougher law enforcement message. However, to answer my hon. Friend's question, what is important is the relationships that we have with our international partners. The key to tackling this problem lies in greater co-operation with other countries.

Police Stations

6. **Philip Davies** (Shipley) (Con): How many police stations have been closed to the public since 1997. [134278]

The Minister for Policing, Security and Community Safety (Mr. Tony McNulty): The management of the police estate and the allocation of resources are matters for each chief officer and the local police authority responsible for assessing needs in each locality.

Philip Davies: West Yorkshire police has been closing police stations to the public, not because it wants to or it thinks that that is a good idea, but because it is underfunded to the tune of £15 million a year under the needs-based funding formula that the Home Office set. Shipley constituency now has no police station open to the public at any time of the day. Does the Minister not agree that if there is to be effective neighbourhood policing, there must be neighbourhood police stations that are accessible to the public?

Mr. McNulty: The hon. Gentleman's starting premise is entirely wrong. West Yorkshire police are closing some access to the public at some stations, as part of a reconfiguration based on their assessment of local needs, and of the most effective way to police the entire west Yorkshire area. I wish to make it clear that no police station in west Yorkshire will be closed as a result of such changes. Patrol and neighbourhood police officers will continue to be based at the same stations serving local communities. A local resident in west Yorkshire recently said that he felt that in his town the public would be better served if there were not a public helpdesk, that having a non-emergency contact point as suggested by West Yorkshire police would be a viable alternative, that in many cases pedestrians and elderly people believed that police stations were not in the appropriate locations, and that the posturing and overreaction to the proposals—

Mr. Speaker: Order. I call Dr. Iddon.

Dr. Brian Iddon (Bolton, South-East) (Lab): When I served on the police parliamentary scheme in Greater Manchester I visited some disgraceful police stations that were built during the Victorian period. I congratulate the Government on supplying many Greater Manchester police forces with brand-new police stations, including one in my Bolton constituency. I invite my hon. Friend to come to Bolton to see the new headquarters, which is superb.

Mr. McNulty: I have previously tried to arrange such a visit, so of course I will come to Bolton to see how Greater Manchester police are responding to the policing needs of Greater Manchester's communities. It is not for me to tell any local authority how it should configure its policing, and as I said, I agree with those who suggest—as the individual to whom I referred earlier did—that posturing and overreaction to proposals does not help at all: that individual was a Conservative candidate in west Yorkshire.

Nick Herbert (Arundel and South Downs) (Con): After 10 years, the Government must answer for their record. More than 500 police stations have closed, only one in eight stations is now open for 24 hours, one third of all forces have no 24-hour stations at all, the 101 national non-emergency number has been shelved and the promised 8,000 community support officers have been cut. That is at least two manifesto commitments

broken. Is this what the Home Secretary meant yesterday when he said that he intended to build better relationships between the police and the communities that they serve?

Mr. McNulty: I can only repeat what we have said many times at this Dispatch Box: there are record numbers of police officers, and in the past 10 years there have been record levels of resources. I repeat: it is not for the Home Office to tell each and every authority up and down the country how best to police their local areas by telling them what police stations should and should not be open. My hon. Friend the Member for Bolton, South-East (Dr. Iddon) made the entirely fair point that we are a good way through the refurbishment and renewal of the police station element of the police estate—after 19 years of sheer and utter neglect under the last Government.

Dispersal Zones

7. **Barbara Keeley** (Worsley) (Lab): What assessment he has made of the impact of dispersal zones; and if he will make a statement. [134279]

The Minister for Policing, Security and Community Safety (Mr. Tony McNulty): Between January 2004 and 1 April 2006, the police used the power to disperse unruly groups in more than 1,000 designated areas. They have succeeded in tackling under-age drinking, joyriding, noise nuisance, the antisocial use of fireworks, the harassment and intimidation of residents, and many other such transgressions. That is yet another example of our commitment to empowering local communities to tackle the blight of antisocial behaviour.

Barbara Keeley: I thank my hon. Friend for that answer. The police in Salford used a dispersal order and zone very successfully to get rid of disorderly behaviour at Ellenbrook shopping precinct, where large groups of youths were gathering and intimidating shop staff and local people trying to shop there. Given that success in Salford, does my hon. Friend agree that we need to continue with dispersal orders and zones, antisocial behaviour orders and parenting orders to tackle such disorder and antisocial behaviour, rather than expressing the somewhat pious hope that we have heard expressed recently that young people might start to behave?

Mr. McNulty: I agree entirely with my hon. Friend. Sadly, I do not have intimate knowledge of the Ellenbrook shopping precinct, but I am sure that it is in a far better position than it was before the use of dispersal zones. We are very clear that the respect agenda, antisocial behaviour measures and broader such powers are liberating communities throughout the country from such behaviour, in ways that simply were not happening before the introduction of the legislation. Anyone who thinks that this is a consensual position, and that it would continue, should listen to the fluff and drivel that we heard last Monday from the Leader of the Opposition.

Mr. John Denham (Southampton, Itchen) (Lab): May I ask two practical policy questions that arose from a meeting with residents of the Sholing area of Southampton, where a dispersal zone has had a marked improving effect on antisocial behaviour since its introduction in October? First, the current rules appear to imply that if a dispersal zone works, the local authority and the police can no longer justify having one. Secondly, there is a need to be able to vary the boundaries of dispersal zones much more flexibly than the current rules allow. In the light of my hon. Friend's commitment to dispersal zones, will he look at both those policy issues?

Mr. McNulty: I thank my right hon. Friend for his comments; as usual, they are considered. Again, I do not know anything about Sholing in Southampton, but I am happy to increase that ignorance—*[Interruption.]*—I meant to say increase my knowledge, of Southampton—*[Interruption.]* As the Opposition are saying, I do not need any help with the ignorance. However, I take the point that the import of the existing law is that once a problem has been solved, a dispersal zone is to be shut down, and reinvented only if the situation occurs again; we need to look into that. I also accept that the existing system may well be too bureaucratic to allow such zones' boundaries to be varied; the practicalities of that issue need to be considered, too. Both my right hon. Friend's points are well made.

Shop Theft

8. **Angela Watkinson** (Upminster) (Con): What his assessment is of the proposals in the consultation paper by the sentencing advisory panel on the offence of theft from a shop. [134280]

The Parliamentary Under-Secretary of State for the Home Department (Mr. Gerry Sutcliffe): We will consider the proposals when the Sentencing Guidelines Council comes forward with a draft guideline. The Government's position on sentencing is absolutely clear: prison should be reserved for serious, dangerous and violent offenders, and we need better ways of dealing with less serious offenders. They should be punished, make reparation to the community and be helped to stop offending, which means that they are normally better punished in the community, with tough sentences that ask a lot of them.

Angela Watkinson: Shoplifters already view their crimes as victim-free, so will the Minister do everything he can to ensure that the crime does not end up as punishment-free? Theft from shops threatens the viability of businesses and pushes up prices for genuine customers. In some of our big cities, children are being used, Fagin-style, in organised theft from shops. Will the Minister do everything he can to ensure that the punishment reflects the serious nature of the crime?

Mr. Sutcliffe: I wholeheartedly agree with the hon. Lady. She is right: we have to stop serious shop theft. In 1993 2.5 per cent. of people convicted of such theft were imprisoned, but by 2003 the number had gone up to 19.5 per cent., so the Government have been tough on shop theft. However, we need to work with the British Retail Consortium and the Union of Shop, Distributive and Allied Workers to support shop workers and retailers in making sure that shopping is safe.

Ann Coffey (Stockport) (Lab): Sixty-five per cent. of people arrested for theft, including shoplifting, test positive for drugs, so the proposal to issue penalty notices to shoplifters will mean that the underlying problems of substance abuse go undiagnosed, and therefore untreated. Does my hon. Friend agree that that will lead to an increase in shoplifting, thus putting shop workers at risk?

Mr. Sutcliffe: I am grateful to my hon. Friend, who does a tremendous amount of work in that area, supporting USDAW and retailers. She is right. Penalty notices are not given to people with drug problems, because it would be inappropriate, but they are important in low-level, high-volume shoplifting for first offenders. We need to make sure that we look at serious repetitive offenders, but it is sensible for the Sentencing Guidelines Council to look into what is going on and make recommendations. There will then be a period of full consultation.

Mr. Henry Bellingham (North-West Norfolk) (Con): Is the Minister aware that I have received a letter from Morrisons, the supermarket chain, telling me that the proposals will be a shoplifters charter. What is the Minister's response to Morrisons?

Mr. Sutcliffe: Clearly, I do not read all the hon. Gentleman's correspondence, but I am aware of the letter from Morrisons, whose headquarters are in Bradford—my patch. Morrisons and other retailers want us to get the balance right and that is what we intend to do, so it is important that when the advisory panel makes its recommendations to the Sentencing Guidelines Council we can all consider them, and I am sure that there will be an opportunity for full debate.

Departmental Restructuring

9. **Mr. Gordon Prentice** (Pendle) (Lab): If he will issue a consultation paper setting out the advantages and disadvantages of dividing the Home Office in two. [134281]

The Secretary of State for the Home Department (John Reid): The refocusing of the Home Office will allow the Department to concentrate on personal, community and national security. Today the threat posed to the last of those has again been highlighted. The House will be well aware that this morning five dangerous terrorists were put behind bars, thanks to the hard work of the Security Service and the police. I want to place on record in the House our thanks to the men and women in the police and security services who have worked so hard to ensure that the perpetrators of that plot were brought to justice and that a major terrorist attack, which could have killed and injured many, many people, has been averted. The case reminds us all that the terrorist threat we face is real and severe, and that, given the changes in the world at both global and local level, the advantages—indeed, the necessity—of refocusing the priorities of the Home Office to concentrate on the challenges of today's world and the priorities of today's British people are clear.

Mr. Prentice: Unfortunately, my friend did not answer my question. Why should we trust his judgment on splitting the Home Office when former Lord Chief Justice Woolf has called for consultation, as has former Cabinet Secretary Robin Butler? Why do we have to rely on ministerial fiat? Why do we have to rely on the royal prerogative to reconfigure Whitehall? Why does my friend not just ask people whether it is a good idea?

John Reid: A great deal of consideration has been given to this decision, and the basic reason why we are refocusing the Home Office is quite clear. It is that the nature of the world and the threats that it contains are changing rapidly. The exponential growth in the threat from international terrorism, from international crime and from managing immigration—a subject constantly raised in this House—as well as the social changes in our communities that have led to the necessity to concentrate on tackling antisocial behaviour, have all given us major challenges in today's world. They are all reflected in the priority placed upon them in opinion poll after opinion poll by the people of this country. We are therefore responding both to those realities and to the priorities of our public.

Mr. Julian Brazier (Canterbury) (Con): But which of the two new Government Departments will be responsible for picking up the pieces from yesterday's dismal decision on the two Libyan terror suspects?

John Reid: Ultimately, counter-terrorism will be the responsibility of the Home Office. If the hon. Gentleman is asking me to comment on the decision taken last Friday to release two suspected terrorists, I believe that my views on the matter are known. However, we are subject to judicial process, because I have authorised an appeal against that decision as soon as possible. As it is sub judice, I shall say no more on that subject.

Mr. David Blunkett (Sheffield, Brightside) (Lab): Does my right hon. Friend agree that in the light of the convictions agreed today, the concentration of the reformed Home Office obviously needs to learn the lessons of what happened on 7 July 2005? However, the understandable hurt and distress of the families of the dead and the victims who were injured cannot be helped by an extensive investigation costing large sums of money, when the facts are known, including whatever failings existed. Today, we should thank the security and policing services for saving us, through what is now known as Operation Crevice, from the most horrendous terrorist attack in 2004. They saved us from another distressing and hurtful attack by terrorists seeking to damage our country.

John Reid: I agree entirely with my right hon. Friend. He is probably among the few people who have had experience of the recent level of terrorist threat, and is aware of the capacity of terrorists to inflict terrible damage on the people of this country. May I express my condolences to the families of the injured and those who lost their lives on 7/7, as I realise the extent to which today's events will bring back the hurt and anguish from which they have already suffered?

I am also aware of the demands to conduct a wider inquiry, but I do not believe that a public inquiry is the correct response at this time, because it would divert the energies and efforts of so many in the security and

police services who are already greatly stretched in countering that present threat. Our responsibility as a Government is to try to minimise the chances of any other group of families ever having to suffer as the 7/7 families did. Nevertheless, I understand the anguish, which is why I have agreed with MI5 to publish on the web the answers to questions that have been posed before, during and after this trial. That is unprecedented, but I think it is fitting.

In addition, I can tell the House that today I have spoken to the Prime Minister, who has spoken in turn to the Chair of the independent cross-party Intelligence and Security Committee, which previously examined the evidence surrounding 7/7. The Chairman has confirmed today that it has revisited the issues and that the facts in the report still stand. However, the Committee has been asked again, through the Chair, to reappraise all these matters and questions, following the evidence arising from the trial, in order that members of the Committee and others can be satisfied that any questions raised have indeed been answered, and in order to identify any questions that have not been answered, to answer them and to report through this procedure to the Prime Minister. I think that that is a way of answering some of these questions without a massive diversion of resources from our security services, and I hope that it is welcomed by the House.

David Davis (Haltemprice and Howden) (Con): The Home Secretary has made his case for breaking up the Home Office by arguing that it will improve our ability to deal with terrorism. A former Home Secretary, the right hon. Member for Sheffield, Brightside (Mr. Blunkett), followed up on that. The terrorist trial that concluded today has shone a light not only on the terrible world of terrorism, but on the operations of our security services. Like the Home Secretary, we must express our gratitude to the men and women who prevented more atrocities, and I join him in paying tribute to them. But that gratitude must not deflect us from asking the necessary questions about the operation of the security services.

The former Home Secretary said that the facts are known. After the 7/7 bombings, the then Home Secretary told us that the attack came out of the blue. The security agencies briefed the press that the suicide bombers were all unknown to them. We now know that that was not true. Two of the 7 July bombers had been under surveillance for more than a year. MI5 dropped the surveillance. It said that that was unavoidable, based on the surveillance resources available to it. As the Home Secretary has said many times, there will never be a 100 per cent. guarantee against terrorism—and we do not expect that, but some mistakes are inevitable and some are not. His web-based response is not the answer. The ISC does not have the investigative capacity to give the answer. Will he please think again—

Mr. Speaker: Order. I know how serious this matter is, but we have to be careful: the Home Secretary is not making a statement—*[Interruption.]* It was long, I agree. I allowed some latitude to the Home Secretary and to the right hon. Gentleman. But the right hon. Gentleman can still ask another question, and there are Back Benchers who also want to ask questions about this matter. There is nothing to stop him calling for a statement or asking an urgent question tomorrow, if he feels it necessary.

John Reid: One of the reasons why we ought to be careful about perpetuating some of the myths in the press on these matters is that, with any amount of sincerity, it is possible to get these matters wrong. The right hon. Member for Haltemprice and Howden (David Davis) is wrong to say that the identities of the two people were known to the security services. They were not known to the security services until after 7/7; with the virtue of hindsight and retrospective checking, it was discovered that two people whose identities had not been known at the time turned out to be involved in the later bombing. Notwithstanding the fact that what the right hon. Gentleman said is incorrect, there are legitimate questions to be asked, and I am trying to get them answered in a way that does not divert the short and necessary resources and energies of our Security Service from the continuing fight. I think that I have identified a way of doing that.

David Davis: I thank the Home Secretary for that answer, but I am afraid that I do not agree with him. What he said does not answer the question of why MI5 did not notify West Yorkshire police special branch of any concerns about Mohammad Sidique Khan after it had trailed him all the way to Yorkshire, even when it had a name, a photograph, a family address and his car registration. We are told—the Home Secretary repeated this—that there were no suspicions about Khan before 7 July. Yes, there were. Those suspicions related to criminal activity in support of terrorism, and they were not followed up by the police or the agencies. Evidence is now available that was not publicly available before the conclusion of the trial. An inquiry is an essential tool. It will not distract the agencies. It will provide the public with the confidence that they need to know that the agencies are doing their job as they should, to the maximum of their ability.

John Reid: The right hon. Gentleman started with another factual error. I cannot confirm or deny any detail of this, because it is not convention, as he will well know—but on the question of West Yorkshire police, just let me say that the matter was investigated by the Intelligence and Security Committee. It could not be referred to at the time because of the sub judice rule, but I can tell him that, having investigated the allegations that he makes, the ISC was satisfied that there was no wrongful conduct on this occasion. *[Interruption.]* Well, no mistakes were made—put it that way.

I hope that the House will be satisfied with the way that I have tried to find through this matter. I have tried to balance the need to answer legitimate questions, in the first instance, with the need to address the recommendations that will come from the ISC and the need to retain all the resources towards the fight, to make sure that other families are protected as we all want our own families protected. I hope that the House is also satisfied that not only have five very dangerous people been jailed today, but the judge has now passed sentence and in two cases there is a life sentence with a minimum of 40 years, in two cases a life sentence with a

minimum of 35 years, and in one case a sentence with a minimum of 20 years. That begins to reflect the seriousness of this crime.

Mr. David Heath (Somerton and Frome) (LD): To go back to the original question, a consultation paper would have been better than a simple assertion without evidence or detail. May I also pay tribute to the work of the intelligence services and the police? They have been extraordinarily diligent and have worked in very difficult circumstances. However, the fact remains that the trial has opened up several areas of questioning from which it is absolutely essential that we learn lessons if we are to protect people effectively in the future. This is within the core responsibilities of the right hon. Gentleman's Department. I regret that he has rejected the concept of a full inquiry, because an independent inquiry is necessary to examine not only the reasons why the Home Office made it clear that these clean skins, as they were called, were unknown to the police and security services—he has asserted that that was the case—but whether there was proper co-ordination between MI5 and MI6 when it was learned that two of the bombers were—

Mr. Speaker: Order. I call the Home Secretary.

John Reid: First, the Intelligence and Security Committee is independent. I hope that the hon. Gentleman is not suggesting that his colleague the right hon. Member for Berwick-upon-Tweed (Mr. Beith), or the Conservative Committee members—the right hon. Member for East Hampshire (Mr. Mates), the hon. Member for Croydon, South (Richard Ottaway) and the right hon. and learned Member for Devizes (Mr. Ancram)—are anything other than independent minds. Secondly, I have not rejected the possibility of an independent inquiry. I have rejected the idea of a public inquiry at this stage, because of the energies and resources that that would divert.

Finally, I understand the legitimacy of concentrating on questions. I speak as someone who has met group after group of families affected by 7/7. I understand their anguish about such questions, because I have met them time and time again. To my knowledge, there are no new questions raised by the trial. Nevertheless, the questions that have already been raised ought to be answered. The Prime Minister has asked the Intelligence and Security Committee to identify whether it can find questions that have not yet been answered. If it does, it will report that to the Prime Minister. I hope that this approach respects the need of the nation to be protected and the need of all those who have lost family members or whose family members have been injured to get answers to their questions.

Points of Order

3.32 pm

Mr. Gordon Prentice (Pendle) (Lab): On a point of order, Mr. Speaker. Have we not all just witnessed a misuse of procedure? We have had 15 minutes—

Mr. Speaker: Order. There has been no misuse of procedure because I would have stopped that.

Mr. Andrew Mackay (Bracknell) (Con): On a point of order, Mr. Speaker. I am sure that you are as anxious as everyone else that this Thursday's elections should be well conducted. In the light of last year's postal voting fraud and the detailed exposé in yesterday's edition of *The Sunday Times*, have you received a request from a Minister to make a statement on the matter of the Labour leader of Leeds council allegedly committing electoral fraud?

Mr. Speaker: I cannot take any responsibility for these matters, so no one has got in touch with me.

Orders of the Day

Finance Bill

[1st Allotted Day]

(Clauses Nos. 1, 3, 7, 8, 12, 20, 21, 25, 67 and 81 to 84, Schedules Nos. 1, 18, 22 and 23, and new Clauses relating to microgeneration)

Considered in Committee.

[Sir Alan Haselhurst *in the Chair*]

3.35 pm

The Financial Secretary to the Treasury (John Healey): I am pleased to open these proceedings in the Committee of the whole House. I am glad that, as is traditional, we have been able to accommodate the wishes of the Opposition parties. The first of the subjects in clause 3 to which we turn was debated quite extensively on Second Reading—

The Chairman of Ways and Means (Sir Alan Haselhurst): Order. The Minister should be moving the order of consideration motion.

John Healey: I beg your pardon, Sir Alan.

Ordered,

That the order in which proceedings in the Committee of the whole House on the Finance Bill are taken shall be: Clauses 3, 1, 7 and 8; Schedule 1; Clauses 25 and 67; Schedule 18; Clauses 12 and 81 to 83; Schedule 22; Clause 84; Schedule 23; Clauses 20 and 21; and new Clauses relating to microgeneration. —*[John Healey.]*

The Chairman: After that difficult start, I hope that we will move on more smoothly.

Clause 3

Small companies' rates and fractions for financial year 2007

Question proposed, That the clause stand part of the Bill.

John Healey: We have so much to look forward to during these two days of deliberations in this Committee of the whole House. You can tell that Labour Members are relishing and looking forward to them, Sir Alan.

Clause 3 was debated on Second Reading. It sets the small companies rate of corporation tax at 20 per cent. for 2007-08 and sets the fraction by which the tax rate for those companies with profits between the small companies rate and the main rate thresholds is calculated at one fortieth. It also sets the small companies rate for profits derived from North sea oil activity at 19 per cent. and the fraction for those companies with profits between the thresholds at 11 four-hundredths. This clause should stand part of the Bill.

Mr. Mark Hoban (Fareham) (Con): It is appropriate to start our consideration in Committee by discussing

[Mr. Mark Hoban]

the Chancellor's tax raid on small businesses. He followed our lead by doing the right thing for large businesses, but he did the wrong thing for small businesses. Although the cut in the corporation tax headline rate for large companies from 30 to 28 per cent. is welcome and has grabbed the headlines, small companies face a substantial rise in the tax that they pay. The Bill increases the small companies rate from 19 to 20 per cent., although the Chancellors' Budget speech set out a series of further increases, which we shall debate in subsequent Finance Bills, up to 22 per cent. from 1 April 2009.

The increase in taxation fails to acknowledge the contribution that small businesses make to the UK economy. Small businesses, about one quarter of which are small companies, employ 58 per cent. of the private sector work force—about 12 million people—and contribute more than 50 per cent. of UK turnover. While larger companies will benefit from a reduced corporation tax rate, smaller companies will face a tax hike. In an attempt to sweeten the blow to small companies, the Chancellor simultaneously proposed a new set of complex tax reliefs, yet many small businesses will either be ineligible for them or will fail to apply for them.

After 11 Budgets and multiple rate changes, the Chancellor has almost come full circle on the taxation of small companies. When the Government came into office, the small companies tax rate was 23p in the pound. They reduced it to 21p in 1997, and to 20 per cent. in 1998. In 1999, a new 10 per cent. rate was introduced, which was reduced to zero in 2002, only to be put back up to 19 per cent. for non-corporate distributions in 2004. In this year's Budget, the small companies rate was increased from 19 to 20 per cent., with further increases proposed over the course of the next three years. There have been so many changes to the small companies tax rate, yet so little progress: by the time we reach April 2009, the rate will be just 1p lower than it was when the Government came to office in 1997. Given so many changes, one can conclude only that the Chancellor cannot make up his mind about how he regards small businesses: he cannot decide whether to encourage or discourage them; whether to congratulate them on being engines of growth or reprimand them for tax avoidance; or whether to give them reliefs or to reduce their profits.

The Chancellor may not be able to make up his mind about small businesses, but they have certainly done so about him. Following his Budget, the comments in the papers from business organisations demonstrated their thoughts about him, particularly in relation to the small companies rate. Carol Undy, of the Federation of Small Businesses said:

"This is the Chancellor's eleventh Budget and this year's offering is no different to the others—he gives with one hand and takes with the other. Corporation tax was cut for large firms but increased for smaller ones."

The federation went on to say:

"Tax cuts aimed at big business will do nothing to ease the burden for the majority of the private sector."

The British Chambers of Commerce said:

"many of our members feel let down and are dismayed by the measures taken which will hit their competitiveness and increase their tax burden."

The Association of Chartered Certified Accountants declared:

"This is no encouragement for the small business sector".

Chas Roy-Chowdhury, the head of taxation, said it was

"a very surprising Budget from a Chancellor who claims to be a friend of enterprise. It seems to be a case of robbing small business Peter to pay big business Paul."

One of the themes that emerges when one talks to small business organisations is that, despite the complexity of the Budget, many of their members feel that small companies are being penalised to fund the tax cuts experienced by large businesses. Chas Roy-Chowdhury commented:

"This decision flies in the face of the Chancellor's previous aim to encourage more businesses to incorporate".

Many small businesses have commented individually that the Budget was aimed at wooing the City, not at wooing small businesses. Pauline Birdsall, a director of a freight forwarding company in Hayes, Middlesex, summed up the mood of many small businesses by saying:

"What do we have to do to makes ends meet? The Government is clearly afraid of big businesses going abroad, but they don't seem to worry much about the small firms. As a group we are major employers and we are totally undervalued."

A Hampshire business woman, Lynn Willrich, said that small businesses had been forgotten by this Government. She continued:

"We are a very small company and we are being hit from all angles. We feel as though we are paying the price for big companies getting a tax break.... The Government should be helping us not hindering us."

The Chancellor may have presented his tax con as a tax cut, but small businesses saw through his sales patter and saw nothing in it for them. In a survey of 220 owners and managers of small firms conducted by the Forum of Private Business, 82 per cent. of respondents said that the tax hike in the corporation tax rate for smaller companies would be damaging to their company; 65 per cent. felt that, overall, the Budget would have a negative effect on their business; and a third felt that the plans laid out in the Budget made the tax system more complex. Only 4 per cent. regarded the Budget as positive for them—only 4 per cent., compared with 82 per cent. who felt that the Budget would damage their business.

Mr. Michael Fallon (Sevenoaks) (Con): I thank my hon. Friend for giving way so early in what I think is a rather important speech. Does he agree that many small businesses are not involved in research and development and may not invest on an annual basis that would enable them to qualify for changes in the annual investment allowance? A lot of small businesses are quite happy to be small businesses. Why should they now be discriminated against?

Mr. Hoban: My hon. Friend makes an important point. The sectoral impact of the tax changes is an issue: different sectors see the changes proposed in the Budget very differently. I shall discuss how some sectors feel in a moment. There is a sense that the way in which the Chancellor has sought to offset the tax increase favours certain types of business rather than others, and that rather than make the business environment better for all businesses, he has made it better only for some.

Mr. Brooks Newmark (Braintree) (Con): I agree with my hon. Friend the Member for Sevenoaks (Mr. Fallon). The Chancellor has admitted that he does not understand mathematics, but the clause shows that he does not understand the basics of business and that not all businesses are the same. He assumes, in a very broad-brush way, that all small businesses can benefit from the provisions when, in fact, only a small proportion do so.

Mr. Hoban: The Chancellor made his own remarks about his maths, so I shall not make any about his sums not adding up. Certainly, he cannot work out the reality of business in Britain today. Some 75 per cent. of production in our economy comes from the service sector, yet the tax changes that he has proposed primarily help asset-rich businesses that invest in fixed capital, rather than the businesses that are so typical of the service sector, which invest in human capital as well. That is an important difference to highlight.

Julia Goldsworthy (Falmouth and Camborne) (LD): Does the hon. Gentleman agree that, in addition to different sectors being affected in different ways, there will be significant regional differences in the impact of the changes? Areas such as my constituency, where the major employers are very small businesses that are almost on a micro level, will be hit disproportionately, and will suffer more than areas that have many large employers.

3.45 pm

Mr. Hoban: The hon. Lady makes a valid point, and I suspect that she will find in her constituency, which has a high proportion of tourist-related businesses, that those businesses that do not invest in fixed assets will suffer, because they will not benefit from the offsetting tax changes that the Chancellor has made. There is a double whammy for businesses in her constituency, as there is for so many businesses across the country.

It is not surprising that a large number of businesses across the country criticised the Budget for the impact that it would have on them, but what did the Treasury say in its defence? The Economic Secretary to the Treasury, speaking at the British Chambers of Commerce's annual conference, said that the Chancellor had raised the small companies tax rate to clamp down on

"individuals incorporating to avoid paying their due share of tax. Without addressing this, this trend would have continued at a cost to the rest of the taxpaying population of billions of pounds—money which could not be afforded."

At least he did not say that the Confederation of British Industry told the Government to say that.

The Financial Secretary to the Treasury has said that

"the lower rates of tax have resulted in a significant number of people incorporating to take advantage of them, not to invest in business, but simply to extract the company profits in a way that reduces their personal tax and national insurance liabilities."—[*Official Report*, 23 April 2007; Vol. 459, c. 758.]

That has been a recurrent theme in the Treasury's defence of the change in taxation. Treasury Ministers who parade that defence seem to forget that it was they who introduced the zero per cent. rate of corporation tax in the Finance Act 2002. They sought to use the measure to encourage enterprise, and of course it led to increased incorporation. In a way, they are unpicking their own reforms, and rather quickly. Every small company is at risk of losing out as a consequence of the Government repairing the damage that they did.

John Healey: Does the hon. Gentleman accept that in the 2002 Budget to which he referred, and the 2000 and 1999 Budgets, in which we made changes to the small companies rate, we made it clear that our policy purpose in making those changes was to encourage growth, investment and innovation?

Mr. Hoban: I think that I took part in the scrutiny of the Finance Act 2002, and I heard the Financial Secretary's colleague, the Paymaster General, make the assertions that he has just made. The error that the Government made then was to assume that companies were the only engines of enterprise. They focused on a narrow set of business organisations, forgetting that sole traders and partnerships were contributors to enterprise, too. The changes that they introduced in 2002 were focused on encouraging companies to be entrepreneurial, but they forgot that a large amount of entrepreneurial activity comes from outside the company sector, as the Financial Secretary said himself on Second Reading last week—I will come back to those comments later. Only a quarter of small businesses are incorporated; in a way, that underlines the weakness of the Government's arguments in favour of making the change back in 2002.

Mr. David Gauke (South-West Hertfordshire) (Con): Was it not widely predicted, even back in 2002, that the zero rate of corporation tax would result in a lot of small businesses incorporating in order to benefit from a better taxation system? The mess that the Government have got themselves into was entirely predictable, even in 2002.

Mr. Hoban: My hon. Friend is right. According to my hazy recollection of the scrutiny of the 2002 Finance Bill, the Institute for Fiscal Studies produced estimates of the tax cost of the zero per cent. corporation tax rate, and the Government rather dismissed those estimates at the time. The wave of incorporation was predictable, on the basis of what happened in 2002. The Government are now unpicking that move, with the aim of tackling tax-motivated incorporation, but in doing so they are harming every profitable small company, whether it employs one person or 100 people. That is the problem with the change.

Rob Marris (Wolverhampton, South-West) (Lab): Will the hon. Gentleman give way?

Mr. Hoban: I know that the hon. Gentleman is anxious to make his first intervention in Committee—in many respects it is surprising that it has taken 14 minutes for him to try to do so—but he will have to wait a moment longer. Those changes have been unpicked, and they will affect every small company, regardless of size. If they are profitable, they will have to pay more taxation, so the issue arises about the way in which the Government have sought to tackle a problem that, in part, is their own creation.

Rob Marris: I am grateful to the hon. Gentleman for his usual generosity. I, too, served on the Standing Committee that considered the Finance Bill of 2002,

[Rob Marris]

and I remember some of those arguments—they are hazy, to use his adjective about his own memory and, indeed, about mine in some respects. However, I do not recall that he and his hon. Friends voted against that zero per cent. rate in the 2002 Standing Committee debates. Does he have a different recollection?

Mr. Hoban: This is a debate about what is happening in the aftermath of that debate. It is rather rich of the Government to come back five years later, and almost airbrush out the history of those measures, ignoring the fact that they started that process by altering the balance between incorporation and being unincorporated. The problem is that the Government are using a crude sledgehammer to crack a nut, and they are causing a problem for many small businesses.

Let us consider for a moment the issue of incorporation, because it is an argument that has been prayed in aid by the Economic Secretary and the Financial Secretary. If we look at the way in which the number of companies that have incorporated has changed in recent years, we can see that in the year that the zero rate was introduced there was an increase in the number of companies that incorporated. That trend and step change in incorporation has continued, and the year after the zero rate was scrapped the number of companies registered was 372,000, compared with 325,900 in 2002-03. It appears that there has been a general increase in the number of companies that have incorporated, and it is hard to deduce a causal link between the two, given the fact that the large number of incorporations has continued for some time afterwards.

Rob Marris: The hon. Gentleman may not have the figures, but can he possibly disaggregate them, because over the same period a new regime of limited liability partnerships came in, which enabled partnerships to incorporate, and some of them are included in the figure of 372,000 to which he referred? It does not help us greatly with this debate unless he can disaggregate.

Mr. Hoban: The hon. Gentleman is right. I am not sure that those figures include limited liability partnerships, but I certainly do not think that the numbers have increased. I do not think that it is a huge number, and it certainly would not have a distorting effect on the most recent year, as the hon. Gentleman is perhaps suggesting.

Let us look at the arguments that have been used. Simon Sweetman from the Federation of Small Businesses made this response to the change:

> "On the face of it, the rise in the small companies rate is very disappointing for our members, because it is addressing a problem that I don't think exists, which is the notion that people incorporate for tax reasons. It was certainly true at one point, but I don't think it happens any more."

The British Chambers of Commerce further argued that the rise in the small companies tax rate

> "sends out a negative message to the small business community. Closing a loophole, which was initially created by Government incentives, penalises small businesses unnecessarily."

It went on to say that it does not understand

> "why the Government chose to use a blunt instrument impacting on all small businesses rather than focussing their resources on targeting those who are using Managed-Service Companies as a front for tax avoidance".

There is a serious doubt in the small business community, therefore, about whether tax-motivated incorporation still persists as an issue and, if it does, whether raising the small business rate of corporation tax is the way to tackle it, as there may be other ways of doing so.

The Chancellor sold the package to small businesses because of the offsetting tax changes, such as the extension of the 50 per cent. first year capital allowance for this year and the changes in subsequent years, and the changes in the research and development tax credit. It is worth remembering the impact that such change will have on the profitability of businesses and their ability to invest for the future. In its comment on the Budget, the Association of Convenience Stores pointed out that

> "convenience stores generally operate on a 1 to 2 per cent. net profit margin, and the increase in the rate of corporation tax on small business will further erode this."

How on earth will they find the profits to survive as a business and create new earnings for the owners and shareholders, and will they be able to retain sufficient profits to enable them to grow and develop in the future?

Many service sector companies will face that problem as a consequence of the change. I am not sure that they will benefit from the more generous capital allowances or the changes to the research and development tax credit. For many service sector companies, investment on such a scale is rare, and the Government should remember the importance of the service sector to the economy as a whole. As I said earlier, about 75 per cent. of the economy is accounted for by the service sector, so if the Government start to attack that sector and restrict its ability to grow and develop, they are creating a long-term problem.

We can all identify service companies in our own constituencies that might not benefit from the change, such as hairdressers or caterers. Let us take a business that I know—a conference business run by a friend of mine. It does not need to invest very much in physical assets, but its retained profits are necessary to provide the capital to expand the business and generate the money that can be used to take risks in growing the business. Service sector businesses will be worse off as a consequence of the Budget. They will suffer the tax rise, but they will not be eligible for the reliefs that the Chancellor increased in the Budget.

One argument for the tax increase is that it will tackle tax-motivated incorporation. The other argument deployed by the Chancellor is that there will be other moves to compensate for that. When we consider clause 3 in the round, we should remember the arguments put by the Chancellor. It is important to remember that the changes to capital allowances are a timing difference. Capital allowances change the phasing of permissible capital expenditure for taxation. Increasing the first year allowances accelerates the tax relief; it does not increase the amount available for tax relief over the lifetime of the asset. It is a timing difference, not a tax cut.

Victor Dauppe, a tax principal at MacIntyre Hudson, was right when he said:

"Extra corporation tax is permanent, and the increased capital allowances are either temporary, not yet in place or unavailable for some companies."

The Financial Secretary to the Treasury agreed with that. In last week's Second Reading debate he said that

"the changes to capital allowances have a largely temporary timing effect".—[*Official Report*, 23 April 2007; Vol. 459, c. 758.]

That indicates the deal that is on offer to small companies. They see a permanent increase in their rate of corporation tax which is offset—if they are eligible to make a claim—by a temporary short-term timing difference that improves their cash flow today, but is reversed later.

Stewart Hosie (Dundee, East) (SNP): The hon. Gentleman is right to say that the additional tax take may erode small companies' ability to invest. He is also right to suggest that many of them will not be eligible for some of the existing reliefs. The changes this year and in the following two years will take £1.2 billion in additional revenue, and perhaps £100 million out of Scottish business. What impact does he think that will have on the 98 per cent. of Scottish businesses that employ fewer than 50 people, but which generate 41 per cent. of all revenue in Scotland? What impact does he think £100 million of their profits will have on their ability to invest in the future?

Mr. Hoban: The hon. Gentleman raises an important point which reflects the issue raised earlier by the hon. Member for Falmouth and Camborne (Julia Goldsworthy) about the regional and national effects that the changes will have. I should have thought that £100 million coming out of the retained profits of Scottish companies would have a significant impact on their ability to develop, expand and grow. We need to be aware of the effect that the change will have on companies up and down the country. It looks as though the hon. Member for Bishop Auckland (Helen Goodman) is ready to intervene—but no, she is just looking very eager and anxious.

4 pm

The thing to remember is that every profitable small company will pay the increase in corporation tax, but not every company will qualify for or apply for R and D tax credits or benefit from the changes. Use of the R and D tax reliefs is as low as 11 per cent. A third of companies for which the tax credits were relevant did not claim them, because according to a survey produced by PricewaterhouseCoopers in 2006 the process was perceived as too difficult. The argument that the tax increase is fine because it is offset by reliefs and allowances elsewhere does not hold true if a business feels that the process of claiming the reliefs and allowances is too complex or that they do not apply to it. The Government cannot pretend that improving the reliefs is the answer to the additional tax that they have imposed on small companies, that argument does not wash because of the low take-up and use of these reliefs.

Mr. Philip Dunne (Ludlow) (Con): Does my hon. Friend agree that small companies may be affected not only by the reliefs that he has just talked about but by the empty property relief—a substantial relief that is not even part of the Finance Bill but which is being restricted significantly, raising nearly £1 billion for the Chancellor? That will also have a disproportionate effect on small companies that have empty premises, perhaps through no fault of their own but because of default by a subsequent tenant.

Mr. Hoban: My hon. Friend makes a valid and important point about the widespread impact of the Budget on small companies, but I will not be tempted down that route as it falls outside the scope of clause 3. I am sure that his point will be heard by those groups that take a close interest in the matter.

I was talking about the use and take-up of reliefs and their growing complexity. To offset the increase in corporation tax, small companies will have carefully to consider how they can claim R and D tax credits or capital allowances and will have to navigate their way through a complex system. A poll of members of the British Chambers of Commerce said that 69 per cent. believed that business taxes should be streamlined so that taxes were lower overall and so that the system of tax allowances and exemptions was abolished. A large proportion of businesses prefer a simpler, lower tax burden to one with higher rates offset by more generous exemptions and allowances. A survey by the Forum of Private Business showed that tax allowances designed to encourage investment in companies did not appeal to smaller businesses.

The general concern about the take-up rate for the changes to the allowances and the effects that they will have led the Treasury Committee to recommend in its report on the Budget that

"prior to the 2009 Budget, the Treasury review the impact of these measures on business investment in order to ensure that the measures are having a positive impact on investment and business growth, including the impact on small businesses that do not qualify for R and D tax credit or the Annual Investment Allowance."

Clearly, there is widespread concern about whether the allowances will be taken up. If they are not, small companies will be hit by the increase in the small companies rate of corporation tax.

It is worth considering the impact on small companies of the increase in the small companies rate of corporate taxation. The Red Book estimates that the cost to small businesses in the 2007-08 tax year will be about £10 million; that in 2008-09 it will be £370 million; and that in 2009-10 it will be £820 million. That is a £1.2 billion tax take from small companies. How will that impact on the individual companies that are subject to the regime?

The Financial Secretary said last week on Second Reading that there were about 4.3 million small businesses in this country, that approximately three quarters of those were self-employed and therefore not affected by the increase in corporation tax in the Budget and that, of those that remained, a further quarter did not pay corporation tax because they had no declarable corporation tax profits. That means that approximately 800,000 businesses will be affected. In the 2009-10 tax year, they will pay £820 million. That implies an average increase in corporation tax to those businesses of £1,000 per business.

The Chief Secretary to the Treasury (Mr. Stephen Timms): The hon. Gentleman refers to the table in the Red Book. Will he confirm that the revenue that he described is being recycled back to small businesses through the capital allowance measures?

Mr. Hoban: That assumes that small businesses take up the allowances and reliefs that are available. The Chief Secretary was careful in his choice of words, because all small businesses can claim the increase in allowances, regardless of whether they are incorporated. The average benefit from the increase in allowances is approximately £68 per small business. Small companies will pay on average £1,000 more in corporation tax, but the group of 4.3 million will gain only about £60 a year. That is not a fair deal for small companies. The benefit is being spread rather thinly.

Mr. Newmark: Is not that another example of the Chancellor simply saying, "I'm going to take your taxes and you can claim them back as a business person but only if you do exactly as I say"? It is management by the clunking fist, not the invisible hand of Adam Smith.

Mr. Hoban: My hon. Friend makes an important point. The Chancellor is loading incentives towards a specific sort of business. If businesses invest in research and development and physical assets, the Government will give them some tax relief and allowances, but if they do not, they will not be able to claim the reliefs. A small company will have to pay more tax anyway. The Chancellor penalises small companies and spreads the benefit among all business.

Kitty Ussher (Burnley) (Lab): Is not it the Conservative party's policy to encourage small businesses to invest, because that will lead to their greater prosperity, productivity and growth? Does not the hon. Gentleman accept that a company with profits of up to £100,000 that invests half the profits will end up paying 40 per cent. less tax than it would without the Bill?

Mr. Hoban: The hon. Lady makes a mistake. She assumes that investment is about the purchase of physical assets that qualify for capital allowances. However, people can invest in their businesses and get them to grow in different ways by recruiting more members of staff and developing the skills of their work force. Investment is not simply about buying machinery. Investment means that companies can grow in a range of ways, not necessarily through the acquisition of physical assets.

That is the problem with the Government's approach to the Budget. The Chancellor appears to be interested in only a narrow group of companies. He is happy to reward businesses that buy physical assets, but penalises small companies generally through increasing the small companies tax rate. The Budget's failure is penalising businesses that invest in people rather than machinery, equipment and plant. The hon. Lady should consider the small businesses in her constituency, especially those that do not invest in plant and machinery but want to take a risk by employing new members of staff. They will be hit most hard by the Budget—they will pay the higher rate of small companies taxation but will not receive in return the increase in capital allowances, which, when averaged out across all small businesses, amounts to about £60 per company. That is not much of an incentive, even if the hon. Lady's argument held water.

That is why the post-Budget survey undertaken by Populus for the British Chambers of Commerce showed that only 17 per cent. of businesses thought that this year's Budget would improve their competitiveness. That is the reality of the business reaction to the Budget on the ground. The theory that the Chancellor has put forward in the Budget, and which hon. and right hon. Labour Members have put forward, too, does not hold water. Businesses can expand in ways other than investing in fixed capital and assets. Indeed, the Chancellor is penalising those businesses that do not invest in fixed capital and assets, by increasing the small companies rate of taxation.

Mr. Dunne: My hon. Friend may not have heard the Economic Secretary to the Treasury, speaking from a sedentary position, identify research and development as a possible alternative means of securing some benefit from the Budget. The Economic Secretary is of course correct in his assessment that that part of the economy can take advantage of the reliefs. However, he is completely incorrect, in that he ignores the service sector, which my hon. Friend has rightly highlighted. The service sector gains no such benefit from the £50,000 limit, from either R and D relief or capital allowances, yet it is a sector that is growing very fast. Many companies in my constituency are engaged in mail order, for instance. They might invest in a new catalogue or brochure for their customer base, but they will not benefit from either of the reliefs. There are many other examples of companies in the service sector that do not invest in R and D, or in plant and machinery for capital allowances.

Mr. Hoban *rose—*

The Chairman: Order. I should tell the Committee that I understand the link in the argument between the tax measure that is the subject of clause 3 and the allowances. However, the allowances are referred to more substantially in clauses 36 and 49, which are not due to be taken on the Floor of the House. If the debate extends too far into the question of allowances, it may be that the Chairman will not favour much debate in the Public Bill Committee.

Mr. Hoban: Thank you for your guidance, Sir Alan. You are absolutely right to draw the Committee's attention to the rather narrow nature of clause 3. I had hoped just to establish the problems inherent in how the offsetting of allowances had been set up, and why they do not justify the increase in the small companies rate of taxation. However, we shall not need to make that point for much longer, as it is a clear deficiency in the Budget, at least to the Opposition.

That brings me to the conclusion of my remarks. By increasing the small companies rate of corporation tax, the Government have sought to address a problem of their own making caused by the introduction of the zero per cent. rate back in 2002. The risks were there at the time. However, the attempt to correct the problems that arose then will mean that all small companies that are profitable will have to pay an increase in corporation tax. In order to tackle the apparent abuse of the Government's own rules by a small group, all small companies will have to pay higher corporation tax.

Ministers may talk about large groups, but it would interesting to hear just how many businesses the Government think are taking advantage of the system. However, arguing that all small companies should be penalised and that the only way to offset the increase in corporation tax is to focus on extending reliefs and allowances, where there is no guarantee that they will be taken up, is the wrong approach to tackling the issue. Small companies are the backbone of the economy. They play an important role and are an engine of growth in the British economy. My concern is that the tax increase in question will damage the competitiveness of that important sector.

John Healey: I am grateful to the hon. Gentleman for giving way, because I am anxious to put one point to him before he sits down that he has not yet covered. Will he reverse the tax change in clause 3 in future?

Mr. Hoban: I am not going to stand here today and write the Budget of my hon. Friend the Member for Tatton (Mr. Osborne) for 2010. We will bring forward at the appropriate time our own proposals to stimulate the activity of small businesses and to ensure that they continue to act as the engine of economic growth. We now need to focus on the measures before us today. Small businesses up and down the country have acknowledged that this corporation tax increase will have a significant and damaging impact on them, and that it will lead to some of them being unable to expand and to invest in the future. The Chancellor has sought to extract £1.2 billion from them over three years in corporation tax. That is an attack on those companies and it will do untold damage to them. That is why I oppose the measure before us.

Several hon. Members *rose—*

The Chairman: Order. I should perhaps mention that, as we are in Committee, the correct form of address to the Chair is not "Mr. Deputy Speaker". It should either be "Mr. Chairman" or "Sir Alan". In the spirit of egalitarianism, I favour neither one over the other.

4.15 pm

Helen Goodman (Bishop Auckland) (Lab): I am pleased to take part in this debate, even though I did not have the pleasure and privilege of taking part in the debates on these matters in 2002. I wish to support clause 3. In considering the taxation of small and medium-sized enterprises, any Government will try to balance two factors: the health of the small business sector and the fairness of the tax system. No one here today underestimates the importance of SMEs. According to statistics produced by the Small Business Service in August 2006, 99.9 per cent. of the 4.3 million business enterprises in the UK in 2005 were SMEs, accounting for 59 per cent. of business employment and 51 per cent. of turnover. Clearly, the small business sector is a key source of innovation and enterprise, and it is important that the tax system provides incentives and rewards for those qualities. Of the 4.3 million business enterprises, 2.7 million are sole proprietors and 500,000 are partnerships, which means that only 1.1 million are companies that could possibly be affected by this change.

As well as taking account of the health of the small enterprise sector, we need to protect the revenue base. Tax must be equitable, as between individuals in similar circumstances. Businesses should not be distracted from their real purpose by tax-induced decisions or activities. Conservative Members belong to a party that seems, particularly in the light of the recent remarks of the hon. Member for Fareham (Mr. Hoban), to be anti-tax. Tax seems to be an optional extra for them. The most recent example of this involved Lord Laidlaw, who promised the Lords Appointments Commission that he would domicile himself in the UK in order to pay UK taxes—

The Chairman: Order. The hon. Lady is straying outside the scope of clause 3.

Helen Goodman: I beg your pardon, Sir Alan. I was simply trying to make the point that it is important for the Government to promote a culture of respect for the tax system, and I feel that Conservative Members do not always show the kind of understanding that they would need to have if they were going to run an effective tax system—

The Chairman: Order. That sounds more like a Second Reading point to me.

Helen Goodman: The tax system will work only when the rules are perceived to be fair. People who abuse the small companies rate by moving from unincorporated to incorporated status purely to pay less income tax and avoid paying national insurance contributions are engaging in precisely the kind of tax-induced activity that does not promote a stronger economy or flourishing enterprise. It is completely unfair if some people can lower their tax bill by moving from unincorporated to incorporated status, while Joe Bloggs, who has to pay his tax through PAYE, does not have that opportunity. That is the essential point at issue in this tax change.

The Chancellor of the Exchequer made it clear in his Budget speech in March that he was introducing the change

"to deal with individuals artificially incorporating as small companies to avoid paying their due share of tax."—[*Official Report*, 21 March 2007; Vol. 458, c. 815.]

The clause raises the small companies rate from 19 to 20 per cent. this month, with further increases to 21 and 22 per cent.

Mr. Newmark: A statement by Simon Sweetman of the Federation of Small Businesses contradicts the hon. Lady's point about the clause. He said:

"It is addressing a problem that I don't think exists, which is the notion that people incorporate for tax reasons. It certainly was true at one point, but I really don't think it happens any more."

Helen Goodman: In a few moments, I shall quote some other independent commentators who said after the Budget that the problem does exist.

The object of the clause is to reduce the differential tax rate between the incorporated and the unincorporated. For the sector as whole, the three allowances are not just intended, but estimated, to be tax-neutral. The introduction of the annual investment

[Helen Goodman]

allowance for 100 per cent. of expenditure up to £50,000, the 175 per cent. tax credit for R and D and the new tax credit for environmental investment offset the effect of the tax rate increase overall. Without that action, the Exchequer would lose billions of pounds, as more businesses incorporated in an attempt to avoid paying income tax and national insurance.

Mr. Dunne: How does the hon. Lady reconcile her statement about offsetting with what I said about the change to empty property relief, as a result of which businesses in this country will contribute nearly £1 billion to the Exchequer?

The Chairman: Order. I thought that I had taken that out of the equation, as it is not in the Bill.

Helen Goodman: Thank you, Sir Alan.

A further problem is that the current small companies rate benefits large companies, because it is levied on the size of profits, not on the size of the company. The change will help to focus the tax system more effectively.

To return to the point raised by the hon. Member for Braintree (Mr. Newmark), after the Budget speech Andrew Tenon, a tax director at Tenon, commented:

"There is no doubt that many people have incorporated to save tax".

The Institute of Chartered Accountants said—again, after the Budget—that,

"the Government is concerned that the small companies rate continues to be subject to manipulation...This is probably a reasonable analysis".

The scaremongering from Conservative Members is not justified. I suggest that they turn to chart 3.1 in the Red Book, which compares international corporate tax rates. They will see that current UK rates are below the G7 average, and that the new UK rate will be below that of the EU15. The Government continue, through a range of policies, to encourage business growth by encouraging investment and innovation.

Mr. Newmark: I am sure that in Bishop Auckland, as in Braintree, the majority of small businesses are in the service sector and are not capital-intensive. Has the hon. Lady therefore spoken to small businesses in her constituency? If so, what percentage of them think that the tax increases will benefit them?

Helen Goodman: As a matter of fact, there is a large amount of manufacturing in my constituency, and it is important to support this country's manufacturing base.

To conclude, it is vital that, at the same time as encouraging the small business sector, we treat small businesses and self-employed people in an even-handed way.

Dr. Vincent Cable (Twickenham) (LD): I strongly agree with the approach adopted by the hon. Member for Fareham (Mr. Hoban), and with his conclusions. He set out the arguments pretty comprehensively, and I do not think I need add to them in great detail.

It is true that, as has just been said, the Budget's overall approach to business is neutral. It has probably been favourable to large companies and less favourable to small companies, for reasons that have already been given and particularly because of the impact of clause 3. However, what we say as Opposition spokesmen is less important than the way in which businesses themselves experience and perceive the changes. A fairly large survey conducted by the British Chambers of Commerce, which represents both large and small companies, concluded that 70 per cent. of United Kingdom businesses believed that the proposals would damage them, mainly because of the impact on small companies.

Let me deal with the two major arguments that have been advanced in defence of clause 3. The first, advanced by the hon. Member for Bishop Auckland (Helen Goodman), is the tax avoidance argument—the argument that large numbers of small entrepreneurs are constantly calculating, on the basis of the tax rate, the respective merits of taking their profits as salaries or as dividends. That may or may not be a valid point: we do not know. One of my questions to the Government is how much research they have actually done. There have been two major changes of policy, and I think it legitimate to ask how well the Government are informed by research and survey about how companies in this position behave.

The Economic Secretary asked the hon. Member for Fareham (Mr. Hoban) whether he was going to change the policy. The hon. Gentleman gave a perfectly sensible answer, although I think he could have added to it. He said, "We would change the policy if we knew what was happening in terms of behaviour." The Government are rushing into tax changes without presenting any evidence about the way in which companies behave.

In evidence to the Select Committee, the CBI said:

"A claimed rationale for this decision was to reduce the differential between incorporated and unincorporated businesses. But in this case it is not clear why the corporation tax rate will end up above the personal income tax rate rather than being aligned with it."

If the purpose is to stop arbitrage at the boundary, why are the rates not being aligned? There may well be an answer to the CBI's question. If so, perhaps the Minister can explain what it is.

John Healey: National insurance.

Dr. Cable: Indeed, but the wedge of national insurance is much larger than the 2 to 3 per cent. margins that the Government are playing with. We need some analysis of, and research on, how big the tax differentials need to be to change behaviour. We have been given no evidence so far.

The second argument relates to how far the clause 3 change in tax rates is offset by changes in tax allowances. You have advised us not to get involved in the details of tax allowances, Sir Alan, but the issue of offset is crucial to the debate. The argument is that the annual investment allowance will offset the increased tax burden for small companies. The Chief Secretary intervened to make that point. What we do not know—and I do not think the Government know—is how much of the annual investment allowance will be

taken up by small incorporated companies. Can the Government give us an estimate? Are they thinking of 50 per cent., 30 per cent., 20 per cent., 10 per cent. or 5 per cent.? It would be useful to know the Government's internal estimates of how much is offset and how much is not.

Quite apart from the issue of how much is offset, there is the issue of the time lag between the two measures. The tax increase takes place immediately and in three successive stages, but the offsetting investment allowance is subject to consultation, and may or may not come into effect in two years' time. There is a gap between the two that will directly affect small companies.

Then there is the point made by several Members, particularly the hon. Member for Ludlow (Mr. Dunne), about the impact differential between service companies, which do not engage in substantial capital investment, and manufacturing companies, which do. Finally, there is the much bigger question of the complicated interaction between the clause 3 increase in corporation tax, the annual investment allowance and the change in the capital allowance rules. All three will be swirling around together.

It is worth looking—although not in great detail—at the evidence that the Institute of Chartered Accountants in England and Wales devoted to the issue. I will just quote a couple of lines. It states:

"The changes to capital allowances will particularly impact small companies"

because of the relationship with the tax change.

"This will particularly be the case for those that claim significant amounts as plant and machinery allowances and in respect of industrial buildings."

The institute continued:

"Examples of other family businesses that would be affected are printing companies, haulage businesses, manufacturing companies, etc. Such companies are likely to be significant businesses in the local community".

The complex inter-relationship between a tax increase and two big changes in allowances, taking place over different time horizons, will have complicated and, probably on balance, significantly negative effects for small companies.

4.30 pm

The Government would therefore be wise to heed the advice of the Treasury Committee. The hon. Member for Fareham has already quoted its conclusion that the Government should initiate a review of the policy for next year's Finance Bill because of the unpredictable nature of the outcome, but it is worth while quoting another sentence from the conclusion. It states:

"It is not clear whether measures such as the increase in the R&D tax credit and the introduction of the Annual Investment Allowance will have the desired beneficial impact on investment levels by small companies."

In several interventions, Labour Members have asserted as a matter of dogma that the changes will increase investment, whereas the Treasury Committee, representing three parties, looked at the matter across the board and concluded that the results are likely to be entirely unpredictable. Therefore, I remain totally unpersuaded that clause 3 is justified in anything like its present form.

Mr. Fallon: I, too, oppose clause 3, for many of the reasons that were put forward by my hon. Friend the Member for Fareham (Mr. Hoban) and by the hon. Member for Twickenham (Dr. Cable), whose comments I thoroughly endorse. The clause is misguided and discriminatory. It is distortive in its aim, although unlikely to be distortive in its effect. In the end it will damage many small businesses.

In justifying the clause, the Chancellor has stressed that its purpose is to prevent tax avoidance, but he has put forward no hard evidence since the Budget or indeed to the Select Committee that the great majority of small businesses are in the tax-avoidance game. That is a slur on most small businesses, and I am surprised that the hon. Member for Bishop Auckland (Helen Goodman) simply assumes that those small businesses in her constituency that do not happen to be involved in manufacturing must be involved in tax evasion or tax avoidance. That is a slur on many hard-working small businesses across County Durham.

Helen Goodman: Will the hon. Gentleman give way?

Mr. Fallon: It is a slur that is so serious that I must give the hon. Lady the opportunity to reply.

Helen Goodman: I am grateful to the hon. Gentleman for giving way. Nothing in my remarks could possibly lead any reasonable listener to conclude that that is what I was saying. That is not what I was saying. I was asserting that it is particularly important to support manufacturing industry and to protect the revenue base. The problem that we face is that the number of people who move to the incorporated sector is on the increase, so the tax base will be eroded further.

Mr. Fallon: It is clear again that the hon. Lady—I do not know why she keeps beating up her own constituency—is implying that many businesses that are not involved in manufacturing are now being incorporated simply to avoid tax. She has used the word "many" and the Chancellor has used the word "many". However, neither of them have produced hard evidence. When we tackled the Chancellor himself on this question in the Select Committee, he said that it was not just a question of what had happened in the past. He said:

"people who are coming to work in this country are being encouraged to form, and work through, managed services companies even before they come into this country. We faced the prospect of schemes that are being marketed right across Eastern Europe, encouraging people to set up companies purely for the purposes of avoiding taxation".

In other words, the clause is based not simply on what has happened or is happening, but on what is likely to happen across Europe. We clearly do not have sufficient evidence to justify this change.

Secondly, I am opposed to the clause because, as was brought out in our questioning earlier today, it is discriminatory. It is not neutral in its effect. A vast number of small businesses are not involved in research and development. As my hon. Friend the Member for Ludlow (Mr. Dunne) said, many small businesses do not rely on annual investment. Why? Because they are different types of businesses: they are people businesses, or skills businesses, or consultancies—or knowledge businesses. It is perverse of Ministers to prattle on

[Mr. Fallon]

about how they are supporting the knowledge economy and then to clobber those small businesses that are part of the knowledge economy but do not invest in old-fashioned plant and machinery and qualify for their new fancy allowances. There are knowledge businesses that will lose out because of this measure, so it is discriminatory.

Thirdly, I oppose the clause because its aim is distortive. The objective behind the clause is that Ministers want there to be more investment in research and development. Yet when we took evidence on that point, we were informed by Mr. Whiting

"that the changes to the taxation system in the 2007 Budget were unlikely to be behaviour-changing and that businesses tended to prefer a lower tax rate and simpler taxation system to incentives to invest."

There we have it—and from one of the experts. Small businesses know about research and development, and simply to encourage more of them to invest in research and development through a particular tax change is unlikely to be as effective as lowering the basic rate of tax that applies to small businesses and keeping it low rather than increasing it.

I am also opposed to the clause because it will be damaging. That is not my conclusion alone. As the hon. Member for Twickenham pointed out, it was the overall conclusion of the Treasury Committee, which contains a majority of Government Members and a handful of Opposition Members. The Labour-dominated Committee was so concerned at the lack of hard evidence in support of this proposal that we concluded:

"It is not clear whether measures such as the increase in the R&D tax credit and the introduction of the...Allowance will have the desired beneficial impact on investment levels by small companies."

That is why we recommended that, before the final changes are put into effect in the 2009 Budget, we have a proper review of the impact of the measures so that we can establish whether they are positive across the small business sector and whether they discriminate between different parts of that sector. Until that review has taken place, the House cannot possibly support the clause.

Mr. Newmark: As we are talking about corporation tax, I draw Members' attention to my entry in the Register of Members' Interests.

One of the keys to having fair taxation is stability. Robert Chote of the Institute for Fiscal Studies told the Treasury Committee during its hearing on the 2005 pre-Budget report:

"A little bit of stability in this area would now be welcome."

It is now two years later, and it would still be welcome.

Speaking during the debate on last year's Finance Bill, the Financial Secretary mentioned the responses that the Government had received to the consultation paper on the taxation of small business issued in 2004. He said that businesses had

"a strong preference for simplicity over approaches that risked introducing further complexity."—[*Official Report*, 2 May 2006; Vol. 445, c. 926.]

That is a principle on which we can all agree, but it is not one that has much currency at the Treasury, it would seem. This year's Finance Bill has been reduced to one volume but, unfortunately, the House of Commons Library has had to produce two volumes of briefing notes on the taxation of small businesses—one covering changes between 2000 and 2006, and a second covering recent developments, which no doubt the hon. Member for Wolverhampton, South-West (Rob Marris) has perused in detail.

This is the third time that I have been involved in a Finance Bill debate, and I am already developing a sense of déjà vu. The first instalment of the phased increase of the small companies rate in clause 3 will push small businesses one step closer to where they started, before they were hit with a decade of chopping-and-changing confusion from the Chancellor. The reason for all this confusion is disarmingly simple: tax incentives originally intended to encourage business investment and business growth suddenly became perceived as loopholes. It is tempting to say that one man's incentive is another's loophole, but unfortunately the Chancellor's incentives always seem to become his loopholes if they are given a little time.

It did not matter that everyone warned the Chancellor that radical changes to the small companies rate would act as a direct incentive for incorporation; in fact, there has probably never been so many Cassandras offering unheeded prophecy. He went ahead anyway, and all the changes since then have attempted to restore a balance between incentivising small businesses and preventing the erosion of the tax base, both of which I can recognise as sane objectives on the Treasury's part. The IFS "green Budget" contained the plea that

"we can only hope that the Treasury will draw appropriate lessons from this unfortunate experience."

However, I question whether the lesson has actually been learned. For several years now, the reaction to the Chancellor's treatment of small business taxation has been dominated by one image: the U-turn. For a little variety, last year I dubbed the abolition of the non-corporate distribution rate a three-point turn. This year, it has become even clearer that the Chancellor is simply going round in circles.

However, my real concern is that providing incentives to small business is no longer front and centre in the Treasury's strategy, and that the emphasis has now shifted on to deciding whether using a tax incentive constitutes avoidance. It all comes back to the Chancellor's nebulous reasoning about what constitutes a "fair and appropriate" share of tax, or simply the "right amount" of tax. This is an unfocused way of looking at the broader issue of what small businesses contribute to the economy and what the Government should do to help them. The Paymaster General, unfortunately, she is not with us today, said back in 2004, in the middle of the long-winded debacle surrounding the small companies rate, that

"The deliberate and cumulative aim is to underpin all the measures that the Government have taken to encourage businesses to grow and to be more enterprising and productive in the medium and long term and not to operate year by year by playing around with the tax system."—[*Official Report*, 27 April 2004; Vol. 420, c. 846.]

On that point, I have to agree with her; indeed, that is a more useful guiding principle and intention.

However, we would be forgiven for thinking that there is something wrong with the Treasury's deliberation, and that its policies have not been cumulative at all. Certainty and continuity in the tax system are helpful to all businesses but particularly small ones, which have less capacity to adapt quickly or take specialist tax advice. The rate changes and forthcoming proposals for a new annual investment allowance only deepen the artificial gulf between small businesses and larger firms.

The Chancellor has in fact taken the muddle of the small companies rate and created a paradox. Reducing the main rate of corporation tax and capital allowances leads to a cut in the tax rate and to an increase in the tax base for larger businesses. However, small businesses are being pulled in the opposite direction through an increase in the tax rate and a narrowing of the tax base, because fewer businesses will be able to make full use of the new investment allowances of which we have heard much during this afternoon's debate. The Chancellor has made the fatal assumption that because all small businesses, in whatever sector, will theoretically be able to make use of the investment allowance, all will do so. That was the justification he gave to my hon. Friend the Member for Gosport (Peter Viggers) during the Treasury Committee's inquiry. The Chancellor also defended the changes on the grounds that they appear to be revenue-neutral—perhaps that is just another example of a tax cut being a tax con. However, even if we are inclined to accept that reasoning, the AIA will not take effect until next year, leaving a guaranteed tax rise over the next year.

4.45 pm

I want to probe behind the modelling that led to the assumption of revenue neutrality and establish exactly how many of the UK's 1.3 million incorporated businesses are expected to make use of the allowance and to what extent. Perhaps the information will be forthcoming later when the Minister responds to the debate.

Rob Marris: The hon. Gentleman talked about phasing in the allowance, but he also said that there would be a tax rise this year. He is right, but we need to keep things in perspective. My understanding is that the tax rise will be the relatively—I stress that word—small amount of £10 million a year, which is only £2 per small business.

Mr. Newmark: I always appreciate the hon. Gentleman's interventions, but small businesses operate on the margins so £1,000—even £500—can make a huge difference. Unfortunately, the provision demonstrates yet again the Labour Government's lack of understanding of how small businesses actually work and survive from day to day.

I am only hazarding a guess, but if too many businesses make use of the annual investment allowance they could sow the seeds of the Government's next anti-avoidance strategy. Businesses that invest will come to be seen as cheating. In the words of the Federation of Small Businesses:

> "It is amazing how quickly a concession to encourage enterprise can become a loophole."

In our report on the Budget, the Treasury Committee admitted:

> "It is not clear whether measures such as the increase in the R&D tax credit and the introduction of the Annual Investment Allowance will have the desired beneficial impact on investment levels by small companies."

That is the very point made by my hon. Friend the Member for Sevenoaks (Mr. Fallon) earlier. We suggested that the Treasury should take stock of the impact of those changes before the 2009 Budget.

I would go a little further. If the Government are looking for a positive signal to send to small businesses, and for a policy that will have no new unintended consequences, there is one simple answer: leave the small companies rate well alone for a year or so and let small businesses and their accountants catch their breath.

Mr. Gauke: I, too, oppose clause 3 for the reasons outlined by earlier speakers, but I want to explore the Government's thinking a little further and ask some questions about their approach to the small corporation tax rate.

As the hon. Member for Bishop Auckland (Helen Goodman) said, there is an issue about the two different tax regimes that may apply to a small business. As my hon. Friend the Member for Fareham (Mr. Hoban) said, if the business can be taxed as income, it will pay income tax and national insurance contributions, whereas if it is taxed as a company, it will pay corporation tax, so there can be distortions, as I would be the first to acknowledge. However, I am curious about whether the Government's approach, as outlined in clause 3, is to make the system as tax-neutral as possible and to remove any distortion—if that is the right word—between the two systems. If so, there are a number of further questions.

Do the Government acknowledge that their previous approach to the zero rate of corporation tax was wrong? It undoubtedly created an incentive for small businesses to incorporate and there was a substantial increase in incorporations. In 2001, 220,000 companies were incorporated; by 2003, the number had risen to 397,000. Undoubtedly, the zero rate of corporation tax contributed to that. As to the point made by the hon. Member for Wolverhampton, South-West (Rob Marris) in an earlier intervention about the need to disaggregate incorporations between companies and limited liability partnerships, I happen to have the numbers to hand. In fact, limited liability partnerships have made a very small contribution. In 2005-06, there were 6,570 incorporations for LLPs, whereas there were 372,000 for limited companies. Clearly, LLPs are not a substantially large part of it. The tax system has undoubtedly contributed to that position.

If it were the Government's intention to take away any tax advantage from incorporation vis-à-vis non-incorporation, their approach has been incoherent. Let us consider this Budget alone, where changes to national insurance contributions and higher rate thresholds for income tax further encouraged businesses to incorporate. There is a larger and wider standard rate of income tax and no additional income tax to be paid on dividends within the rate, yet national insurance contributions now cover a larger area, which is where the advantage lies. The hon. Member for

[Mr. David Gauke]

Twickenham (Dr. Cable) raised the matter of aligning corporation tax with income tax, but there is still a difference with national insurance contributions—a problem that has got worse as a consequence of the Budget. There appears to be an incoherence in the Government's approach.

A number of hon. Members, and particularly my hon. Friend the Member for Sevenoaks (Mr. Fallon), dealt with businesses that fall outside the various permitted reliefs and allowances. Again, I question Government thinking in this area. When they introduced the zero rate band, they argued that it would encourage growth and entrepreneurial spirit, which are commendable. They then scrapped the zero rate band because it was over-used. The argument may be that it was used by businesses that were not looking for growth and a more entrepreneurial approach.

Are the Government saying that the only small businesses likely to grow to create jobs and become entrepreneurial businesses are those that can use the capital allowances? If so, that seems to be entirely misconceived. It is not possible to identify a particular type of small business that is likely to be high growth. It simply does not work like that, because many service industries or high-technology businesses might not require great capital investment, but they could still be the big employers of the future. It seems to me that the Government are adopting a rough-and-ready approach to addressing this particular concern.

My final point concerns the bureaucracy imposed on small businesses. My hon. Friend the Member for Fareham mentioned that research and development credit take-up tends to be very low. The reason is undoubtedly that it is difficult to claim, complicated and requires a great deal of effort. Inevitably, small businesses are not in as strong a position to respond as larger businesses. Providing greater allowances that are often hard to claim is not an adequate way of trying to mitigate the increase in tax rates. Whatever way one looks at it, it is not good for small businesses. I am afraid that pointing to the existence of those allowances—I appreciate why we cannot dwell on this particular point—amounts to a poor argument.

In conclusion, the tax changes appear to be incoherent and they do not address the problem that the Government themselves recognise. We are still left with difficulties in this area.

Mr. Dunne: I am conscious that the debate on clause 3 has gone on for some time and I do not intend to prolong it unduly. I will just reiterate some of the points that have been made by other hon. Members. In the context of one of the Budget's declared aims, the Finance Bill provides clear evidence that the Chancellor seeks to impose a regime for small and medium-sized businesses that is not good for business. The regime is prohibitive for business. It will restrain and restrict business from generating the profits that it needs to reinvest by increasing the taxation take to the Chancellor—to the public purse. Essentially, the corporation tax increase for small business is funding the corporation tax cut for large business, but when taken in the round with the other measures—I will not try your patience any longer by straying from the clause, Sir Alan—the burden on business as a whole is significantly increased. That is a result of the clause and other measures in the Bill, and other measures outside the Bill that will have a significant impact on individual businesses.

Let us consider the Chancellor's claim to be a business-friendly Chancellor after 10 years, given that he has introduced a taxation regime that, as we have heard from other speakers in the debate, has involved a complete volte-face. We have had measures to encourage the incorporation of businesses and now we have measures to discourage the incorporation of businesses. Businesses look for stability in tax planning. Many investment decisions—including those that I am not able to refer to—require some understanding or expectation that the tax regime will have stability for a number of years so that businesses can take advantage of the measures that give those opportunities. If the tax regime is tinkered with to the degree that it has been by this Chancellor—so frequently; year in, year out—the stability is not there, making those decisions becomes increasingly difficult, and there is a lack of trust in the conduct of taxation policy. I am afraid that this Finance Bill helps to stoke up that lack of trust.

My hon. Friend the Member for Fareham (Mr. Hoban) and other hon. Members have quoted some of the public responses to the measures and to this clause in particular. One response that struck me—I do not think that it has been mentioned so far—came from a survey conducted by the Forum of Private Business on its website. Some 82 per cent. of respondents to the survey felt that the corporation tax hike for small businesses would be damaging to their business. The Financial Secretary cannot ignore that statistic. I look forward to his response when he sums up.

Mr. Colin Breed (South-East Cornwall) (LD): I want to build on some of the remarks made by my hon. Friend the Member for Falmouth and Camborne (Julia Goldsworthy). Cornwall was fortunate—if we look at it one way—in achieving objective 1 status a few years ago. On the back of that, we had the wonderful opportunity to develop the combined universities in Cornwall to try to build some of the knowledge base and future GDP of the county, and to build up the economy. Much of that was going to be centred around relatively fledgling businesses in new knowledge-based industries, such as renewable energy, IT consultancy and marketing. Many of those small businesses have just started. They really are fledgling in that sense. Their business plans would have been predicated on certain assumptions about the tax that the businesses would be paying.

Those businesses are perhaps two or three years old now. They are not capital-intensive businesses, but they tend to want to employ relatively expensive new personnel. When new personnel come into a company, they are not immediately productive, but, of course, their salaries and their expenses have to be paid out by the company. Some of the small businesses are going to begin to stutter a little when it comes to their ability to fund some of that revenue, which would have been thought to come from the profits that they would initially begin to generate. That will no longer be the case, because some of that money will have to be paid in tax.

It is part of the issue about stability that when people are looking to create their business plans and looking to the quite considerable growth of these sorts of businesses, they consider the expenses that they will have to pay. Tax is one such expense. They would undoubtedly have made their business plans on the basis that they would not be paying tax quite as quickly as they are now going to be. I think that that will stunt some potential growth and undermine investment from European objective 1 funding. The investment's new guise of convergence funding is even more tilted towards such businesses, rather than the old capital-intensive businesses. That funding is designed to generate more knowledge-based industries. If we are to have this new tax regime, the real benefit of boosting the economy of Cornwall, which is the essence of convergence funding, will be undermined.

5 pm

Rob Marris: What a fascinating debate. I understand why Conservative Members have spent a lot of time on this because small business is important. They talk about damage to competitiveness, yet they also say, quite properly, that the changes will largely affect service companies, which make up 75 per cent. of the small business economy. I suspect that few small service companies export much, so the competitors are medium-sized and big companies. It is surprising, given what Conservative Members have said, that the Conservative party is turning against big and medium-sized business, putting forward a positively Poujadist approach and making a fetish of small businesses.

Mr. Hoban: It is somewhat extraordinary that the hon. Gentleman is arguing that service businesses, especially small service businesses, tend not to export. Several small service businesses in my constituency export a great deal overseas. The measure will thus have an impact on their competitiveness. He needs to be careful about the assertions that he is making about the propensity of small businesses to export.

Rob Marris: In one sense, the hon. Gentleman might be right, but, in another sense, he is completely wrong. A small business cannot export a great deal because, of course, it would therefore not be a small business. However, such a business might export a large proportion of its output. I was careful to say that I suspect that most small businesses in the service sector do not export a great deal.

During the interesting remarks made by the hon. Member for Sevenoaks (Mr. Fallon), he used the adjective "distortive", which was a new word to me. I entirely reject the approach to economics that he cited, which is based on a view that is peddled by academic economists of the worst sort: that there is such a thing as a perfect market and that that perfect market can thus be distorted. If one rejects the notion that there is such a thing as a perfect market, as I do, there is no such thing as distortion in this context, although there is such a thing as changed behaviour, or certain effects stemming from certain causes.

Changed behaviour that is driven by a tax regime is nothing new in the United Kingdom. It is often the subject of considerable debate on financial measures relating to green taxes. If the Chancellor proposes fiscal measures to encourage a change in behaviour, that is not wrong in principle, although hon. Members might think that the measures will not produce the desired effect, or that the effect that the Chancellor is trying to achieve is not one that they desire. However, I reject the suggestion—this has been the flavour of part of the debate—that the fiscal measures to change behaviour that are proposed in the clause are somehow, in and of themselves, bad things.

Mr. Newmark: I have two questions for the hon. Gentleman. First, how will it be possible for a service company—the majority of small businesses are service companies—that is not capital intensive to change its behaviour under the scheme? Secondly, why are manufacturing or capital-intensive businesses any more deserving of tax incentives than those in the service sector?

Rob Marris: I can deal with the second point. As a Member for a west midlands constituency, I am aware that the vast majority of UK exports come from the manufacturing sector and not from the service sector. Important as the service sector might be to exports, about 56 per cent. of the value of exports comes from manufacturing.

Mrs. Theresa Villiers (Chipping Barnet) (Con): Does the hon. Gentleman not believe that the City is responsible for a vast amount of our invisible exports?

Rob Marris: No, it is responsible for invisibles; as the hon. Lady should know—*[Interruption.]* They are not exports but invisibles, which are a different category in economic terms. Although they go on the balance of payments, they do not go on the balance of trade, so I stand by what I said in response to the hon. Member for Braintree (Mr. Newmark). He asked why manufacturing should have special support, and that is one reason I give him. He might not like it, but I stand by it: the majority of exports in terms of the balance of trade come from manufacturing.

I shall come on to the hon. Gentleman's first point about manufacturing. The hon. Member for Sevenoaks cited comments made by Mr. Whiting. He is quoted in the Treasury Committee report as saying words to the effect that most businesses prefer simpler and lower taxes—I hope that he will forgive me for not having the exact wording before me, although that was broadly what he said, and I believe that he used those two adjectives. I am sure that they do. I have no direct evidence for that, other than anecdotal evidence gained from talking to business people.

The evidence is plain for all to see that in the United Kingdom for the past 100 years, until recently—even now the situation has not changed enough—as a generalisation, there has been huge underinvestment by businesses, be that in the service sector or in the manufacturing sector. I stress that that is a generalisation. It is one thing that has led to weak economic performance in the United Kingdom from the turn of the previous century for the following 90 or 100 years. Encouraging changes of behaviour that will lead to greater investment is a good thing. I share that desired aim of the Chancellor, as I suspect does the hon. Member for Sevenoaks.

Helen Goodman: Does my hon. Friend agree that it is extraordinary that Conservative Members are making such a fuss about a rise to 20 per cent. in the small companies rate? My recollection is that when the Conservatives were in power the rate was 23 per cent.

Rob Marris: I accept the figure given by my hon. Friend, although I do not know whether the rate was 23 per cent. or not. I hope that the hon. Member for Fareham (Mr. Hoban) will correct me should I have this wrong, but I believe that he was talking about certain allowances producing an effect on 4.3 million businesses; he cited a figure of £68. Yet in year three of the changes before us—this is the figure that he did not give us in regard to those 4.3 million small businesses—the increased tax take will, on average, be £190.70 per small business. I have rounded that figure slightly. That represents £820 million given in year three divided by the 4.3 million.

Mr. Hoban: The hon. Gentleman commits the same mistake as the hon. Member for Burnley (Kitty Ussher). The increase in the small companies corporation tax rate simply applies to the number of incorporated companies, whereas he has used the number of small businesses. If he were to divide the increased tax take by the number of small companies—some 800,000 of which are profitable—he would find that the average increase is £1,000 per small company. I accept that this is a difficult issue; there is confusion in respect of small businesses and small companies. I might have made the same mistake inadvertently, but it is important to distinguish between the two when we consider the gainers and the losers from these measures.

Rob Marris: I am grateful for the hon. Gentleman's extremely helpful intervention. Having been in small business myself, I accept that £1,000 is significant to such businesses. Given that many of us wish to encourage small business to grow, it surprises me that this whole clause stand part debate seems to have been a subsection (1) stand part debate. No reference has been made to subsection (2) and the following subsections in terms of marginal reliefs. They relate to the transitional provisions in terms of corporation tax for those companies whose profits are between £300,000 and £1.5 million per annum. They are the lower and upper profit limits for what one might call the transitional regime for the rate of corporation tax. That should benefit what one might call larger small business. I use that term rather than medium-sized business because a business may well grow to reach the level of profitability and therefore the tax bracket covering companies with profits between £300,000 and £1.5 million without crossing the threshold in terms of the number of employees that would result in its being a medium-sized business.

I also note that in response to the intervention by my hon. Friend the Financial Secretary, the hon. Member for Fareham did not say what he thought the rate should be. His response, broadly—I paraphrase, but he will correct me if I have it wrong—was, "We're not in government now. We'll look at it when we are in government in 2010." That was certainly the year he cited. However, it surprises me that, even though he feels so strongly about subsection (1), which deals with the 20 per cent. rate instead of the zero rate for small companies, he has not tabled an amendment. If he did table one, he will have to forgive me for saying that, but I have not seen it listed—perhaps it was not selected. If the hon. Gentleman speaks again in this debate, will he say whether he proposes to vote against clause 3 given that, although it contains a provision that he regards as somewhat negative in subsection (1), it later sets out a measure that I suspect he regards as positive?

John Healey: We have had a useful and wide-ranging debate that has served to bring out some of the broader issues in the light of which it is necessary to consider clause 3. If you will allow me, Sir Alan, I shall set out those issues as a way of helping hon. Members to consider the provisions of clause 3 in the proper context.

The hon. Member for Fareham (Mr. Hoban) admitted to having made a mistake that his right hon. Member for Witney (Mr. Cameron) has also made. In fact, there are 4.3 million small businesses in this country, more than three quarters of which are not incorporated, are not small companies and are therefore not subject to the corporation tax regime. They will not be affected by the changes in clause 3, and it is important to recognise that. Furthermore, one in four of those that are incorporated and are therefore small companies currently pay no corporation tax and are unaffected by the changes because they are not making a profit. The hon. Gentleman acknowledged that in this debate, although not on Second Reading.

An important point, which affects the hon. Gentleman's argument, is that we estimate that the majority of the small companies that remain have incorporated with the purpose of reducing their tax and national insurance liabilities. In other words, those companies take a tax relief that is aimed at investment and growth to reduce their personal tax and national insurance contributions liabilities. In contrast, all small businesses, both self-employed and incorporated—all 4.3 million—can benefit from the associated announcement in the Budget of the new annual investment allowance for expenditure up to £50,000, which many hon. Members have mentioned this afternoon. Many of the self-employed businesses will also benefit from the personal tax changes announced in the Budget.

If we look more closely at the companies that could be affected by the changes to the small companies rate, we find that in 2004-05 some 750,000 companies paid what is known as the small companies rate, which is really a small profits rate because any company with profits of up to £300,000 in a year benefits from that low corporate tax rate. In fact, a quarter of large companies—those employing more than 250 staff—pay the small companies or small profits rate; and fully around half of medium-sized companies, which have between 50 and 250 employees, pay that rate. The question as regards future tax decisions and reforms is whether we should continue, through the small companies rate, to provide a low rate of corporation tax targeted on low-profit companies, regardless of their investment activity. That fundamental principle underpinned the package of decisions that we announced in the Budget and that we are now incorporating in law through the Finance Bill.

5.15 pm

Since the late 1990s, we have looked carefully at small business taxation, with a view to ensuring a tax system that encourages investment and innovation and provides the fairest possible outcome for all small businesses. The hon. Member for Twickenham (Dr. Cable) said at one point that he thought that we were rushing into making the changes. He carries out his duties diligently, so I am sure that he will have read the consultation document that we published in December 2004, "Small companies, the self-employed and the tax system". It encouraged a wide-ranging debate on how incentives for growth and enterprise can be best targeted while maintaining a system that is as fair as possible for all. The package of changes that we are proposing is a response to that debate, and it comes after careful consideration and detailed discussions with a wide range of interested groups.

One of the factors that we have to take into account is the degree of tax-motivated incorporation. Lower rates of tax have resulted in a significant number of people incorporating to take advantage of those low rates, not to reinvest in the business, but to extract the company profits in a way that reduces their personal tax and national insurance liabilities, while still allowing them access to contributed benefits. That is contrary to the aims of the reforms that we made to the small companies rate in previous years. Of course, the costs to the public purse are significant; clearly, if all self-employed people decided to incorporate, it could cost the Exchequer billions of pounds in lost revenue, and it would do little to improve productivity or growth. That tax break would be subsidised by ordinary taxpayers and self-employed businesses, which would suffer a competitive disadvantage.

We propose, in part through clause 3, to refocus the manner in which we provide investment incentives to small businesses. All the revenue raised by the small companies rate increases will be recycled back into small businesses. First, the increase in the small companies rate will reduce the difference in the tax paid by the incorporated and the self-employed. As Members may know, one noted commentator and academic, having considered the impact of the Budget changes on the tax incentive to incorporate, has said on accountingweb.co.uk that there is

"probably insufficient reason to incorporate at profits of less than £40,000 in the future".

Secondly, the headline small companies research and development tax credit will increase from 150 per cent. to 175 per cent., which will help small companies, particularly those investing in innovation and new technology. The current first-year capital allowances for small firms will continue at 50 per cent. for a further year. Finally, from April next year, the annual investment allowance will target assistance directly at businesses that invest their profits, regardless of legal form. Under our package of changes, the amount of investment does not have to be significant for a small company to benefit. Some 90 per cent. of tax-paying companies will pay less in tax in the first year in which the annual investment allowance comes into effect if they reinvest as little as 23 per cent. of their profits in their business.

We know that for many small companies and businesses, whatever their legal form, cash flow is king, and that is part of the reason for the annual investment allowance. Cash flow poses the principal risk and is the principal pressure. At present—the hon. Member for South-East Cornwall (Mr. Breed) was concerned about this—labour costs are fully deductible. Employees' wages and employers' national insurance contributions are deductible from, and offset against, taxable profits. The annual investment allowance provides parity between capital and non-capital expenditure precisely in that way.

The hon. Member for Twickenham wondered how much of the annual investment allowance would go to small businesses. We calculate that about 90 per cent. of the cost of the annual investment allowance will go to small businesses. For example, in the financial year 2009-10, we estimate the cost of the AIA to be about £920 million, of which an estimated £805 million will go to small firms. We will obviously monitor that, and evaluate it once it has been introduced. May I tell the Committee, too, that the notion that somehow small businesses do not invest is far from the mark? In the last year for which we have firm figures, small companies invested some £6.4 billion in capital expenditure, and we expect the vast majority of small businesses making a capital investment to claim the AIA in future.

Perhaps we should dwell, too, on the perception—this argument has been made by the Opposition this afternoon—that service companies do not invest, either. Based on the analysis of data by Her Majesty's Revenue and Customs, well over a third of small companies in the businesses service sector invest. Unincorporated businesses in the sector that do invest, invest an average of £3,500 a year. Small companies in the sector invest an average of £22,000 a year. Other service sectors demonstrate perhaps even higher levels of investment. More than half of service firms in the retail sector invest, and more than half of businesses in the hotel and catering sector do so.

Mr. Newmark *rose—*

John Healey: I shall give way to the hon. Gentleman because he was very active in the debate.

Mr. Newmark: I listened very carefully to the explanation of the incentives driving the policy. The Minister said that a third of small businesses will benefit, but that still means that the majority—two thirds—will not do so. Will he comment on that?

John Healey: I was not talking about all service companies; I was talking specifically about the business services sector. I went on to say that more than half the service companies in hotel and catering and more than half the companies in retails invest, and do so consistently. A small catering company, for instance, that makes £100,000 profits and invests £30,000 in new kitchen equipment, will pay about £2,000 less tax in the first year of the new annual investment allowance than it would do without the changes in the Budget. A self-employed builder who invests £4,000 to start up a business and earns £30,000 in the first year, will pay about £1,200 less tax and national insurance.

The hon. Member for Fareham, whose concerns were echoed by his hon. Friend the Member for

[John Healey]

South-West Hertfordshire (Mr. Gauke), repeated the allegation that the package of changes will make the system more complex for small businesses, but the changes to the small companies rate in clause 3 do not make any difference to the level of complexity. The annual investment allowance, in fact, makes tax simpler for small businesses. If the hon. Member for Fareham will not take it from me, perhaps he will take it from the chairman of the tax committee of the Federation of Small Businesses, Simon Sweetman, who said:

"The Annual Investment Allowance...should allow what is in effect free depreciation for small businesses on plant and machinery, and has the added benefit of being a simplification."

Julia Goldsworthy: I am listening carefully to the Minister's arguments, but surely there is still a fundamental problem, as the small companies rate will go up now, but the annual investment allowance will be introduced next year. If we are to allow companies to prepare for the changes and make sure that they can offset as he described, would it not be better to introduce the changes simultaneously?

John Healey: The hon. Lady is right that there is a package of changes. I am sure she wants us to get the annual investment allowance correct when we introduce it next year, but she may have missed the point that I made earlier, when I said that for a further year—this year—alongside this increase in the small companies rate, the capital relief for small businesses that are investing will be maintained at the higher rate of 50 per cent. That helps to deal with her concern.

The package of changes, including clause 3, refocuses the incentives for investment, creates a simpler system that recognises the importance of cash flow in small companies, particularly those making capital investment, and reduces the unfair differential between businesses operating as self-employed businesses and those that choose to incorporate. I hope that, having heard the breadth of the arguments, the hon. Member for Fareham will not press the matter to a Division. If he tries not to allow clause 3 to stand part, I shall have to ask my hon. Friends to ensure that the clause, as an important part of the package of changes that the Chancellor announced in the Budget, remains part of the Bill.

Mr. Hoban: It has been a wide-ranging debate, reflecting the nature of the arguments used by the Government to support the increase in the small companies rate of corporation tax and the breadth of opposition to that policy. The Minister set out the argument that the Government made a mistake in 2002, when they discriminated in favour of incorporation by introducing the zero per cent. rate of corporation tax. They now seek to reverse that measure by raising the small companies rate. That will have an impact on a wide range of businesses making profits of up to £1.5 million.

We see a wide-ranging attack on those small companies and an increase in the tax that they will pay. The numbers speak for themselves. There will be an £820 million increase in the tax take from those small businesses, equivalent to £1,000 per company, yet the benefit of the offsetting package amounts to about £60 per small businesses, so businesses will be hit hard. Small companies will see an increase in their tax bill, without the offset.

As the Financial Secretary indicated, businesses that do not seek to invest in assets will be penalised. They will not benefit from the increased capital allowances on offer. There is discrimination against businesses that seek to grow by employing more staff and against knowledge-based companies. A great bias seems to be developing in the arguments put by Labour Members against the service sector, which, according to the hon. Member for Wolverhampton, South-West, (Rob Morris) does not contribute much towards exports, whereas we know that service sector businesses of all sizes make a major contribution towards exports. A large number of them export a significant amount of their turnover and play an active role in exploiting those markets.

The measure is ill thought through and ill conceived. Since the Government were elected in 1997, the large number of changes to the small companies corporation tax rate have sent out a mixed message to those companies. When they see the large companies rate of corporation tax being cut in the Budget, they wonder what the Chancellor thinks small companies are up to. They feel that the Government do not take them seriously and do not believe that they are the backbone of the economy and an important job and wealth creator. For that reason, I propose that we vote against clause 3 stand part.

Question put, That the clause stand part of the Bill:—

The Committee divided: Ayes 257, Noes 138.

Division No. 102] **[5.28 pm**

AYES

Abbott, Ms Diane	Cawsey, Mr. Ian
Ainger, Nick	Challen, Colin
Ainsworth, rh Mr. Bob	Chapman, Ben
Anderson, Mr. David	Chaytor, Mr. David
Anderson, Janet	Clark, Ms Katy
Armstrong, rh Hilary	Clark, Paul
Atkins, Charlotte	Clarke, rh Mr. Charles
Austin, Mr. Ian	Clarke, rh Mr. Tom
Bailey, Mr. Adrian	Clelland, Mr. David
Balls, Ed	Coaker, Mr. Vernon
Barlow, Ms Celia	Coffey, Ann
Barron, rh Mr. Kevin	Cohen, Harry
Battle, rh John	Connarty, Michael
Bayley, Hugh	Cook, Frank
Bell, Sir Stuart	Cooper, Rosie
Benn, rh Hilary	Cooper, Yvette
Benton, Mr. Joe	Cousins, Jim
Blackman, Liz	Crausby, Mr. David
Blears, rh Hazel	Creagh, Mary
Blizzard, Mr. Bob	Cruddas, Jon
Borrow, Mr. David S.	Cryer, Mrs. Ann
Bradshaw, Mr. Ben	Cummings, John
Brennan, Kevin	Cunningham, Mr. Jim
Brown, Lyn	Cunningham, Tony
Brown, rh Mr. Nicholas	Curtis-Thomas, Mrs. Claire
Buck, Ms Karen	Dean, Mrs. Janet
Burden, Richard	Denham, rh Mr. John
Burnham, Andy	Dhanda, Mr. Parmjit
Butler, Ms Dawn	Dobbin, Jim
Byers, rh Mr. Stephen	Donohoe, Mr. Brian H.
Campbell, Mr. Alan	Drew, Mr. David
Campbell, Mr. Ronnie	Eagle, Angela
Caton, Mr. Martin	Efford, Clive

Engel, Natascha
Ennis, Jeff
Etherington, Bill
Field, rh Mr. Frank
Fisher, Mark
Fitzpatrick, Jim
Flint, Caroline
Flynn, Paul
Follett, Barbara
Foster, Mr. Michael *(Worcester)*
Foster, Michael Jabez *(Hastings and Rye)*
Francis, Dr. Hywel
Gapes, Mike
George, rh Mr. Bruce
Gerrard, Mr. Neil
Gibson, Dr. Ian
Gilroy, Linda
Godsiff, Mr. Roger
Goodman, Helen
Griffiths, Nigel
Grogan, Mr. John
Gwynne, Andrew
Hall, Mr. Mike
Hall, Patrick
Hamilton, Mr. Fabian
Harman, rh Ms Harriet
Harris, Mr. Tom
Havard, Mr. Dai
Healey, John
Henderson, Mr. Doug
Hendrick, Mr. Mark
Hepburn, Mr. Stephen
Heppell, Mr. John
Hesford, Stephen
Hewitt, rh Ms Patricia
Heyes, David
Hill, rh Keith
Hillier, Meg
Hodgson, Mrs. Sharon
Hood, Mr. Jimmy
Hoon, rh Mr. Geoffrey
Hope, Phil
Hopkins, Kelvin
Howarth, rh Mr. George
Howells, Dr. Kim
Hoyle, Mr. Lindsay
Hughes, rh Beverley
Humble, Mrs. Joan
Iddon, Dr. Brian
Irranca-Davies, Huw
Jackson, Glenda
James, Mrs. Siân C.
Jenkins, Mr. Brian
Johnson, rh Alan
Johnson, Ms Diana R.
Jones, Mr. Kevan
Jones, Lynne
Jones, Mr. Martyn
Jowell, rh Tessa
Kaufman, rh Sir Gerald
Keeley, Barbara
Keen, Alan
Keen, Ann
Kemp, Mr. Fraser
Khan, Mr. Sadiq
Kilfoyle, Mr. Peter
Knight, Jim
Ladyman, Dr. Stephen
Lammy, Mr. David
Laxton, Mr. Bob
Lazarowicz, Mark
Levitt, Tom
Lewis, Mr. Ivan
Linton, Martin
Lloyd, Tony
Love, Mr. Andrew
Lucas, Ian
Mackinlay, Andrew
Mahmood, Mr. Khalid
Malik, Mr. Shahid
Mallaber, Judy
Mann, John
Marris, Rob
Marsden, Mr. Gordon
Marshall, Mr. David
Marshall-Andrews, Mr. Robert
Martlew, Mr. Eric
McAvoy, rh Mr. Thomas
McCabe, Steve
McCafferty, Chris
McCarthy, Kerry
McCarthy-Fry, Sarah
McCartney, rh Mr. Ian
McDonagh, Siobhain
McFadden, Mr. Pat
McIsaac, Shona
McKechin, Ann
McNulty, Mr. Tony
Meacher, rh Mr. Michael
Merron, Gillian
Michael, rh Alun
Milburn, rh Mr. Alan
Miliband, Edward
Miller, Andrew
Moffatt, Laura
Mole, Chris
Moon, Mrs. Madeleine
Morley, rh Mr. Elliot
Mudie, Mr. George
Mullin, Mr. Chris
Munn, Meg
Murphy, Mr. Jim
Murphy, rh Mr. Paul
Naysmith, Dr. Doug
Norris, Dan
O'Brien, Mr. Mike
O'Hara, Mr. Edward
Olner, Mr. Bill
Osborne, Sandra
Pearson, Ian
Plaskitt, Mr. James
Pope, Mr. Greg
Pound, Stephen
Prentice, Mr. Gordon
Prosser, Gwyn
Purchase, Mr. Ken
Purnell, James
Rammell, Bill
Raynsford, rh Mr. Nick
Reed, Mr. Andy
Reed, Mr. Jamie
Robertson, John
Robinson, Mr. Geoffrey
Rooney, Mr. Terry
Ruddock, Joan
Russell, Christine
Ryan, Joan
Salter, Martin
Seabeck, Alison
Shaw, Jonathan
Sheerman, Mr. Barry
Sheridan, Jim
Simon, Mr. Siôn
Singh, Mr. Marsha
Skinner, Mr. Dennis
Slaughter, Mr. Andy
Smith, rh Mr. Andrew
Smith, Ms Angela C. *(Sheffield, Hillsborough)*
Smith, Angela E. *(Basildon)*
Smith, Geraldine
Smith, rh Jacqui
Snelgrove, Anne
Southworth, Helen
Spellar, rh Mr. John
Starkey, Dr. Phyllis
Stewart, Ian
Strang, rh Dr. Gavin
Straw, rh Mr. Jack
Stringer, Graham
Stuart, Ms Gisela
Sutcliffe, Mr. Gerry
Taylor, Ms Dari
Taylor, David
Thomas, Mr. Gareth
Timms, rh Mr. Stephen
Tipping, Paddy
Todd, Mr. Mark
Touhig, rh Mr. Don
Truswell, Mr. Paul
Turner, Dr. Desmond
Turner, Mr. Neil
Twigg, Derek
Ussher, Kitty
Vaz, rh Keith
Vis, Dr. Rudi
Waltho, Lynda
Ward, Claire
Wareing, Mr. Robert N.
Whitehead, Dr. Alan
Wicks, Malcolm
Williams, rh Mr. Alan
Williams, Mrs. Betty
Wills, Mr. Michael
Winnick, Mr. David
Winterton, rh Ms Rosie
Wood, Mike
Woodward, Mr. Shaun
Wright, David
Wright, Mr. Iain
Wright, Dr. Tony
Wyatt, Derek

Tellers for the Ayes:
Mr. Frank Roy and Mr. Dave Watts

NOES

Ainsworth, Mr. Peter
Amess, Mr. David
Arbuthnot, rh Mr. James
Atkinson, Mr. Peter
Barker, Gregory
Baron, Mr. John
Beith, rh Mr. Alan
Bellingham, Mr. Henry
Bercow, John
Blunt, Mr. Crispin
Boswell, Mr. Tim
Bottomley, Peter
Brady, Mr. Graham
Brazier, Mr. Julian
Breed, Mr. Colin
Brokenshire, James
Browning, Angela
Burns, Mr. Simon
Burrowes, Mr. David
Burstow, Mr. Paul
Burt, Alistair
Cable, Dr. Vincent
Carswell, Mr. Douglas
Chope, Mr. Christopher
Clappison, Mr. James
Clarke, rh Mr. Kenneth
Curry, rh Mr. David
Davies, David T.C. *(Monmouth)*
Davies, Philip
Davies, Mr. Quentin
Djanogly, Mr. Jonathan
Dorries, Mrs. Nadine
Duncan, Alan
Duncan Smith, rh Mr. Iain
Dunne, Mr. Philip
Evennett, Mr. David
Fallon, Mr. Michael
Featherstone, Lynne
Francois, Mr. Mark
Fraser, Mr. Christopher
Garnier, Mr. Edward
Gauke, Mr. David
Gibb, Mr. Nick
Goldsworthy, Julia
Goodman, Mr. Paul
Goodwill, Mr. Robert
Gove, Michael
Gray, Mr. James
Greening, Justine
Gummer, rh Mr. John
Hammond, Mr. Philip
Hammond, Stephen
Hands, Mr. Greg
Harper, Mr. Mark
Harvey, Nick
Heath, Mr. David
Heathcoat-Amory, rh Mr. David
Hendry, Charles
Herbert, Nick
Hoban, Mr. Mark
Holloway, Mr. Adam
Horam, Mr. John
Horwood, Martin
Hosie, Stewart
Howarth, David
Howarth, Mr. Gerald
Hughes, Simon
Hunt, Mr. Jeremy
Hurd, Mr. Nick
Jenkin, Mr. Bernard
Johnson, Mr. Boris
Key, Robert
Kirkbride, Miss Julie
Lamb, Norman
Lancaster, Mr. Mark
Lansley, Mr. Andrew
Leigh, Mr. Edward
Letwin, rh Mr. Oliver
Lewis, Dr. Julian
Liddell-Grainger, Mr. Ian
Lilley, rh Mr. Peter
Luff, Peter

Mackay, rh Mr. Andrew
Maclean, rh David
Malins, Mr. Humfrey
Maples, Mr. John
May, rh Mrs. Theresa
McLoughlin, rh Mr. Patrick
Mercer, Patrick
Miller, Mrs. Maria
Milton, Anne
Mitchell, Mr. Andrew
Moore, Mr. Michael
Murrison, Dr. Andrew
Newmark, Mr. Brooks
Oaten, Mr. Mark
O'Brien, Richard
Paice, Mr. James
Pelling, Mr. Andrew
Penning, Mike
Prisk, Mr. Mark
Pugh, Dr. John
Rifkind, rh Sir Malcolm
Robertson, Mr. Laurence
Rosindell, Andrew
Ruffley, Mr. David
Russell, Bob
Sanders, Mr. Adrian
Scott, Mr. Lee
Simmonds, Mark
Simpson, Mr. Keith
Soames, Mr. Nicholas
Spicer, Sir Michael
Spink, Bob
Spring, Mr. Richard
Stanley, rh Sir John
Steen, Mr. Anthony
Streeter, Mr. Gary
Swayne, Mr. Desmond
Swire, Mr. Hugo
Syms, Mr. Robert
Tapsell, Sir Peter
Taylor, Mr. Ian
Teather, Sarah
Tyrie, Mr. Andrew
Vaizey, Mr. Edward
Vara, Mr. Shailesh
Viggers, Peter
Villiers, Mrs. Theresa
Waterson, Mr. Nigel
Whittingdale, Mr. John
Wiggin, Bill
Willetts, Mr. David
Williams, Hywel
Wilshire, Mr. David
Winterton, Ann
Winterton, Sir Nicholas
Young, rh Sir George

Tellers for the Noes:
Angela Watkinson and Michael Fabricant

Question accordingly agreed to.

Clause 3 ordered to stand part of the Bill.

Clause 1

CHARGES AND RATES FOR 2007-08

5.45 pm

Julia Goldsworthy: I beg to move amendment No. 10, in page 1, line 6, leave out '10%' and insert '0%'.

The First Deputy Chairman of Ways and Means (Sylvia Heal): With this it will be convenient to discuss amendment No. 11, in page 1, line 7, leave out '22%' and insert '20%'.

Julia Goldsworthy: Thank you, Mrs. Heal. It is a pleasure to welcome you to the Chair.

In our discussion of clause 3, the hon. Member for Fareham (Mr. Hoban) talked about the Chancellor giving with one hand and taking away with the other. The amendments that we have tabled on the income tax clause reiterate that theme. They seek to pursue two different lines of inquiry, and pose questions that I hope will tease out the Government's line of thinking in relation to the announcements that the Chancellor made in his final Budget.

First, we are trying to tease out the Government's arguments behind the Chancellor's proposal to abolish the starting rate of income tax and to cut the basic rate by 2p in the pound. That is dealt with by amendment No. 11 and by amendment No. 12, which has not been selected for debate. It will be interesting to hear the Minister's justification of the abolition of the 10p starting rate, which will result in millions of people who currently pay 10p in the pound seeing their tax rate increase to 20p in the pound.

Secondly, we want to highlight the alternatives that the Government could have considered, given that the Chancellor talked about tax changes that would be "fairer". This is dealt with in amendment No. 10, which, rather than increasing the 10p starting rate to 20p, would get rid of it altogether, thereby lifting people on very low incomes out of tax altogether. It would replace the 10 per cent. rate with a zero rate, which would have the opposite effect to that announced by the Chancellor. Two million people would thereby be lifted out of tax altogether. This was a proposal that our tax commission looked at, in addition to cutting the basic rate of tax by 2p, as the Chancellor has announced. Amendment No. 11 proposes to introduce the basic rate changes that the Chancellor announced with great fanfare in the Budget but which, according to the Government's timetable, will not be introduced until the next financial year.

I shall briefly discuss the context of the proposals. The changes in income tax were announced in the final few words of the Chancellor's final Budget. His explanation of the reasons behind the cut to the basic rate was clear. He said that

"to reward work, to ensure working families are better off and to make the tax system fairer, I will from next April cut the basic rate of income tax from 22p to 20p".

That was very clear. My hon. Friend the Member for Twickenham (Dr. Cable) said in the debate on the Budget resolutions that that announcement had given him a frisson of excitement, because he thought that the proposals put forward by our tax commission were being imitated.

It was less clear how the proposal was to be paid for, however. While the Chancellor was clear about the 2p reduction in income tax, he also said:

"With the other decisions I have made today, we are able to hold to our pledge made at the election not to raise the basic rate of income tax."—[*Official Report*, 21 March 2007; Vol. 458, c. 828.]

That is as close as he came to explaining that he was going to get rid of the 10p rate. He did not give any details of the decision to abolish the starting rate at any other point. Instead, we have to look at table 1.2 in the overview on page 13 of the Red Book. Line 15 refers to:

"Removing the starting rate of Income Tax on non-savings income".

That is what will pay for the reduction in the basic rate of income tax to 20p.

Let us not forget, therefore, that the Government have chosen not to put these proposals in the Finance Bill. They are designed to be introduced next year. Perhaps the Chancellor is keen to leave these issues to his successor. Amendments Nos. 11 and 12 propose to introduce the changes immediately. As they would enable the Government to implement their own policy early, I would be interested to hear whether the Minister is considering supporting them. If not, perhaps he will explain why the Government are so keen to delay the changes for a year. Why does introducing them later make them any fairer?

I shall remind the House again of the Chancellor's words: he talked about making working families

"better off". How much better off will the Government's changes make the average family? At best—as we have seen in relation to the small business rate changes—people will be no better off. At worst, individuals will be significantly worse off, especially households on low incomes with no children, and single individuals. Ministers have talked about how tax credits will offset that, but let us not forget that large numbers of people do not claim the tax credits to which they are entitled. Many people under 25 on low incomes are not entitled to apply for tax credits in the first place. It is interesting to note that the Chancellor's speech contained no explicit mention of young individuals or childless couples on low incomes—exactly the groups who will be worse off, and for whom the proposals will not be fairer. I would be interested to hear from the Chief Secretary exactly how the proposals make the system fairer.

The amendments are particularly pertinent given the coverage over the weekend of how the wealth of the richest in our society has grown exponentially over the past 10 years—yet the Government proposals will hit those on the lowest incomes. Would it not have been fairer to fund a basic rate tax cut, reducing that growing inequality, by raising taxes for those on very high incomes, instead of raising taxes for those on very low incomes? As the "Rich List" published in *The Times* at the weekend showed, the only tax that many of those very rich people pay is council tax. Why did the Government not take the opportunity provided by the Bill to introduce measures that would have made the tax system fairer, perhaps by implementing some of the Lyons review's recommendations in the short term?

The 10p rate, which will be abolished in the next Finance Bill, was highlighted in Labour's manifesto, and the Liberal Democrats have proposed reducing the rate to zero rather than increasing it to 20p. The Labour manifesto in 1997 stated:

> "Our long-term objective is a lower starting rate of income tax of ten pence in the pound. Reducing the high marginal rates at the bottom end of the earning scale—often 70 or 80 per cent—is not only fair but desirable to encourage employment."

If it was fair to introduce the 10p rate to try to counteract high marginal rates of taxation, why is it now fair to increase that marginal rate of taxation back to 20 per cent.? After being introduced with such a fanfare—preannounced in the manifesto, in the first Budget, and again before being finally introduced—why does the Chancellor now seem keen to dump the 10p rate on the quiet once he has left the Treasury building?

The amendments invite Treasury Ministers to face up to a decision today on the two options laid out. One of those is available to debate right now.

Mr. Timms: I know that the hon. Lady's party has been favouring the abolition of the 10p rate, its replacement with a zero rate, and the extension of personal allowances as set out by her party's policy document. The document indicated, however, that the change would be offset by £8 billion of environmental tax rises and other changes. Will she table amendments to the Bill setting out the detail of those changes?

Julia Goldsworthy: As the Chief Secretary knows, there are constraints on what can be tabled and debated in relation to this year's Finance Bill, and we must respond to the measures before us today. The amendments are about whether the system will be fairer. The Chief Secretary is absolutely right that our tax commission's proposals were fairer, simpler and greener. We will seek to make the case for those measures as best we can, given the constraints in relation to the Finance Bill.

Mr. Paul Goodman (Wycombe) (Con): The hon. Lady said that there were restrictions on what can be tabled. I presume that she was referring to the tabling of any amendment that would raise a tax. Will she confirm that last year her party tabled tax-raising amendments in relation to vehicle excise duty?

Julia Goldsworthy: The hon. Gentleman will know that such amendments can be tabled but not debated, which obviously causes difficulties in relation to the selection of amendments and the package that can be put forward. In addition, we are debating clause 1 rather than the whole Finance Bill, so, unfortunately, we have to consider the measure in isolation.

Will the Chief Secretary explain why, and on what basis, he would feel unable to support now amendment No. 11, tabled by the Liberal Democrats, which reduces the basic rate of tax to 20 per cent.? If the Government want to get rid of the 10p rate, why would that be fairer? It was clearly presented as fairer in the Budget, but in the aftermath of the Budget, Ministers were keener to present it as a simplification measure, which is certainly more logical.

The amendments provide an opportunity for the Treasury to set the record straight and follow through on its announcements in the Budget. I am not clear why it was not able to do that in this year's Finance Bill. If the Government really consider the measure to be fairer, it makes sense to introduce it straight away. Alternatively, is the Treasury keen to postpone certain arguments until after the present Chancellor moves next door to No. 10?

Mrs. Villiers: I want to consider the amendments first, and then the wider background to clause 1, especially the 10p income tax band. The official Opposition will not vote in favour of the amendments if they are pressed to a Division. Our primary concern about them is that they have not been properly costed, so it would not be fiscally responsible to vote in favour of them.

We are also concerned by the claim in the Liberal Democrats' tax policy paper that their package amounts to a "green tax switch"; it amounts to nothing of the sort. Well over half the tax rises that the Liberal Democrats say that they would use to fund the reductions have nothing whatever to do with the environment. They plan to fund £4.3 billion of their tax reductions from scrapping higher rate relief on pensions. That is an astounding proposal to put forward at a time when our pension system is in crisis, and to do so without proposing any alternative incentives to save or to tackle the pensions crisis seems wholly irresponsible.

Rob Marris: Is the hon. Lady aware that according to the Department for Work and Pensions, tax incentives have no influence whatever on people's propensity to save for pensions?

Mrs. Villiers: If that is the case, the Department for Work and Pensions does not know what it is talking about. John Lawson, of Standard Life, described the Liberal Democrat tax proposals as "extremely flawed". He continued:

"The Lib Dems need to have a serious rethink of this proposal...Pensions under these proposals would become almost pointless".

Tom McPhail, head of pensions research at Hargreaves Lansdown, said that the removal of tax relief would have a

"catastrophic effect on pension funding".

Julia Goldsworthy: Does the hon. Lady agree that it is people contributing at the lower rate of pension tax relief who should be encouraged to save for their pensions? Those contributing larger amounts currently qualify for greater relief, so the people who are already saving more benefit more, while those who are saving less, benefit less.

Mrs. Villiers: How does the hon. Lady get round the problem that if one removes a significant tax incentive to save for a pension, fewer people will save for pensions, and the pensions crisis will become even more serious?

Mr. Frank Field (Birkenhead) (Lab): May I probe the hon. Lady further, as I am interested in the image that the Opposition are presenting of being most concerned about the poorest? Is not it true that half of all tax relief for pensions goes to those paying the higher rate of tax? Those are the people with the largest pensions, who will be well provided for in old age. Would not a new Conservative party be more interested in redistributing that revenue to those at the bottom who find it most difficult to save, even if it disagrees with the Liberal Democrat proposals for more sweeping tax reform?

Mrs. Villiers: We are prepared to examine a range of options to try to encourage people across the income spectrum to save for their pensions, but we simply do not think that a £4.3 billion hit on pensions savings is what our pensions system needs at the moment, and that is what the Liberal Democrats are proposing. Given that the savings ratio has been halved during the 10 years of the Chancellor's tenure at No. 11, we think that the last thing the country needs is the complete abolition of an important incentive to save for old age, particularly when it is not accompanied by any compensating incentives elsewhere in the system.

6 pm

I am not convinced that the numbers in the Liberal Democrats' tax package add up. When it was first announced, the Institute for Fiscal Studies identified a £500 million underestimate of the cost of their proposed income tax changes. And the problems do not end there. For a start, as we have heard from the Chief Secretary, the Liberal Democrats have not produced any convincing details of how they would raise £8.1 billion in green taxes. Nor am I convinced that they have got their numbers right in the capital gains tax part of their package. They claim that those changes would raise £6.2 billion, but, they seem to have underestimated the impact on behaviour of changes in the system. After all, for many people capital gains tax is a postponable tax. When rates and reliefs are amended to become less favourable to the taxpayer, there is an incentive to sit on assets.

The First Deputy Chairman: Order. The hon. Lady is straying a little wide of the amendments. Perhaps she will now confine her remarks to them.

Mrs. Villiers: I am delighted to be guided by you, Mrs. Heal. I will, however, refer in passing to an observation by the hon. Member for Falmouth and Camborne (Julia Goldsworthy), who reiterated the Liberal Democrats' support for a local income tax. Far from supporting income tax reductions, her party wants a 4.5 per cent. increase via the local system. I suspect that that is something that her colleagues are not mentioning on the doorsteps this afternoon.

It is instructive to examine the changes in income tax rates proposed for 2008-09 by the Chancellor in his Budget speech. In particular, when we evaluate the 10p band and the 22 per cent. basic rate in clause 1—which the amendments would alter—it makes sense to consider the responses to the Chancellor's announcements.

In reaching a conclusion on the merits of the 10p band, we should assess the Chancellor's proposal to abolish it as from next year. It is striking that the Chancellor's "rabbit out of a hat" announcement on the basic rate does not appear in clause 1. He began his Budget speech by saying that he did not want to follow Gladstone's example and act as Chancellor as well as Prime Minister. However, he still seems very keen to bind the hands of his successor by pre-announcing tax changes for next year, and even later in some instances. Contrary to the spin that he tried so hard to place on the Budget, taxes on income will rise next year as a result of the changes that he announced. The Red Book shows taxes on income rising by £340 million in 2008-09, if we take into account the increases in national insurance and the scrapping of the 10p band.

Serious concern has been expressed about the impact of the loss of the 10p band on those with low incomes. The IFS calculated that 5.3 million families would be worse off as a result of the loss of that band, and other changes proposed in the Budget. That figure was confirmed as being broadly "in the right ball park" by Mark Neale, managing director of the Treasury's Budget, tax and welfare directorate, when he gave evidence to the Treasury Select Committee.

Abolishing the 10p band will result in a transfer of the burden of tax from those on middle incomes to those on low incomes. According to the IFS, the big losers will be people earning between £5,225 and £18,500 a year, particularly those without children, whose loss will not be compensated for by tax credits. Adults without dependent children will be among the hardest hit, because the blow will not be softened to a significant extent by those tax credits. According to the IFS, the poverty rate among that group is now 4 million—the highest since records began in 1961. It is now the largest group of poor people, comprising up about one third of the total. Recent Government data show that child poverty is rising as well—it rose by 100,000 last year—and that the real incomes of the

poorest 20 per cent. of the population are falling. There are now more people in entrenched poverty—below 40 per cent. of median earnings—than there were when the Chancellor took over at No. 11.

Kerry McCarthy (Bristol, East) (Lab): Is the hon. Lady aware that when giving evidence to the Treasury Select Committee, the IFS said that it had never been clear that the 10p rate was a particularly effective tool, and that, taken with other measures in the Budget, the Chancellor's proposed changes appeared to be sensible?

Mrs. Villiers: That does not detract from the real concern expressed by many Members throughout the House about the loss of the 10p band. Let me draw the hon. Lady's attention to what some of them have said.

At the time of the Budget debate, the hon. Member for Birmingham, Selly Oak (Lynne Jones) admitted:

"I think we have to some extent neglected poorer people who have no children. I think that's a cause for concern. It is something that needs to be put right in the long term because there are people who are single who are struggling on low incomes."

Even the Chancellor's close ally, the hon. Member for Coventry, North-West (*Mr. Robinson*), said on the final day of the debate:

"I have a bone to pick with the Chancellor and the Treasury Front Bench about the removal of the 10 per cent. basic rate. I cannot believe that that is the last word from my right hon. and hon. Friends on the subject. It is hurting many people whom the Government never set out in any of their policies—I accept that that is a consequence and not an intention of the Budget—to hurt. Indeed, when the 10p rate was introduced it was precisely to alleviate those problems that, in part, we are now creating."
—[*Official Report*, 27 March 2007; Vol. 458, c. 1365.]

He went on to say that he hoped there would be a review of the decision to scrap the 10p rate.

Essentially, the Chancellor is relying on tax credits to soften the blow inflicted by the loss of the 10p band. In deciding whether it should be retained, we should examine the tax credit system. The impact of the abolition of the 10p band is even tougher on the poor and the low-paid when we take account of the fact that only 61 per cent. of people entitled to working tax credit claim it. Among people without children, the figure drops to 19 per cent. The Treasury itself has budgeted on the assumption that only 25 per cent. of the working tax credit due to childless households will actually be claimed—and who can blame people for being wary of becoming embroiled in tax credits?

Although we support tax credits in principle and believe that they can and should play a continuing role in alleviating poverty, the tax credit system is broken and in need of drastic reform. Referring to tax credits in connection with the abolition of the 10p band is simply not a complete answer. Their effectiveness in mitigating the impact of the loss of the 10p band is undermined by the current chaos in the tax credit system. The fundamental problem is its complexity. As the National Audit Office has said, that complexity underlies the problems with fraud and overpayment.

The more complex the system, the more likely it is that mistakes will be made. People claiming tax credits must fill up a 12-page form and wade through a 60-page explanatory note. Robin Williamson, of the Low Incomes Tax Reform Group, recently commented:

"A specialist in differential equations from Oxford tried to calculate someone's entitlement."

—tax credit entitlement, that is.

"He got it wrong."

The First Deputy Chairman: Order. I am quite prepared to allow the hon. Lady to make a passing reference to that, but I do not think that this is the place for a detailed debate on the child tax credit system.

Mrs. Villiers: Again, I am grateful for your guidance, Mrs. Heal.

It is of considerable concern that the loss of the 10p band will hit people on low incomes. It will mean that more people are forced into the tax credit system, with all the serious problems that the House has debated on so many occasions. It cannot help in any way to fulfil the Chancellor's declared intention of tackling poverty, either. The Chancellor tried to grab the headlines with an income tax cut in the last few words of his Budget statement, but the Bill gives us no such cut—nor will the legislation to come, given how short-sighted the Chancellor plans to introduce.

As Mike Warburton of Grant Thornton said of the Budget:

"This is robbing Peter to pay Paul."

Michael Saunders of Citigroup said that the Chancellor's

"version of tax cuts, it appears, is one that still raises the tax burden."

Peter Spencer, economic adviser to Ernst and Young, said:

"It is a cute trick, there's no doubt about it. I will be amazed if people are duped by it for more than five minutes."

Clause 1 shows more clearly than ever that the Chancellor's 11th and final Budget was a tax con, not a tax cut, and the nation has not been fooled by it.

Mr. Frank Field: Thank you, Mrs. Heal, for calling me. May I also thank you for exercising such judgment, which allowed the Opposition enough leeway to tell us what they were really thinking about, which is, of course, what is happening on the streets now: the fight between the Liberal Democrats and the Conservatives. I want to address my comments to the Treasury Bench, where decisions will be made this year and no doubt next year as well. My speech is on the impact of the 10p rate of tax.

Whatever views one has of the Chancellor, one has to be pretty deranged to say that he is not passionate about redistributing resources to the poorest. I willingly sign up to that message. Therefore, I am puzzled that he has allowed this aspect of his Budget to go through. My feeling is that, on this one occasion, he cannot have done his sums.

Those on the Treasury Bench know that, a month ago, I tabled questions asking how many people will be net losers as a result of the abolition of the 10p rate and how many of those people will not be compensated by the tax credit system. I am sure that, when those in the Treasury get around to answering my question a month late, they will be so appalled by the answer that they themselves will look before Report to meet those Labour Members who are going to table amendments—if we

[Mr. Frank Field]

possibly can—so that those who are going to lose out will not lose out, at least for a transitionary period.

The issue is twofold: there is redistribution from poorer people to richer people, but there is also redistribution within families. I want to draw the Committee's attention to both those aspects of redistribution, which are unsatisfactory to Labour Members. Members of Parliament, given the salaries that we are on, will benefit from the tax package, but if we let the measure go through next year, those of our constituents who earn a sixth of our salaries will pay about £3 a week more in tax. That cannot have been the aim of the move.

As I said, the redistribution occurs not only in a traditional sense—from poorer people to richer people—but within families. With most families, although not all, it is the men who are higher earners and the women who are lower earners. Therefore, if the abolition goes through, in every family in the land who are in that position, the women generally will pay more tax and their husbands will pay less tax. If the measure is unaccompanied by other protection measures, it will redistribute from women to men within families and, between families, from poorer families to richer families.

As I said earlier, no one who is in control of their marbles believes that the Chancellor is not passionate about redistributing to poorer people. Some of us may have a debate about the methods of that redistribution, but no one should doubt the intent. Therefore, it is a surprise that the measure is going through as it is. I believe that once those in the Treasury, a month late, get around to answering the question that I tabled, they will be so horrified by the findings that they themselves will look at what measures we can take, and those measures should be of a transitionary nature, not permanent.

The move that the Chancellor is making to simplify our tax system as much as possible and to make it easier for people to understand is the right one. The aim is for the standard rate of tax to be the tax rate that determines whether people work harder, train more, get jobs with greater responsibilities and push up their family income as a result. Therefore, I support the desire that the Chancellor has. I cannot believe, however, that he did the sums on the matter, in possibly his last Budget. When he has done the sums, he will not be happy at supporting a change that redistributes income to a family from lower paid women to higher paid men in that household, or more generally from lower paid workers to higher paid workers such as MPs. I hope that when we come to Report it will not be necessary for Labour Members to table amendments and that the Government themselves will make those changes.

6.15 pm

Mr. Gauke: It is a great pleasure to follow the right hon. Member for Birkenhead (Mr. Field), whose work on the matter is highly regarded by hon. Members on both sides of the House.

It is a curious amendment, but it is helpful in giving Members an opportunity to debate these matters. Amendment No. 10 would result in a starting rate of income tax of zero per cent. I know why those who tabled the amendment have proposed that, but presumably if one is paying zero per cent. one is not starting to pay income tax. It is not a starting rate; it is a threshold, but it is a useful device to enable us to discuss these matters.

Mr. Frank Field: The starting rate would be 20p.

Mr. Gauke: Indeed.

It is useful to be able to discuss these matters. The changes to income tax that will be introduced next year and that we have touched on were perhaps the key consideration when analysing the Budget. The issue of the winners and losers is key. Indeed, as a member of the Treasury Committee, I am pleased that the Labour-dominated Committee has recommended that, in future, the Red Book should set out a clear analysis of winners and losers, so that it is possible to see much earlier who they are. This year, the Red Book set out some examples of winners, but not of losers—curiously. I know that journalists were complaining about the fact that it was impossible to get any losers out of the Treasury. Given that this was a broadly tax-neutral Budget, if there were some winners, presumably there must have been some losers.

The Institute for Fiscal Studies has been much more helpful on the matter. My hon. Friend the Member for Chipping Barnet (Mrs. Villiers) referred to the IFS's analysis that stated that 5.3 million households would be losers as a consequence of the Budget changes. As we hear,' from my hon. Friend, that point was confirmed to the Treasury Committee by Mark Neale, a senior Treasury official. He must have felt that he was safe in saying that. He said that

"the figure...is in the right ball-park and is consistent with the Chancellor's statement that four out of five households either gain or remain in the same position as a result of the Budget measures".

He may have felt that that was a perfectly reasonable and safe thing to say. However, Mr. Neale was due to give evidence to the Treasury Committee the day after, alongside the Chancellor, and was curiously withdrawn after the quotation was used in various newspapers. Mr. Neale's absence was not explained, but we all worried about his safety and I hope that no harm has come to him.

The estimate that 5.3 million households would lose out as a result of the Budget was put to the Chancellor, and he was asked whether he accepted it. Given that his own officials had accepted it, one would have thought that he would not have had a problem. However, he advanced two arguments as to why he did not accept that estimate, which was made following the changes in income tax that he announced. The first was that the minimum wage was rising.

I, too, asked a parliamentary question, which was addressed to the Department of Trade and Industry. Unlike the right hon. Member for Birkenhead, I have had some success in getting an answer. It concerned an analysis of those people earning the national minimum wage, broken down by salary. The fact is that the majority of those on the minimum wage have an annual salary of less than £12,000, so they will be unaffected by the income tax changes. The remaining

171,000 earn over £5,000. Let us assume that all 171,000 are losers; I do not think that we can necessarily do that, but for argument's sake let us do so. Let us assume also that they are in separate households, which is highly unlikely. That takes us to 171,000 households who are on the minimum wage and whose income therefore, one could say, will increase over the course of the year. That will not make much of a dent in the figure of 5.3 million households that the IFS estimates will lose out as a result of the Budget, and the figure of 171,000 is, perhaps, optimistic.

Julia Goldsworthy: The minimum wage is lower for younger earners, and they will be too young to be entitled to tax credits. For those people, this will have a penal effect.

Mr. Gauke: The hon. Lady's comments bring me to the second argument that the Chancellor used in disputing the figure of 5.3 million household losers, which was the take-up of working tax credits. I will not dwell on the point, but he claimed that the take-up will substantially increase. For households with no children, the current take-up rate by expenditure is about 25 per cent., and by person it is 19 per cent.

In giving evidence to the Treasury Committee, the Chancellor produced some figures which no one had seen before. They related to working tax credit take-up as a whole, as opposed to households without children. He said that a further 100,000 were now claiming, but he was not able to give a percentage figure. I recall reading an article in *The Daily Telegraph* that reported that the Chancellor once tore a strip off an official who was unable to give percentage figures. The Chancellor gave an overall number, and I have tabled a parliamentary question to find out the percentage for households without children.

Given that the Chancellor had claimed that there was an increase and confidently predicted further increases, I decided to table yet another parliamentary question, and again I have had success in obtaining an answer. I do not know whether the right hon. Member for Birkenhead feels victimised by that. Perhaps I am more popular with the Chancellor than he is.

Mr. Paul Goodman: You could not be less popular.

Mr. Gauke: I could not be less popular with the Chancellor, as my hon. Friend points out.

I tabled a parliamentary question on the level of take-up of working tax credit that the Treasury anticipated over the next few years, to which I received the answer that the Government do not make forward projections for take-up rates.

Therefore, the Chancellor has used two arguments, neither of which holds water. It appears that the changes to income tax announced in the Budget will result in 5.3 million households losing out. If the Chief Secretary would like to dispute those figures, I would be grateful to hear that and to understand the argument. However, this is a substantial change. At a time when the economy is doing well, 5.3 million households will lose out, and those households are generally the poorest, not the richest.

Paul Flynn (Newport, West) (Lab): I shall be brief. As an old lag who has attended many debates on pensions over a long period—and perhaps I should state that I have a personal financial interest in the basic pension, which I have been receiving for some seven years now—I can recall a pensions crisis. I recall the 17 years under the Tory Government when the level of the basic pension was cut following their severing of the link with earnings in 1980. A few years later, they cut in half the value of the state earnings-related pension scheme. The introduction of SERPS under Barbara Castle in 1975 was one of the most progressive moves ever made, and it was supported by all parties in the House. The Tory Government also promoted the personal pension scam that robbed 6 million people, who received derisory pensions compared with the amount of money put into them. It was left up to the Labour Government to put that right. Therefore, there was a pensions crisis.

We must resist the fiction that is promoted by the Opposition parties and the tabloid press in an effort to convince people, especially pensioners, that what they read in the newspapers is true and that they should not believe their own personal experience over the past 10 years. That experience has been a very successful one. For a period of six years I used to get up in the early hours of the morning—

The First Deputy Chairman: Order. I ask the hon. Gentleman to relate his remarks to the amendments under discussion.

Paul Flynn: I shall confine my remarks to the subject under discussion, although there is a temptation not to do so in one's "anecdotage". I certainly shall not support the amendment although, like other Members, I am very concerned about this measure in the Budget and find myself at a complete loss to explain to my constituents who are on low pay and who will not receive any compensatory payments why it will be introduced. I want to repeat what my right hon. Friend the Member for Birkenhead (Mr. Field) said to the Government: there is time to reflect and to come up with a different solution. The Chancellor's record over the past 10 years has been splendid and there has not been a need to restore the link with earnings because the pension credit, winter fuel payments and other allowances have meant that for the first time in many years pensioners have received justice.

Mr. Frank Field: Will my hon. Friend kindly comment on the fact that if this measure is passed it will be an attack on many women because, generally, women are lower paid than men? Therefore, the proposal will lead to a redistribution within households from women to men.

Paul Flynn: It is strange that this measure has been introduced at the same time as the splendid Pensions Bill—for the first time in 30 years there is proposed legislation that is based not on someone putting their finger up to the air to find out which way the political wind is blowing and acting in accordance, but on evidence and facts. That Bill will give justice to women. Unfortunately, this element of the Budget will have unintended consequences, and I urge the Government to look at it again.

Rob Marris: I, too, oppose the amendments. They are uncosted and my hunch is that they would cost billions of pounds to implement. The Conservatives also oppose the amendments. However, I agree that it is strange that the hon. Member for Chipping Barnet (Mrs. Villiers) talked about higher rate tax relief and the capital gains tax regime, both of which principally benefit the rich in our society—although it is not as if the Conservatives have ever cared about the poor. She completely overlooks the minimum wage and the fact that child poverty and pensioner poverty rose massively when the Conservatives were last in office.

However, although the amendments are uncosted, I associate myself with the remarks of my right hon. Friend the Member for Birkenhead (Mr. Field) and my hon. Friend the Member for Newport, West (Paul Flynn) about the abolition of the 10 per cent. starting rate proposed for next year's Finance Bill by the Chancellor in his Budget this year.

The measure will adversely affect a group that has not been mentioned—I have some in my constituency, some of whom have written to me: people who have taken early retirement, often on grounds of ill health, who will therefore not benefit from the rise in personal allowances for pensioners and are not eligible for tax credits because they are not working.

I urge my right hon. Friend the Chief Secretary and his team to look again at the proposals for next year. They should reject the proposals in the Liberal Democrat amendments before us, but they should look again at the abolition of the 10 per cent. starting rate, because it will have some unintended consequences which are beginning to be teased out.

Mr. Timms: The clause to which the amendments apply imposes income tax for 2007-08—each year's Finance Bill has to plan for subsequent years—but keeps income tax rates unchanged for the current year at 10 per cent., 22 per cent. and 40 per cent. The combined effect of the amendments would be to replace the current starting rate band by a zero rate band and to cut the basic rate for this year from 22p to 20p. The hon. Member for Chipping Barnet (Mrs. Villiers) and my hon. Friend the Member for Wolverhampton, South-West (Rob Marris) said that that was not costed. I can tell the House that the total cost of implementing these two amendments this year would be £13.8 billion, which I would have thought is quite a tidy sum even for the Liberal Democrats. Therefore, I agree with the hon. Lady that the Liberal Democrats' tax proposals are flawed. The hon. Member for Falmouth and Camborne (Julia Goldsworthy), who speaks for the Liberal Democrats on these matters, is wholly at liberty to table amendments to the Finance Bill setting out in detail how £0.1 billion in environmental taxes would be made up, along with other details of the package outlined in her party's policy document. The great majority of Members would warmly welcome that information.

6.30 pm

Rob Marris: My right hon. Friend has enlightened us on the £13.8 billion figure. He might not have the information with him, but could he have a stab at saying what the higher rate referred to in clause 1(1), which is currently 40 per cent., would have to rise to in order to make up the £13.8 billion? Would it have to be 75 per cent., or 80 per cent., perchance?

Mr. Timms: It would certainly have to be a large figure. Unfortunately, I do not have that figure to hand, but—who knows?—during the course of my remarks I might be able to do the calculation that my hon. Friend asks for.

Mr. Mark Francois (Rayleigh) (Con): If the Chief Secretary does not have the figure, would it help if the right hon. Member for Birkenhead (Mr. Field) tabled a parliamentary question on the matter?

Mr. Timms: I hope that I can give some reassurance to my right hon. Friend the Member for Birkenhead (Mr. Field) on—

Mr. Frank Field: It is not necessary to table a parliamentary question. The Liberal Democrats' programme would cost us 4p on the standard rate of tax. My constituents would not be very pleased with that.

Mr. Timms: I very much agree with my right hon. Friend on that point.

The amendments would introduce only some elements of the package of reforms to the tax and benefit system announced by my right hon. Friend the Chancellor in the Budget. The House will, of course, have the opportunity to debate those changes in full when they are legislated for, and I very much look forward to that debate.

Let me set out the background to the Budget announcements. There has been a major programme of reform to the tax and benefit system in the 10 years since 1997, with the aims of reducing, and over time eradicating, child poverty, which doubled during the 18 years of the previous Government; of supporting families; of promoting saving; and of ensuring security for all in old age. We have made very big changes to advance all those objectives. The Budget introduced the next stage in that programme by offering more support for work, families and pensioners. The package comprised eight separate reforms, including changes to income tax personal allowances, to national insurance thresholds and to tax credits. Between them, they amount to a total net reduction in personal taxation of £2.5 billion. Let me underline that point. It has been said in the debate, correctly, that the Budget as a whole is fiscally neutral, but the personal taxation elements constitute a net reduction of £2.5 billion.

Stewart Hosie: That is very interesting, because if my memory serves me right, according to the 2000 report on income-related benefits, uncollected working tax credits alone amounted to £2.4 billion—a figure almost equal to the £2.62 billion expected to be given away in the two subsequent years. Is this not just smoke and mirrors? Is not this "reformed" Budget based on not contributing £2.5 billion a year to those entitled to collect it?

Mr. Timms: No, this certainly is not smoke and mirrors; rather, it is an actual reduction. An examination of tax, national insurance and tax credits shows a reduction of take to the Treasury of £2.5 billion. The Budget also increased taxation on polluting activities, announced a major reform of empty property rate

relief, and addressed avoidance. Those three measures between them provided the resources to enable this £2.5 billion reduction in personal taxation, which I can assure the hon. Gentleman is a real reduction that will be enjoyed by his constituents.

Mr. Gauke: Does the right hon. Gentleman not accept, however, that the IFS is correct in stating that 5.3 million households are worse off as a consequence of the changes announced in the Budget?

Mr. Timms: I would agree with the IFS that there are many more gainers from this package than losers. I cannot confirm the figure that the hon. Gentleman gives, for some of the reasons that he set out earlier. He will doubtless be familiar with the IFS's analysis immediately after the Budget, which is available in slide form in a PowerPoint presentation on its website. It shows that the Budget package raises household incomes in every decile, and that the biggest proportionate increases are in the lowest three income deciles. I underline for the Committee the extent to which this Budget is consistent with the pattern of changes that we have made in the past 10 years. In particular, it improves the position of those on low incomes.

Mrs. Villiers: I am very grateful to the Chief Secretary for giving way. Does he agree that table C6, on page 279 of the Red Book, reveals that tax will be up by £2 billion per year when all the Budget measures announced up to 2011 kick in, on top of £2.4 billion in tax increases trailed in the year leading up to the Budget, as set out in table A1, on page 210 of the Red Book? This is not a tax-cutting Budget.

Mr. Timms: No, it is a fiscally neutral Budget, as my right hon. Friend the Chancellor said at the time. That is the correct representation of what happened in this Budget.

The changes that I described are offsetting measures to enable this very substantial reduction in personal taxation. They also simplify the tax system, while protecting and boosting the incomes of vulnerable groups. We have had some discussion of what the IFS has said, so let me quote what its director said about the Budget package:

"To reform the system in a useful way, within tight financial constraints and with only modest gains and losses should be a cause for congratulation rather than criticism."

I hope that the Committee shares that sentiment about my right hon. Friend's Budget.

The hon. Member for Falmouth and Camborne asked on Second Reading and again today why the package of measures was being introduced next year and not this year. A number of elements of the package cannot be introduced without further primary legislation, such as changes to the upper earnings limit for national insurance and to empty property rate relief, which will clearly take some time. In addition, the package entails significant changes to payroll systems, and it would not be reasonable to expect them to be implemented in just a few weeks. That is why the package of measures that have identified, and which permits us to make this dramatic reduction in personal taxation of £2.5 billion, only to be introduced next year, rather than this.

Stewart Hosie: Will the Chief Secretary give way?

Mr. Timms: I will do so once more, and then I really need to make some headway.

Stewart Hosie: I am no supporter of the Liberals' proposals and I certainly would not support these amendments, but the Chief Secretary is suggesting that he cannot do this year many of the things that he wants to do because they require primary legislation. Last year's Finance Bill was twice as long—two full volumes—with three volumes of explanatory notes. This is not an argument that we can take seriously, surely.

Mr. Timms: I am interested to hear the hon. Gentleman calling for longer and more complex Finance Bills; that is rather contrary to the mood of the Committee. The changes that I am referring to would not be made in a Finance Bill; they need separate legislation.

We are of course also being careful to ensure that the benefits that this package will bring are not at the expense of the UK's underlying economic and fiscal stability, which have made these reforms possible and have been the principal sources of Britain's welcome economic transformation over the past decade.

As I said, the hon. Member for Falmouth and Camborne asked why these changes will be introduced from April 2008 and are not being included in this year's Finance Bill. Income tax is an annual charge re-imposed each year in the Finance Bill, and the convention is that changes to the rates are legislated for in the year in which they come into effect. I have done a little research on that point and, as far as I have been able to establish, there have been no instances in recent decades of income tax changes being legislated for other than in the year in which they take effect, so in line with that convention, next year's Finance Bill will legislate for the personal tax reforms for 2008-09 that were announced in this year's Budget.

The amendment proposes removal of the starting rate and replacing it with a new zero-rate band, in effect increasing personal allowances. The total cost of those changes would, as I have said, be £13.8 billion, but it would be a very untargeted measure, which would be of most benefit to those on higher incomes.

Our policy is to target help where it is needed, so the Budget package included a major investment in tax credits. Tax credits benefit about 6 million families and 10 million children and reach far more low and moderate-income families than any previous system of income-related financial support. By using that mechanism we can continue to give extra help to low-income families, whereas simply increasing tax-free personal allowances would not have that effect, as the figures I shall give in a moment will show.

Julia Goldsworthy: I understand the Chief Secretary's argument that lifting the threshold is not targeted, but does not the same argument apply to cutting the basic rate of tax? That is completely untargeted and will have the disadvantage of not benefiting people on the lowest incomes, whereas raising the starting rate threshold, as we suggest, would benefit them.

Mr. Timms: That is why there is a package of measures, which includes national insurance, income tax and tax credits. The overall effect of the package will particularly benefit households on the lowest incomes, as the IFS analysis rightly shows. After all, personal allowances can only cut a family's tax bill to zero, whereas tax credits can go further and make a payment to the family. Personal allowances cannot provide support tailored to a family's circumstances, such as the number of children in the family or whether a disabled child is a family member. Tax credits, by contrast, can do that and are doing it.

If the Government invested £1 billion in raising personal allowances, a low-income worker would be only 68p a week better off. Using the same money to extend the working tax credit means that workers on low incomes could see an increase in their incomes of more than 10 times as much—£7.10 a week. That is why the Budget proposals are so much better than those being made by the hon. Lady and her hon. Friends.

The hon. Lady asked for specific figures. As a result of the Budget package, by April 2009, households will be £100 a year better off on average; households with children will be £200 a year better off on average; and in the least well-off fifth of the population, households with children will, on average, be £350 better off. The changes to make those figures possible will be in next year's Finance Bill. The House will have the opportunity to debate them then and I look forward to that debate.

I shall gladly look further into the point made by my right hon. Friend the Member for Birkenhead, but I do not think that the package redistributes away from women to men, once the impact of tax credits is taken into account. Child tax credit is paid to the main carer, who is usually the mother, and the child element will rise by £150 a year above earnings indexation, so taken with the other effects of the package, there will not be the redistributive effect that my right hon. Friend suggested.

Mr. Frank Field: As my right hon. Friend is so confident, does it mean that I shall soon receive a reply to my question, so that his confidence can be set out in the *Official Report*? Three groups of people have been highlighted in the debate. Low-paid workers, who are largely women, may not qualify or might not claim. There will be redistribution in families, from the lower-paid who will pay higher tax—largely women—to the men in the household who will receive tax cuts. The third group is equally important: those who have had to take early retirement and will thus not qualify for the higher personal allowances.

6.45 pm

Mr. Timms: I am confident that my right hon. Friend will receive an answer to his question shortly; as I fear I told him that in a previous debate, I had better make sure that it actually happens this time.

I hope that I have answered his point about redistribution from women to men. If my right hon. Friend looks at the package as a whole, including the increase in the child tax credit, he will see that it will not have that redistributive effect. He is right in the sense that some people who might otherwise be regarded as losers will, if one looks at the impact on the household as a whole, not be losers. That point occurred to me when the hon. Member for South-West Hertfordshire (Mr. Gauke) was talking about the impact of the increase in the minimum wage; some people who are not among the 170,000 to whom he referred will be in households that might otherwise be regarded as losers from the package, but the increase in the minimum wage means that in fact they may not be losers.

Mrs. Villiers: I think the Chief Secretary is acknowledging that were it not for the impact of tax credits a significant number of people would lose out under the Budget—5.3 million people are losing out, but the impact would be even harsher without the operation of tax credits. What is he doing to get women who are not claiming tax credit to claim it?

Mr. Timms: The hon. Lady asks me to comment on the position before 1997, before there were tax credits. It is true that the system we inherited was extremely unfair, so we changed it. She is right: tax credits are an indispensable element in the far fairer system that we have now, which improves incentives for work and, in particular, strengthens the position of families on low incomes. The take-up of tax credits among families and households with the lowest incomes is high—far higher than for family income supplement and other mechanisms that were used in the past. In that sense, tax credits have been particularly successful, but we are working to increase take-up further. Over the past few weeks, a series of pilots have been set up in three parts of the country to try out a number of mechanisms for increasing take-up and we are analysing the results. No doubt we shall be able to do more to increase take-up of tax credits, which are an indispensable element of the personal tax and benefit system.

I remind the House that all that the clause does is to keep income tax rates unchanged for the current year, at 10 per cent., 22 per cent. and 40 per cent., so I hope that the House will reject the amendments.

Julia Goldsworthy: Despite the almost universal scorn poured on the amendments, I am pleased that we have been able to have this constructive and important debate. As the hon. Member for South-West Hertfordshire (Mr. Gauke) said, the reason why it has been so difficult to table amendments is that Opposition parties cannot cover all the aspects of the proposals announced in the Budget.

It is clear, however, where the costs will come from and where they will go. Table 1.2 shows that removal of the starting rate of income tax will raise revenue of £7.3 billion for the Treasury in the first year. The cost of reducing the basic rate will be £8 billion, which will partly be offset by aligning income tax and national insurance contributions. The Chief Secretary is right to say that changes to national insurance contributions require primary legislation, but the Finance Bill is primary legislation, so it could be used to adjust primary legislation on national insurance. He may say that in recent decades there has been no announcement of such changes to take effect in the same year, but over the past 10 years there have been no income tax changes at all.

Mr. Timms: May I just remind the hon. Lady that we introduced the 10p rate?

Julia Goldsworthy: The right hon. Gentleman is right, but that was pre-announced over many years.

I wanted to focus tightly on the clause and amendments, which is why I did not refer to local income tax. I am happy to discuss it with the hon. Member for Chipping Barnet (Mrs. Villiers), but I was referring to the recommendations of the Lyons report, which highlighted interim measures by which to deal with people living in the most valuable houses that have seen the greatest increase who may not be paying a proportionate amount. That might be a way of addressing the current inequality whereby the richest 20 per cent. of our society pay a lower proportion of their income in tax than the poorest 20 per cent. I have heard nothing from the Conservative Members about what they would do to tackle the issue, despite all the warm words.

Kelvin Hopkins (Luton, North) (Lab): On that very point, would not the hon. Lady make a stronger case if she were prepared to say that we should have a more progressive income tax system all the way up the income range, with much higher taxes on the very rich?

Julia Goldsworthy: That point is very well made— *[Interruption.]*

Several hon. Members *rose—*

Julia Goldsworthy: I want to make some progress on the amendment and the clause stand part debate.

There are many ways of making the tax system more transparent and progressive, and there is no shame at all in saying that that should be a goal. The fact that the Conservatives have criticised our proposals on a higher rate of pensions tax relief shows what they actually believe. They speak all these warm words about making society fairer, but they are not prepared to put their money where their mouths are.

The key concern was raised by the right hon. Member for Birkenhead (Mr. Field), who made an eloquent case. The Chancellor was beguiled. It is difficult to know whether he was beguiled more by the prospect of grabbing the headlines in his final Budget or, unfortunately, by the tax credit system. The intent behind it is incredibly worthy and no one on the Liberal Democrat Benches doubts the Chancellor's passion about these issues. Perhaps, however, his enthusiasm for the tax credit system is misguided when take-up rates are low in some areas. The tax changes introduced next year will disproportionately affect some groups.

Mr. Frank Field: I wonder whether the Liberal Democrats noticed what was almost a throw-away phrase by the Chief Secretary when he said that if we reflect on the impact of the Budget within households—the transference of higher tax for women, but lower tax for men, albeit with tax credits and so forth—it becomes clear that the overall change will benefit families. I thought that the whole principle of independent taxation was that there would be a difference within families—even within families that get on well together.

Julia Goldsworthy: The right hon. Gentleman makes a very good point. The same principle applies to tax credits. Overall, millions of families have been lifted out of tax, but unfortunately, millions of families have also encountered overpayments and are struggling to understand whether or not they have to repay them and, if so, whether it is justifiable to do so. The overall picture may look more rosy than the experience of many individuals.

The Chief Secretary is right to say that the tax proposals will make the tax system simpler. Removing the 10p starting rate will make it simpler, as will aligning national insurance with income tax bands, but there are consequences that will follow such simplification. I would therefore refer the Chief Secretary back to the Chancellor's own remarks in the Budget speech, when he claimed that these changes would make the system fairer. He did not make enough play of the simplification, which could be accompanied by many unfair elements. It is important to recognise that.

As I said at the outset, I am not pressing the amendments, but we have had a valuable debate. We are limited in what we can do now, but I greatly look forward to further discussions and hope that Ministers will table some effective amendments on Report. I particularly hope that the Chief Secretary and his colleagues will pass on the sentiments expressed in our debate to whoever succeeds the present Chancellor so that, if we have this discussion next year, the debate will take into account the eloquent views expressed today. I beg to ask leave to withdraw the amendment.

Amendment, by leave, withdrawn.

THE FIRST DEPUTY CHAIRMAN OF WAYS AND MEANS, *being of the opinion that the principle of the clause and any matters arising thereon had been adequately discussed in the course of debate on the amendments proposed thereto, put forthwith the Question, pursuant to Standing Order No. 68,* That the clause stand part of the Bill.

Question agreed to.

Clause 1 ordered to stand part of the Bill.

Clause 7

RATES OF GAMING DUTY

Question proposed, That the clause stand part of the Bill.

The First Deputy Chairman: With this it will be convenient to discuss also clause 8 stand part and schedule 1 stand part.

John Healey: Clauses 7 and 8 and schedule 1 introduce new bands and rates of gaming duty and a new duty of excise, to be known as remote gaming duty. I will start by explaining the intention behind clause 7.

Gaming duty is charged on the gross profit—in other words, stakes minus prizes—of casino table gaming such as roulette or blackjack. That is known as the gross gaming yield. It is a banded system of taxation applied at different rates to different parts of gross gaming yield. Clause 7 will introduce new bands and rates of gaming duty for accounting periods on or after

[John Healey]

1 April this year. The 2.5 per cent. starting rate has been abolished; the 12.5 per cent. rate increased to 15 per cent; a new rate of 50 per cent. is introduced for the largest casinos; and the bands' limits have been increased in line with inflation. It may help the Committee if I deal with each of these changes briefly in turn.

First, let me deal with abolishing the 2.5 per cent. band of gaming duty. At the time the current regime was implemented, a 2.5 per cent. starting rate was justified by regulations that restricted the ability of the small casinos to compete. However, the Gambling Act 2005 has removed many of the restrictions applying to casinos, such as a 24-hour delay between taking out membership and being able to play. Restrictions on the number of gaming machines have been increased. This is a growing sector that has seen a reduction in the number of restrictions placed on it in regulation through the Gambling Act, and in which the number of small casinos is declining. As a result, the 2.5 per cent. of gaming duty, which was paid by all casinos on the first £546,000 of gross gaming yield, was effectively acting as a subsidy to larger and more profitable casinos—casinos that we want to ensure continue to make a fair contribution to our tax base. The 2.5 per cent. starting rate has therefore been removed by clause 7.

Secondly, I shall deal with the increase from the 12.5 per cent. rate to the 15 per cent. rate. Three in every five of the existing 138 casinos pay no higher rate of gaming duty than 12.5 per cent. Increasing that to 15 per cent., alongside the abolition of the 2.5 per cent. rate, increases the effective tax rate on these casinos to 15 per cent.—consistent with the rate of general betting duty.

Thirdly, I shall explain the new 50 per cent. rate on the largest casinos. Her Majesty's Revenue and Customs estimates that the new 50 per cent. rate on gross gaming yield in excess of £10 million per six-month accounting period is likely to capture only the super-casino and a few of the high-end London casinos. Despite that, it helps to ensure that this growing sector continues to pay a fair contribution to tax receipts. Moreover, introducing the new top rate of duty now rather than later will provide any prospective bidder for the licence for the super-casino with the degree of certainty that has been looked for.

The head of tax policy at Ernst and Young, Chris Sanger, expressed a concern back in January that not knowing what the tax liability may be for the prospective super-casino could damage the ability of a council in the area of the successful bid to generate funds for regeneration. He said:

"When the casino companies are considering how much they can bid, they will have to factor in how much they will have to pay in tax. What we don't know at the moment is what the Treasury plans to do".

Well, now they know.

Finally, clause 7 will increase the gaming duty bands in line with inflation for accounting periods that start on or after 1 April this year. To revalorise the duty bandings in that way is entirely in line with the industry expectation and the practice we have had in every year since 1998.

7 pm

Rob Marris: Unless I did not hear properly, the Financial Secretary skipped clause 7(2), which I understand from the explanatory notes amends the rate of duty that applies in the case of unregistered gaming, putting it up from 40 per cent. to 50 per cent. I have no problem with the percentages, but I confess that, in my naivety, I thought that all gaming was registered—apart from dominoes in the pub or something. Can he give me, now or later, some examples of unregistered gaming that will be caught by the subsection?

John Healey: My hon. Friend is characteristically right. All gaming—in this case, through casinos—is required to be regisered. What we have and what he refers to is a provision within the tax legislation to cover a particular eventuality. Mercifully, because we are a well regulated and well run country in that respect, we do not have to invoke the provision. The provision allows us to charge tax on the operation of what would be unregistered and therefore illegal operations, but operations that, nevertheless, may turn a profit. We would not wish them to avoid being liable for tax on that.

Clause 8 and schedule 1 impose a new duty of excise to be known as remote gaming duty, which would apply to remote gaming providers who locate in Great Britain. It might help the Committee if I explain some of the background to the measure. Remote gaming providers provide the opportunity to participate in games of chance for a prize by means of remote communication, such as the internet, television or mobile phones. As Members will be aware, it is currently illegal for a remote gaming operator to locate in the United Kingdom. Remote gaming is therefore outside the scope of the UK's gambling tax regime. However, the Gmbling Act 2005, which was ably steered through the House by my right hon. Friend the Minister for Spor —who I am glad to see is sitting on the Front Bench at the moment—will, for the first time, make it legal for a remote gaming operator to locate in Great Britain and to be regulated under the UK jurisdiction.

We announced in the 2005 pre-Budget report that, following the provision made in the Gambling Act for remote gaming licences to be offered in this country, remote gaming would be brought within the scope of gambling taxation. We intend to use clause 8 to do that. It will apply from 1 September this year—the same date as the relevant part of the Gambling Act comes into force. Schedule 1 goes on to set the rate of remote gaming duty at 15 per cent. That rate of duty is liable on net receipts—in other words, payments received minus winnings paid out from the remote gaming activity. That is consistent with the taxation of remote betting, which is subject to general betting duty at 15 per cent.

Remote gaming duty will be charged on the provision of facilities for remote gaming if the facilities are provided in relation to a remote operating licence issued by the Gmbling Commission. That ensures that it is not possible to gain the legitimacy and the benefits of UK regulation without being subject to gambling taxation of any sort. If a provider of remote gaming locates in Great Britain and does not apply to hold a remote gaming licence, the provision of facilities for

remote gaming by that operator will also be liable to remote gaming duty. That is a parallel provision to the one that my hon. Friend the Member for Wolverhampton, South-West (Rob Marris) pointed out in relation to clause 7.

Businesses that choose to relocate to Great Britain will have to register and then account for remote gaming duty on their net receipts from remote gaming. As set out in the regulatory impact assessment, the regulatory costs are modest. Her Majesty's Revenue and Customs estimates that the cost of completing a registration form will vary from £7.93 to £15.75, depending on the size of the firm. We estimate the annual cost of completing remote gaming duty returns to be about £130 for all sizes of firm. I hope that those remarks have been helpful to the Committee. I commend the clause and the schedule to the Committee.

Mr. Paul Goodman: It is a pleasure to speak in this debate and in proceedings on the Finance Bill for the first time and it a pleasure to see you in the Chair, Mrs. Heal. It is also a pleasure to see the Financial Secretary, who I suspect will be doing much of the heavy lifting for this year's Finance Bill. I know that he looks forward to that with unrestrained enthusiasm.

I am mindful that, shortly after I was first elected to the House, I served with the hon. Member for Wolverhampton, South-West (Rob Marris) on the Work and Pensions Committee. Our then Chairman—now Lord Kirkwood of Kirkhope—used to say at particularly difficult moments of inquiries that we were merely simple seekers after truth. I am going to take that as my leitmotiv for the discussion of clauses 7 and 8. It was not in a hostile spirit that we asked for them to be debated. We simply want to get to the bottom of some of the issues that they raise.

In setting out the case for clauses 7 and 8 and schedule 1, the Financial Secretary took us through the rationale for the changes to the bands. However, I do not feel that he fully analysed the effect of the clauses on the gambling industry—doubtless he will want to take the opportunity to do that later—and that is what I want to probe him on this evening. The section of the Red Book that concerns the clauses—it is on page 131—is very brief. It does not say much about their effect.

Perhaps the best place to start is with a story that appeared in *The Daily Telegraph* on 23 February—roughly a month before the Budget, when pre-Budget speculation was getting going. The article said:

"Gordon Brown will announce plans in next month's Budget to encourage the beleaguered online gambling industry to be regulated and licensed by the UK Government...In a surprise move, the Chancellor will use the Budget to announce that in return for a small amount of tax—possibly as low as 2pc or 3pc—companies can obtain a UK licence and still remain based overseas."

John O'Reilly, head of online gambling at Ladbrokes, was quoted as being pleased with the supposed deal, saying, "It's quite a breakthrough"—as though the decision had actually been announced. The article continued:

"He confirmed that if the rate was less than 3pc Ladbrokes would almost certainly sign up for a UK licence...Andrew McIver the chief executive of Sportingbet, currently based in Antigua, said he intended to apply for a UK licence if the duty was 'a nominal amount'.

"Clive Hawkswood, the chief executive of the Remote-Gambling Authority...justified the low rate of tax because 'these companies have grown up in zero tax jurisdictions. They operate on very thin profit margins. A 15pc gambling duty would wipe out half the industry overnight.'"

The report does not seem to have been a one-off. Ministers and officials from the Department for Culture, Media and Sport have met representatives of the internet gambling industry no fewer than 26 times. As recently as last October, at an international summit hosted by the Government, the Secretary of State for Culture, Media and Sport said:

"Of course we ... want online gambling companies to come onshore."

As we know, the Chancellor announced on Budget day that the new remote gambling duty, for which clause 8 and schedule 1 provide, would be 15 per cent.—the very figure that Mr. Hawkswood said would wipe out half the online gambling industry overnight. Clause 7 will increase the duty on annual gross gaming yields of more than £10 million from 40 per cent. to 50 per cent. As the Financial Secretary said, it will raise the starting rate of the duty from 2.5 per cent. to 15 per cent. Those changes, together with the measures in clause 8, will raise £30 million for the Treasury this year, £35 million next year and £35 million in the year after that. That £100 million represents quite a nice little earner for the Treasury. It will make a modest contribution to restraining the Chancellor's borrowing, which, on his figures, is due to reach £153 billion by 2011.

The £100 million rise over three years was reported to have left the industry "gobsmacked". Lady Cobham, the chairman of the British Casino Association, said that the move would

"hit the smallest casinos, often situated in seaside resorts, hardest with a knock on effect for jobs and industry suppliers."

She said that it

"exposes the contradictions that have characterised the Government's handling of the entire process ... On the one hand, they are talking about developing new casinos, which enables money to go into regeneration, and at the same time they've brought in hugely increased tax rates".

Ian Burke, Rank's chief executive, said that the changes would make some casinos, especially those in the regions, unviable and asked:

"How can you make sensible long-term investment decisions if rules change at a whim?"

Stephen Hesford (Wirral, West) (Lab): Will the hon. Gentleman give way?

Mr. Goodman: I will certainly give way to the hon. Gentleman. I look forward to hearing from him many times during the passage of this year's Finance Bill.

Stephen Hesford: The hon. Gentleman says that he is a simple seeker after truth, but the way in which he is setting out his case does not appear to be consistent with that. If he and his colleagues are concerned about the rates that have been suggested, why have they not tabled amendments to change them?

Mr. Goodman: I will address the hon. Gentleman's question in a moment. It is important at the outset to set out the concerns.

Ian Burke said that the change had been imposed without consultation and that it was not signalled ahead of the Budget in any meeting with either the Treasury or the DCMS. Mr. Hawskwood concluded that the Chancellor

"had closed the door on remote gambling".

While independent analysts were more measured, it was clear that they shared much of the industry's analysis. Deloitte said that the changes

"may make it less attractive for operators to bid for casino licences and we could well see a reduction in the number of companies bidding for small, large and regional casino licences".

Warwick Bartlett said that Britain would miss out on a substantial influx of high-tech jobs. BDO Stoy Hayward went further in relation to clause 8 and said that the 15 per cent. rate sounded the "death knell" for Britain's aspiration to be a regulated online gambling world leader.

I will now come on to the point raised by the hon. Member for Wirral, West (Stephen Hesford). I say at the outset that we do not automatically endorse the comments of the industry or analysts about the likely effect of the proposals. However, we genuinely want to hear from the Financial Secretary the full rationale for the proposals and what their effects will be. One of the reasons we felt we could not table amendments at this stage was that we did not know those effects in full, so I will be putting questions to the Financial Secretary towards the end of my speech.

Stephen Hesford *rose—*

Mr. Goodman: If the hon. Gentleman can tell me in full what those effects will be, I will be grateful to hear from him.

Stephen Hesford: Let us not be silly about this; it is not my place to do that. Is the hon. Gentleman saying—I think that this is what he is suggesting—that he might table amendments on Report?

7.15 pm

Mr. Goodman: The hon. Gentleman cannot answer my question, which proves the difficulty of tabling amendments at this stage. However, to answer his question directly, we might table amendments on Report. A great deal will depend on what the Financial Secretary says and what we conclude when we mull over his remarks.

Stephen Hesford: The hon. Gentleman is generous in giving way. Can we just cut through this? Surely this simple seeker after truth stuff is just humbug—the hon. Gentleman is fishing.

The First Deputy Chairman: Order. Will the hon. Gentleman reconsider the remark that he has made?

Stephen Hesford: Fishing or humbug?

The First Deputy Chairman: Order. Will the hon. Gentleman withdraw the remark?

Stephen Hesford: May I withdraw humbug and replace it with something other than humbug that means humbug?

The First Deputy Chairman: Order. The point is that the hon. Gentleman has to withdraw that remark.

Stephen Hesford: I will do that.

Mr. Goodman: The hon. Member for Wirral, West is getting himself into difficulty. I certainly cannot reach any conclusions without hearing from the Financial Secretary. We also want a reassurance from the Minister that the measures will not have the consequences for the industry that have been suggested.

As the hon. Member for Wirral, West makes his way towards the Chair, may I say that although we have not heard an explanation of the measures from the Financial Secretary, others have not been shy to offer their explanations? According to *The Times*, the Chancellor's announcement was interpreted as having signalled

"his personal distaste for gambling".

The Guardian reported that MPs believe that the Chancellor

"is not keen to see an expansion of the gambling industry".

The *Financial Times* reported that the Chancellor's scepticism for liberalising gambling,

"evidenced by his decision to impose a 50 per cent. tax on big casinos in the Budget, means a Brown premiership would be unlikely to impose a new super-casino".

Now that the hon. Member for Wirral, West is back in his place, I can tell him that the *Daily Mail* reported:

"Tessa Jowell's efforts to boost betting with the controversial Gambling Act were in tatters last night".

It reminded readers that the Chancellor and the Culture Secretary had not exactly formed a mutual admiration society and that she had not yet been reported to have signed up to his leadership campaign.

Such speculation is a reminder that these proposed changes in taxation are meant to be marching in step with the implementation of the Gambling Act 2005, to which the Financial Secretary referred, and, especially, the setting up of the new regional casino. However, while we have such proposed tax rises, we do not yet have the casino. Given that the casino and the implementation of the Act are directly related to the rates, let me remind the Committee of the story so far.

The Gambling Act, which will bring the regional casino into being, was preceded by a draft Bill that was examined by a Joint Committee of the Lords and Commons. In a submission to that Committee, the Treasury said that the proposed programme of deregulation

"raises a number of challenges and issues on tax".

The Financial Secretary told the Committee:

"There is a very important potential supplementary role for tax reform to reinforce and reflect the sort of regulatory changes that the Bill is looking at".

He also said:

"On the tax side we are inevitably at a relatively early stage".

He told the Committee that a steering group of officials from the Treasury and DCMS had been set up in part to

"form the modelling that is obviously essential to considering any tax options for the future".

Brigid Simmonds of Business in Sport and Leisure told the Committee:

"Investment will be dependent on taxation".

The economic impact study carried out by Pion Economics for the cross-industry group on gaming deregulation estimated that inward investment could amount to as much as £5 billion. Mr. Byrne of Sun International told the Committee:

"We have been planning to invest upwards of £500 million if the regulatory conditions are absolutely right ... and so on".

The Government's response to the Joint Committee stated:

"The Treasury will use this work"

—the work of the steering group of officials with which the Financial Secretary will be familiar—

"when it considers the options for the future gambling tax regime."

A Bill was then introduced.

It was reported that the Department for Culture, Media and Sport took the view that tax rates on gaming should be cut to ensure that the impact of the Bill was "revenue neutral". On Second Reading, the Culture Secretary said that this was "an error." She also said:

"The point being made was that revenue is not a motivator for this legislation."—[*Official Report*, 1 November 2004; Vol. 426, c. 30.]

During consideration of the Bill, the number of proposed regional casinos was whittled down to one. After the Bill was enacted, the Casino Advisory Panel recommended that one regional casino should be sited in Manchester. The House of Lords Select Committee on Merits of Statutory Instruments expressed concerns about the potential effect of the decision on problem gambling, and 83 Labour Back Benchers signed an early-day motion urging the reconstitution of the Joint Committee to examine the Casino Advisory Panel decision. The Government then introduced a single order to put into effect the decision in relation to all 17 new casinos. As the Committee knows, in the other place the Government lost the vote on the draft order that would have established the casino in Manchester.

Before I put some questions to the Financial Secretary, it is worth reminding the Committee of what he said about remote gaming during the passage of last year's Finance Bill:

"It is not an easy issue. There are many factors influencing the decision by remote gaming operators about where to locate. It is not clear that the rate of remote gaming duty will be the decisive factor."—[*Official Report, Standing Committee A*, 11 May 2006; c. 88.]

Setting aside, just for a moment, the views expressed by the industry, by independent analysts and so on, I shall put a few simple questions to the Financial Secretary. First, what specific estimate has the Treasury made of the impact of clause 7 on old and new casinos, on the profitability of the industry, on investment from overseas, and on jobs? Will that estimate be published? Secondly, what modelling, if any, did the Treasury do on the impact that any new duty on online gambling would have on applications for licences by companies based overseas? Thirdly, how many licence applications do the Government expect to receive? Fourthly, does the Chancellor indeed have a personal distaste for gambling, and, if so, to what degree, if any, has it shaped his Budget decisions in these clauses?

Rob Marris: Oh, come on.

Mr. Goodman: The hon. Gentleman says "Come on", but this was widely reported in the media from sources that included Labour MPs, so I simply want to know the answer.

Rob Marris: Will the hon. Gentleman give way?

Mr. Goodman: I would be delighted to give way, for the first time in the consideration of this year's Finance Bill, to the hon. Gentleman.

Rob Marris: I am delighted that the hon. Gentleman, with whom I had great fun serving on the Select Committee on Work and Pensions during the previous Parliament, has generously given way. The reason I said from a sedentary position, "Oh, come on", in response to his question to the Financial Secretary about the Chancellor's views, was precisely because the Financial Secretary is not the Chancellor, so I doubt that he is in a position to give the Committee the Chancellor's personal views on gambling.

Mr. Goodman: I suspect that the Financial Secretary is in a position to say more to the Committee than he might consider wise, but I am grateful to the hon. Gentleman, who signed an early-day motion questioning the decision to place the regional casino in Manchester, for raising that point.

Finally, what would be the effect of the changes when combined with what the industry describes as double taxation on Mecca bingo? When will a Minister make an announcement about what action the Government will take on their regional casino proposal following the defeat of their draft order in another place?

Rob Marris: I echo the hon. Gentleman's penultimate question about double taxation on Mecca bingo, which is being raised in my constituency, where such a facility exists. My constituency contains two casinos and the excellent Dunstall Park race course, where quite a lot of gambling takes place. The city of Wolverhampton was one of the 17 locations for a casino that were put forward by the commission. Given the configuration of the city, it is likely that were such a casino to come to Wolverhampton, it too would be within my constituency—at third casino, to complement the two that we already have.

I want to ask the Financial Secretary some perhaps disparate questions about schedule 1. It inserts a series of amendments to part 2 of the Betting and Gaming Duties Act 1981—new section 26A, and so on. For ease of reference for hon. Members, I shall refer to the proposed section numbers to be inserted by schedule 1. Proposed section 26A(1)(a) includes "the internet" in the definition of remote gaming and what would be liable for remote gaming duty. Subsections (5) and (6) of proposed section 26J refer to the fact that the commissioners would be able to register a "foreign

[Rob Marris]

person" for the purposes of a remote operating licence. Everyone involved would have to have such a licence.

Schedule 1 clearly contains extraterritoriality. The hon. Member for Wycombe (Mr. Goodman) referred to companies in different countries. I believe that this sort of gambling activity has been banned in the United States and that several such companies have moved to central America as a result. The tax rate would be 15 per cent, as provided for in proposed section 26C(1), in contrast to the rates of up to 50 per cent. that would apply for gaming duty generally, as provided for in clause 7(1). That is quite a discrepancy, which presumably has something to do with encouraging foreign operators to come to the UK, because I imagine that an intensely competitive environment exists around the world in this regard.

I suggest to my hon. Friend the Financial Secretary that the extraterritoriality will be rather difficult to police. As far as I can see, the definition of a person who provides facilities for remote gambling is not in the Bill. Proposed section 26A(3) states:

"In relation to remote gaming duty 'P' means a person who provides facilities for remote gaming."

One interpretation of that, and in particular the noun "facilities", could mean that credit card companies are included. I have never indulged in this myself, but I would venture that most remote gaming involves the use of a credit card. Indeed, I believe that the way in which the Government of the United States of America have been able to clamp down considerably on such activity is not so much directly on the remote gaming companies as on the credit card companies who facilitate the transactions.

Will the Financial Secretary tell me whether the intention of that provision is to cover credit card companies? My understanding of the way in which such transactions work suggests that they would facilitate the provision of remote gaming. If that is the case, does he intend that credit card companies, as such facilitators, should be charged 15 per cent. on the profits that they make—the gross profits—from such transactions?

My final point relates to my intervention on the Financial Secretary during his opening remarks. It concerned clause 7(2), which increases the rate of duty that applies to unregistered gaming from 40 to 50 per cent. In the light of the extraterritoriality contained in schedule 1, is it the Government's intention that organisations abroad that provide remote gaming for UK residents and make profits thereon, and fail to register under the provisions of schedule 1, should be charged not the 15 per cent. rate set out in the schedule for those who are registered, but a 50 per cent. rate for providing unregistered gaming? If it is the Government's intention to charge that punitive rate for those abroad who fail to register, how will it be enforced?

7.30 pm

John Healey: First, I congratulate the hon. Member for Wycombe (Mr. Goodman) on his research. He employed a wide set of references, with the result that we heard just about everybody's views but his own during the course of his speech. I am sure that the Committee would be interested to know whether he agrees that a new gaming duty rate of 50 per cent. is appropriate in the present circumstances, bearing in mind that it will apply only to profits in excess of £10 million gained in a period of six months, rather than one year, as he mentioned. For the purposes of the debate, it would be interesting to hear the views of the hon. Gentleman and his Front-Bench colleagues, rather than those of a wide sample of commentators.

The hon. Gentleman posed several questions, but mixed up his questions about the new provisions for the new remote gaming duty and questions about the changes to the rates and bands in clause 7. I shall deal first with clause 7 and the effect on the existing UK industry of the rate and band changes. As I explained to him, we carried out an assessment. Partly because the casino industry in the UK is a growing industry and partly because, from this year, we face a new situation in which the Gambling Commission oversees many aspects of social regulation, and restrictions on casinos have been relaxed by the Gambling Act, there is a good basis on which to make the sort of reforms of the gaming duty rates that we propose in clause 7.

The hon. Gentleman quoted a number of commentators speculating before the Budget about what decision we would reach on remote gaming duty—the new duty introduced by clause 8. That only served to demonstrate that it is better to reserve judgment until after the Budget is announced. Clearly, the principal newspaper article that he quoted, and Mr. John O'Reilly of Ladbrokes, were wrong in their speculation about what the Budget would bring.

The question to be asked in relation to remote gaming duty is whether offshore online gambling companies will choose to come onshore into the UK, to be regulated in the UK by the Gambling Commission and therefore also to pay tax in the UK. We considered the question of a new remote gaming duty and what the appropriate level would be. The hon. Gentleman quoted some of the exchanges that he and I have had in the past year or two. I have been looking into the matter for a couple of years. I met the Remote Gambling Association in the run-up to this Budget and the previous one, and officials have been in close contact with the association and some of its leading members. We have consulted on the draft legislation to introduce the new gaming duty. I do not think that we could have done more to get the structure right, but in the end the decision on the rate is for my right hon. Friend the Chancellor and me to take.

We discussed and analysed very closely with remote gaming operators and their association the sort of commercial decisions that might be affected by tax rates and the rates of the new gaming duty. As the hon. Gentleman and other members of the Committee will understand, remote gaming operators are located in tax havens. Even operators that have parent companies in the UK, are interested in the UK and have been following the development of the social regulation that my hon. and right hon. Friends at the DCMS have been establishing, or are well disposed toward the UK—what might be called UK-facing operators, which would be most likely to consider coming onshore with their online offshore operations if the structure and incentives were right—have told us that the value of being regulated in the UK is only about 2 per cent.

of gross profits from remote gaming. Set that alongside even the total amount of irrecoverable VAT that would be present in any operation that came onshore, which would be about 4 per cent. of gross profits from remote gaming, and members of the Committee will see that even a zero rate of remote gaming duty would not, in itself, attract the industry to this country. We concluded that there was no tax rate solution to the question of how to encourage such operators to consider making the UK their base for future operations, in line with the new social regulation.

At different points in his speech, the hon. Gentleman advanced different arguments regarding the yield from the package of tax changes. Those changes will raise only about £30 million extra; that is set out in the Red Book. They are designed to complement the Government's social policy on gambling and, as I have consistently and clearly said over the past couple of years, to adapt the tax regime to enable it to adjust for developments in the casino market and the regulatory regime. We calculate that clauses 7 and 8 combined will yield an extra £30 million in a full year. That is hardly either a tax bonanza, when set alongside the £143 million raised from casinos in 2005-06, or a tax bone, given to operators to secure a massive expansion of casinos in this country or to tempt offshore operators into the UK.

Both the hon. Gentleman and my hon. Friend the Member for Wolverhampton, South-West (Rob Marris) raised what they described as the "Mecca bingo" question. That is a little beyond the scope of the clauses and the schedule under discussion, but if you will allow me, Mr. Gale, I shall comment on it. As the Committee would expect, I regularly meet representatives of the Bingo Association and bingo operators, including Mecca. I am acutely aware of the situation that bingo operators face in Scotland after the smoking ban. They must make commercial decisions on whether to continue or to close the clubs. At root, this is not principally a tax problem with a tax solution; it is the product of a complex combination of changing demographics and changing tastes in leisure activities. In addition, the policy of applying VAT and duty to bingo participation fees is entirely consistent with our treatment of other player-to-player games in licensed premises, such as poker played in casinos.

My hon. Friend asked some specific questions about the provisions in the Bill. The reference in the schedule to those who provide "facilities for remote gaming" is intended to identify and define companies that provide that type of gaming. After all, the new tax regime is designed to apply to those very companies. He had concerns about ensuring that the taxation regime would apply to companies that provide online services to players in the UK but are based abroad, particularly outside the European Union, in the tax havens that the hon. Member for Wycombe mentioned. The reality is that those companies are beyond the reach of UK regulation and our taxation regime. I agree with my hon. Friend the Member for Wolverhampton, South-West, that it would be an advantage to be able to regulate and tax such operators and operations, but part of the reason why they operate from those tax havens is that it places them beyond the reach of our taxation system. I hope that those points of explanation have been useful to the Committee, and I hope that it accepts that clauses 7 and 8 should stand part of the Bill, and schedule 1 should be agreed to.

Mr. Paul Goodman: It is a pleasure to see you in the Chair, Mr. Gale. The Financial Secretary's response on clause 8 was, in essence, "We've consulted a lot and we're really trying to get this right." His response on clause 7 was, "We're trying to arrange things in such a way that we can't be accused of stifling the industry with a colossal tax burden, or of giving it inducements in the form of a tax bonanza that is unreasonable and unfair to other parties." I did not hear him give specific answers to the questions that I asked about the effect on jobs, investment, profitability and, in particular, the future of the super-casino issue. The Government's proposals on super-casinos have now been rejected by the House of Lords.

John Healey: The hon. Gentleman is right to say that I did not touch on the points that he mentions, and I apologise to the Committee for that, but Ministers at the Department for Culture, Media and Sport have made it clear that they are considering the nature of the debate, and the views being expressed, in the House, and they will make their announcement on the subject in due course.

Mr. Goodman: I am grateful to the Financial Secretary for making that clear, and he brings me neatly to my concluding point, which is that more information on clauses 7 and 8 is yet to come to light. I am sure that the record of this debate will be read with interest by many people who have an interest, commercial or otherwise, in the issues. We will not oppose the clause, but I tell the Financial Secretary and the hon. Member for Wirral, West (Stephen Hesford) that we may wish to revisit the issues on Report.

Rob Marris: This might be referred to as the debate of the four Ws, as it involves the Member for Wolverhampton, South-West, my hon. Friend the Member for Wentworth (John Healey)—the Financial Secretary—my hon. Friend the Member for Wirral, West (Stephen Hesford), and the hon. Member for Wycombe (Mr. Goodman). I urge the Financial Secretary to look again at schedule 1, particularly proposed new section 26A(3) of the Betting and Gaming Duties Act 1981, regarding facilities. It should be considered together with proposed new section 26B(b), which refers to the provision of equipment and so on, because I think that the wording would cover credit card companies that had a piece of equipment, such as a computer, that was used in transactions in the United Kingdom; he should consider that issue before Report.

John Healey: Of course I will reflect on my hon. Friend's contribution to the debate, as I always do. He refers to proposed new section 26B(b), which mentions

"at least one piece of remote gambling equipment used in the provision of the facilities",

but that will be defined by the Gambling Commission, as part of its role is to set out the terms of the regulation of such activities.

Rob Marris: I do not wish to prolong the debate, but I have to say to my hon. Friend that it is news to me that the Gambling Commission has the power to interpret primary legislation, and that is what the provision will be. However, I think that I understand

[Rob Marris]

the spirit of the Government's approach to schedule 1, which is that credit card companies and other such companies should not be covered. One way forward might be to consider a definition of "facilities" in proposed new section 26A(3).

Question put and agreed to.

Clause 7 ordered to stand part of the Bill.

Clause 8 ordered to stand part of the Bill.

Schedule 1 agreed to.

Clause 25

MANAGED SERVICE COMPANIES

7.45 pm

Mrs. Villiers: I beg to move amendment No. 1, in page 17, line 15, leave out from 'Schedule' to end and insert

'shall come into force on a date which the Treasury shall by Order made by statutory instrument appoint.

(3) No Order shall be made under subsection (2) unless the Treasury has compiled and laid before the House of Commons a report on the likely consequences of bringing into force the provisions contained in Schedule 3.

(4) A report under subsection (3) shall in particular include the Treasury's assessment of the implications for—

(a) the overall level of tax revenues accruing to the Exchequer;

(b) the cost impact and regulatory burden of the measure;

(c) the United Kingdom labour market;

(d) the competitiveness of the United Kingdom economy and the encouragement of enterprise.'.

The Temporary Chairman (Mr. Roger Gale): With this it will be convenient to discuss amendment No. 14, in page 17, line 15, leave out from 'Schedule' to end and insert

'shall come into force on 31st October 2007'.

Mrs. Villiers: Amendment No. 1, which is in my name and the name of my hon. Friends, would postpone the application of schedule 3 and the measures in it until there has been time for a thorough consideration of the effects of the legislation, and time for the Government to report formally to Parliament on the impact of the provisions proposed on tax revenues, the labour market, the competitiveness of the UK economy, and the cost burdens that the provisions will impose. In particular, I would like the report to dwell on the impact on freelance workers, contractors and small companies.

According to the Professional Contractors Group, there are just under 1 million freelance workers and contractors in the UK, and they make a significant contribution to gross domestic product, particularly in the information technology industry, where they play a pivotal role in keeping the country competitive. Paragraph 2.1 of the Government's consultation document on the proposals acknowledges the importance of varied working patterns in giving

"businesses the flexibility to respond swiftly to new opportunities as they arise."

The Opposition's view is that imposing unreasonable new administrative burdens on the freelance and contractor community, as the Bill threatens to do, could significantly damage the ability of British business to compete in the globalised world economy. The Opposition believe that the proposals implemented in schedule 3 by clause 25 are flawed, and that they need to be significantly revised if they are to achieve the Government's stated goal of cracking down on abusive schemes without penalising legitimate freelance and self-employed workers.

It goes without saying that the Opposition support moves to crack down on illegal tax evasion with respect to freelance and self-employed workers, and as I acknowledged on Second Reading, we also support attempts to stop abusive tax schemes. Indeed, we, like a number of people who have commented on schedule 3, have a degree of sympathy with some of the Government's goals in the schedule. If, in reality, a worker is an employee, and a service company is being used simply to reduce the amount of tax payable, there is a case for measures to tax the substance of the relationship, rather than the label that the parties choose to give it for tax-motivated reasons. We would certainly be happy to work with the Government on reforming IR35 and on amending schedule 3 to try to target such situations and ensure that the workers in question pay their fair share of tax. However, as I shall explain, schedule 3 as currently drafted has a much wider impact.

The schedule will place significant limits on the administrative functions that a genuine freelancer, in business on his or her own account, can outsource to advisers. It will force them to deal directly themselves with much more of the red tape that comes with incorporation, rather than delegating it to others.

Stephen Hesford: Does the shadow Chief Secretary to the Treasury not accept that her amendment is inconsistent with protecting revenue, despite what she says?

Mrs. Villiers: As I shall come on to say, I think that a pause for reflection, thought and analysis of how we can get the legislation right could have a positive impact on tax revenue. The first thing to note about schedule 3 is that the proposals are a clear acknowledgement that IR35 has failed. If the Government had got IR35 right, they would not need to bring further complex legislation before the House to attempt to police the borderline between the employed and the self-employed.

Many hon. Members will remember that in 1999 the Government caused significant controversy in the freelance and contracted-out community with their proposals on IR35—so-called because they were not announced in the Chancellor's Budget speech, but in Inland Revenue press notice 35. The Government said at the time that that would raise £300 million for the Exchequer, and cost it just £55,000 a year ongoing to implement. However, of the IR35 investigations known to the Professional Contractors Group, 1,405 concluded that the taxpayer in question was outside IR35, and only three concluded that the taxpayer was within its provisions.

The Government have repeatedly refused to publish any figures on the amount of revenue collected under IR35 or on its ongoing cost impact for contracts. The truth is that IR35 has been a hugely expensive failure. It has left thousands of freelancers in an uncertain tax position and created serious difficulty in planning ahead. It has cost untold millions in compliance checking, and whole galaxies of the blog universe have been devoted to the intricacies of IR35 compliance. We appeal to the Government to postpone the implementation of schedule 3 to assess the reasons why its predecessor—IR35—failed; to consider the steps needed to ensure that schedule 3 is not a costly failure in the same way as its predecessor; and to establish whether the Treasury will undertake to measure the revenue raised by schedule 3, despite its refusal to do so in relation to IR35.

That investigation would provide an opportunity, too, to see whether IR35 is still necessary. If schedule 3 is adopted, there will be an even more complex tax framework for the taxation of freelance workers who have incorporated than there was before. Companies outside IR35 will be on one regime; companies inside IR35 will be on a second regime; and there will be a third regime for companies covered by schedule 3. Yet again, the Government have introduced highly complex and controversial legislation that is not properly thought through. They have found that it does not work properly, and to try to fix some of the problems that they created in their first round of tax law they are introducing more complex legislation that is not properly thought through either.

I should like to take the opportunity to explode a myth peddled in relation to both IR35 and schedule 3. The proposals are not about employment protection. The impact of schedule 3 will be to change the tax status of individuals working through companies that fall within the definition of a managed service company. It will not change their employment status. Of course, it is wrong for people to be forced to give up their employment rights by being pushed unwillingly into managed service companies, but the proposals will not have any impact whatever on that problem. If the Government wish to deal with it, that is not the way to do it.

A fundamental problem with schedule 3 is the collateral damage that it will cause. As drafted, the provision could hit many genuine freelancers who operate entirely legitimately and are genuinely self-employed—they are not employees. The consultation document asserts that the "underlying nature" of the relationships established by workers in MSCs is "almost invariably" one of employment. No evidence is given to support that assertion in the consultation document, and the Professional Contractors Group has challenged it:

"This ignores the possibilities that MSCs can be used for commercial relationships, and often are.

PCG has relatively few members who work via MSCs but those that do are generally conscious of IR35, have no wish to be employees and make a point of using IR35-compliant MSCs.

Several have contacted us following the announcement of the proposed changes to make it clear that they operate commercial relationships and are in no sense employees."

The Chartered Institute of Taxation has looked at the problem, too, and it says:

"Our main concern is distinguishing between Managed Service Companies and Personal Service Companies. There are workers that operate through a PSC without failing IR35, but who do not have time to manage a company and will therefore outsource its function – to a professional. It is important that the legislation clearly distinguishes between these PSCs and MSCs."

Freelancers who outsource part of the financial and administrative functions relating to their company to advisers are in danger of being caught by the provisions of schedule 3—that is a key point. Outsourcing routine administrative work to allow the worker in question to concentrate on what he or she does best, whether it is IT, engineering and so on, could walk them straight into the clutches of schedule 3. The nature of their working practices and their relationship with their end client is wholly irrelevant to their tax status under schedule 3.

The key question is posed by proposed new section 61B (1) (d) of the Income Tax (Earnings and Pensions) Act 2003—ITEPA—which is part of schedule 3. We must ask whether

"a person who carries on a business of promoting or facilitating the use of companies to provide the services of individuals…is involved with the company."

That is the issue that determines tax status, and it is the relationship with specialist advisers that is critical to the whole framework. Any company involved with an MSC provider is caught by schedule 3, whether someone is genuinely self-employed and in business on their own account or not. Their factual relationship with their end client is wholly irrelevant under schedule 3.

The Law Society expressed concern that the test of involvement is "enormously wide". The question that every freelancer up and down the country must ask is whether her professional advisers could fall within the category of an MSC provider under the meaning of paragraph (d), and it is not an easy question to answer. It is highly likely that, under the provision as drafted, it would take at least a couple of cases going through the courts to determine the answer, and the uncertainty surrounding the meaning of paragraph (d) is a critical reason for supporting amendment No. 1 and postponing the implementation of these proposals until they have been fully thought through.

Without qualification, paragraph (d) would hit any freelancer who uses an accountant to draw up her company tax returns, so its scope is narrowed by proposed new section 61B(3), which states:

"A person does not fall within subsection (1)(d) merely by virtue of providing legal or accountancy services in a professional capacity."

The meaning attributed to that carve-out will be critical in determining the reach of the legislation. There are at least three possible approaches to the carve-out and the type of services that are relevant to the context. First, under a narrow approach, the carve-out would provide safe harbour only for basic, traditional accounting services such as book-keeping. Secondly, the widest definition could cover any services ordinarily provided by accountants. The third approach would apply to accounting services ordinarily provided in the course of an accountancy business.

We need much greater clarification—that is why we need a delay and a report—about the range of services that are currently outsourced and whether they would

[Mrs. Villiers]

trigger the operation of schedule 3. Those are services such as setting up and registering companies; invoicing; company secretarial services; IR35 compliance checking; routine tax advice such as guidance on the different rules governing companies and sole traders; and other assistance on regulatory compliance. Almost all those services are frequently performed by accountants, so it would not cause a problem if the second, wide interpretation is the correct one. However, if the third, middle way—the more restrictive option—is correct, the setting-up of companies and company secretarial services may fall outside the carve-out for an accountant. They are services provided by accountants, but they are more closely associated with lawyers than accountants, so they could be treated as MSC-type services if provided by an accountant, but not if provided by a lawyer.

The Institute of Chartered Accountants has expressed concern about the issue, and it says:

"The legislation is ambiguous about whether firms of chartered accountants and tax and business advisers who as part of their other services advise clients about the best structure through which to trade and provide the necessary company secretarial services to enable them to do so, are within the definition of 'an MSC provider'."

Her Majesty's Revenue and Customs has indicated informally that such activities should not turn accountants into MSC providers. However, as the Institute of Chartered Accountants points out, there is no substitute for a legal definition, and we propose to table amendments in the Public Bill Committee to clarify the operation of the safe harbour in proposed new section 61B(3).

The Opposition believe it is unfair and unwise to impose the new regime on freelancers while such uncertainty attaches to the scope of proposed new section 61B. The Chartered Institute of Taxation points out that there is a real danger that

"uncertainty could render the legislation unworkable or difficult to enforce".

The IR35 precedent is not a happy one. Susie Hughes, founder and editor of the specialist contractor website Shout99, said:

"It is clear that contacting is a very complex business, and the new legislation has caused a headache for many contractors, who are still unsure about how to comply with the new rules.

The majority of freelancers who visit Shout99 are very knowledgeable, but the last-minute changes in the Budget knocked many sideways."

Members should be aware that the Government maintain that these rules are in force as we speak. Despite the fact that they are unclear, they were due to come into force on 6 April.

8 pm

There is another twist in the tail. A freelancer might have an entirely compliant relationship with her professional adviser that does not go beyond the provision of accountancy services within the meaning of proposed new subsection (3). However, she could still end up with MSC status if her accountant was providing non-compliant services to other companies. Her accountant's work for other companies would taint all their clients, and in assessing whether she is at any risk of falling within the scope of schedule 3, a freelancer therefore has to look not only to her own relationship with her professional advisers, but at the services that they might be offering to other people.

This uncertainty is made even more problematic when one turns to the new section 688A of ITEPA, which is also introduced by schedule 3. That gives the Treasury the power to introduce secondary legislation to impose liability for the tax debts of an MSC and levy them on third parties. The Law Society described this section as "extremely wide" and stated that it

"could cover a wide number of people who do not actually benefit from the provision of the MSC services."

The Chartered Institute of Taxation has also expressed the concern that the proposals are "unnecessarily wide".

The third parties potentially caught by the provisions are set out in proposed new section 688A(2). They include any person

"who (directly or indirectly) has encouraged, facilitated or otherwise been actively involved in the provision by the MSC of the services of an individual".

The phrase

"encouraged, facilitated or otherwise been actively involved"

indicates the potential for a much wider application of the provisions than the consultation document suggests is the Government's intention. The provisions pierce the corporate veil, leaving directors, employees and payroll clerks in the firing line. The Chartered Institute of Taxation expressed the concern that although the HMRC says it wants to target the controlling minds of a scheme provider, ordinary employees of those providers might well be hit with tax debts, as they could be seen as encouraging and facilitating the provision of services through an MSC.

There is also no firm guarantee that I can see in proposed new section 688A that someone who works as a contractor through a managed service company will not end up becoming liable under this section. Furthermore, there is every chance that the end-client might be viewed as having encouraged the provision of services of the worker via an MSC. According to the Law Society,

"It is quite possible that a client might be caught if it encourages involvement . . . the word 'encouragement' introduces an extremely wide concept . . . We think this goes too far and could cover something that was entirely informal where the party encouraging received no benefit and no involvement . . . it leaves too much discretion with HMRC."

The Law Society goes on to point out that leaving end-clients on risk for the tax debts of the freelancers and contractors that they take on could have a highly disruptive effect on outsourcing in Britain.

Mr. Newmark: I strongly agree with all my hon. Friend's comments. Is it not the case, as with other legislation with which the Government try to tackle specific problems, that they end up using a sledgehammer to crack a nut? It would be much better if the legislation were far more focused than schedule 3.

Mrs. Villiers: My hon. Friend hits the nail on the head. Far too many people who are legitimately in business on their own account as genuine freelancers will be hit by the legislation, which is designed to target abusive schemes.

It is critical that we do not produce legislation that makes it difficult for companies to take on freelancers and contractors. That could significantly damage our competitiveness as an economy and the flexibility of the UK labour market. As on the third-party debt provisions that I outlined, and in the same way as for section 61B, there is a carve-out aimed at removing professional advisers and recruitment firms from the scope of the provisions. However, the carve-out suffers from a number of the same uncertainties that I outlined earlier in relation to the definition of a managed service company provider. There is a real risk that recruitment firms and professional advisers might still fall foul of the encouragement or active involvement tests set out.

Ann Swain, chief executive of the Association of Technology Staffing Companies, stated:

"It seems completely contrary to all common principles of justice to make companies that have no legal control over individuals liable for their tax. The Government tried to make the recruitment industry liable for contractors' tax affairs when it introduced IR35, but eventually backed down. Here we are six years later facing the same tax grab on the recruitment industry. The attitude seems to be that if Revenue and Customs cannot ensure contractors comply with tax law, because it is too difficult to apply, other parties need to be made to pay".

The Opposition believe that the recruitment industry is a vital part of ensuring a flexible and efficient labour market, and that much more time, reflection and thought are needed to ensure that the industry is not damaged by the proposals in schedule 3. We hope to table amendments in Committee to bring that about. I have received representations pointing out that the potential liabilities under the third party debt provisions are uninsurable, and that public companies involved in working with freelancers and small service companies are being advised that they would have to set so much aside as a contingency as to have a significant impact on their share price. The debt transfer provisions could also involve considerable litigation risk, as companies might end up blaming one another for being dragged within the scope of schedule 3.

David Taylor (North-West Leicestershire) (Lab/Co-op): I declare an interest as a member of the Chartered Institute of Public Finance and Accountancy. The hon. Lady complains about the possible impact on recruitment companies of a liability to ensure that taxation falls where it should, but surely that is a prosperous, profitable and reputable section of industry on quite a grand scale. What on earth is wrong with expecting those companies to live up to the professional responsibilities that they should have in the role that they are performing? People watching the debate will be astonished by those comments.

Mrs. Villiers: I agree that one should expect recruitment companies to exercise high standards in the way that they conduct their business, but that does not mean that they should necessarily be liable for the significant tax debts of the people with whom they do business. I do not see how the hon. Gentleman can make that connection. It is one thing to require companies to behave well and in a reputable manner, but why should they be liable for other people's tax bills?

The third party debt provisions are draconian. They seem substantially harsher than the rules that govern the limited context where directors are held personally liable for the debts of their companies. Those connected with or giving advice to contractors operating through service companies will be on risk for potentially huge liabilities, and liable to the last penny of their personal wealth, yet the final version of the legislation is not even in the Bill for us to consider today. Key parts of the legislation that will put the third-party debt rules into effect are to come in via secondary legislation, and we do not have the final version of that.

It is unacceptable that such significant risks should be imposed on reputable firms without the certainty of the final version of the legislation. We are supposed to take on trust the promise by the Government that they will take a proportionate approach. Some are not prepared to do so. The risks surrounding the debt transfer rules are a key reason why some people are already winding up their businesses and handing out P45s to their staff. Further detailed consideration is needed of the impact of schedule 3 on tax revenues—the point raised earlier. As I have explained, one of the obvious effects of the provisions is to limit the extent to which freelance workers can outsource the management of their tax affairs. Moving those workers out of companies that are managed by specialist providers and into companies that they run directly themselves could make it more difficult, rather than easier, for HMRC to collect the tax that is due.

Mr. Newmark: Again, my hon. Friend is making a lot of excellent points, but I do not think that she has hammered home the point about the extra bureaucracy that will be imposed on a lot of these small businesses. The Government talk a lot about stimulating the IT sector—we are a leading force in that—but the bureaucracy that the clause will impose on small businesses will be a great dampener on trying to stimulate that sector.

Mrs. Villiers: My hon. Friend is right to pull me up on that point. It is unacceptable that, given the significant increase in red tape that we have seen under the Government, including a huge increase in the complexity of the tax system, the Government want to hammer small business people who want to outsource the hassle that comes with that extra burden of red tape. It is unfair and it is not justified by the proposals.

To return to the point about tax collection, instead of having to monitor and deal with 150 specialist providers, HMRC will have to deal with thousands more individual personal service companies as the provisions that prevent outsourcing bite. Those individual contractors may, I am afraid, prove far less efficient at paying HMRC the tax that they owe than the specialist advisers were.

We need further consideration of the impact of the loss of VAT income where the rules result in freelancers being taxed as employed people rather than self-employed people. It would be wise, too, to assess the impact of schedule 3 on departmental budgets. I am informed that the national health service and HMRC make substantial use of workers operating through personal service companies and managed service companies. Concerns have been expressed by organisations such as the Recruitment and Employment Confederation that the proposals could have a big impact on projects such as

[Mrs. Villiers]

the NHS IT programme and the Olympics. We do not believe that the Government have properly thought through those issues, and that is why we have tabled amendment No. 1.

A delay in implementing schedule 3 could also give a chance for other options to be considered. A possible alternative would be some sort of licensing system for managed service company providers. HMRC is clearly concerned about that part of the service sector. Instead of drafting wide tax provisions, why not just tell the companies that they cannot operate unless they are licensed and that if they are caught using MSCs to disguise employment-based relationships they will be fined or shut down? In that way, we can get to the problem on which the Government are focusing—the small number of companies that operate abusive MSC schemes—but will not burden the entire freelancing and contractor communities with unintended extra costs, extra hassle and legal uncertainty, not to mention the thousands of lawyers and accountants who provide advice to those freelancers and small companies.

The last point in favour of amendment No. 1 is the most obvious. More time should be given for consultation with those affected by the provisions. There was a short window between the end of the consultation on 2 March and the publication of the Finance Bill and the start of the new rules on 6 April. The statutory element of the third-party debt provisions went into the Bill even before the consultation period was finished. Surely that suggests that the Treasury proposes to take only limited notice of the representations that have been made. IR35 had many problems, as I have outlined, but at least the Government took a lengthy period to finalise and implement that measure. During that time, the Revenue carried out in-depth discussions with many people who were affected by the legislation. People had time to understand the rules and to make preparations to ensure that they and their companies were compliant.

In contrast, the Government have decided to implement the proposals with effect from only four months after their first announcement. The Professional Contractors Group has stated that

"on reflection we feel the timing of the measure's introduction to be so swift as to be certain of causing a damaging and shambolic period of uncertainty".

It went on to say:

"It is proposed to introduce the new tax treatment with breathtaking rapidity: the final form of the proposed legislation will only be known about a fortnight before it comes into force, and the Finance Act itself will not be passed until some time later...The timescales involved seem extraordinarily short when one considers the burden this will place on workers who operate commercial relationships via a MSC".

Ann Swain of ATSCo described the deadline for implementation as unworkable and way beyond anything she had ever seen before.

8.15 pm

In conclusion, this evening we call on the Government to think again about schedule 3. I know that the Financial Secretary is a reasonable person, and I appeal to him to listen to what we have had to say. There is a risk of collateral damage, with many legitimate, genuine freelancers and contractors and their professional advisers hit by the fallout caused by the Government's attempt to shut down abusive schemes. We think that the Government should take time for further reflection, consultation and analysis on how the proposals should be amended to prevent that unfortunate consequence. People from firms that advise small service companies are already winding up their businesses and handing out P45s as a result of the Bill.

Given the risks involved, we call on the Government to take time to get this right, to consider the alternatives, to work out and clarify what these complex provisions mean, to try to avoid the mistakes of IR35 and to ensure that the provisions do not end up clobbering genuine, hard-working freelance workers who are merely trying to make an honest living and are already struggling with rising inflation, falling living standards and rising mortgage rates.

The Temporary Chairman: Before we proceed, I have been acutely aware listening to the debate that the hon. Member for Chipping Barnet (Mrs. Villiers) is to some extent a prisoner of the drafting of the Bill. The amendment relates, of course, to clause 25 but its basis is schedule 3, which, for various reasons, has not been committed to the Committee of the whole House. I have no desire to inhibit the debate on the Floor of the House, but I propose that I and my co-Chairman on the Bill should take cognisance of the debate here when considering the depth of debate in Public Bill Committee later. Right hon. and hon. Members might wish to consider that when bearing in mind what they talk about this evening and for how long they talk.

Dr. Cable: I want to introduce amendment No. 14, which stands in my name and that of my hon. Friend the Member for Falmouth and Camborne (Julia Goldsworthy), and to support amendment No. 1, which tries to achieve the same thing in a somewhat different way.

The hon. Member for Chipping Barnet (Mrs. Villiers) has talked in some detail about the technical and legal issues, and I do not want to duplicate that. The value that I can add relates primarily to being a gnarled veteran of the IR35 debate in the 1997 to 2001 Parliament, when we went through these arguments in Committee and on the Floor of the House. Clause 25 is in many ways a successor to that. In her introduction, the hon. Lady raised many fundamentally important questions, including whether IR35 has failed, whether clause 25 is a substitute for it or a complement to it, and how the two things interact.

Having been involved in the IR35 debate, it was clear to me that we are in inherently difficult territory. We are dealing with an economy with a great deal of ambiguity; with the fuzzy borderline between employment and self-employment. That presents fundamental problems for any Government when it comes to avoidance, because there is quite a big margin of difference between the marginal tax rates paid by the employed and the self-employed through national insurance. A lot is at stake.

At the same time, we have an economy where some people are not easily pigeonholed as in employment and in self-employment. The hon. Lady mentioned one of the most important groups—the IT industry. That industry, which will be primarily affected by the clause,

is important not only for the economy in general but for Government finance and contracts, and for delivering IT contracts on time. The clause seriously affects the oil industry; large numbers of people in the offshore oil industry work with such a contractual relationship. It also affects the national health service. The biggest group of contractors who will be affected by the clause are temporary workers within the NHS. The ability to maintain the supply of those services when there is a shortage of NHS staff hinges critically on a sensitive tax treatment.

So I revert to the question that the hon. Lady posed of whether IR35 has failed. She asked whether the Government could tell us how many people were brought within the standard tax-paying employment bracket through IR35, how much revenue it generated and how many people fell outside it as a result of the growth of management service companies. I do not have much of a feel for the quantitative background to the provision—perhaps the Financial Secretary can provide it for us.

Clause 25 introduces a fundamentally new concept, which I want to understand a little better. When IR35 was introduced, the key distinction between the employed and the self-employed was provided through a control test—an attempt to ascertain whether the management of the company that hired the contractor had effective control or whether the self-employed were in control of their work. Control is a difficult concept in taxation, but at least everyone was working with it.

We now have a new idea of "being involved with" as opposed to "control". An MSC provider is involved with a company if it

"benefits financially on an ongoing basis from the provision of the services of the individual...influences or controls the provision of those services...influences or controls the way in which payments to the individual (or associates of the individual) are made...influences or controls the company's finances or any of its activities, or...gives or promotes an undertaking to make good any tax loss."

The clause and schedule 3 therefore introduce the idea of "influence" as opposed to "control".

What is the distinction between those two important words? If somebody is regarded as self-employed under the IR35 definition but employed under the MSC definition, what happens? What happens if the definitions clash? How will the ambiguity be resolved?

Mr. Newmark: The hon. Gentleman is making an excellent case about definitions. The distinction between "control" and "being involved with" is important—indeed, it is the nub of the problem. Does not he believe that we are considering yet another mechanism whereby the Government are trying to reach even further to draw people into providing more and more stealth taxes to the Chancellor, who is desperate to find money through any possible means? The wide definition gives him another opportunity to try to pick the pockets of hard-working IT professionals and others.

Dr. Cable: I was not going to go that far. I assume that the Government are acting in good faith and at least trying to deal with tax avoidance. I am concerned about the practical difficulties that might result from the two different definitions. I am not here to speculate on the ultimate motives—I did that in the Budget debate.

One can place a charitable interpretation on what the Government are trying to do. In the evidence that was given to the Treasury Committee, John Whiting, a PricewaterhouseCoopers adviser, whose name has been mentioned several times in the discussions, said of clause 25:

"Whilst the announcement of proposals to tackle Management Service Companies was seen as controversial at the time of the pre-Budget report, the Treasury and HMRC are undoubtedly right to tackle this area. Consultations on the proposals have been constructive and the refined proposals, focusing on MSC providers, are a good way forward, though more discussion is needed to ensure the targeting is precise with no collateral damage."

It is therefore possible to make the case that the hon. Lady and I are making more sympathetically than the hon. Gentleman suggested.

The key point is how we distinguish in practice between MSCs and companies that fall outside the definition. The distinction is crucial because, as the hon. Member for Chipping Barnet said, companies that fall within the new definition are liable for tax debts, which can be astronomical. As I understand it, some progress has been made in narrowing the definition of the professional groups who are likely to be involved. Accountants are now excluded, but as the hon. Lady asked, what is an accountant? Are company secretarial services included? There is a spread of possible professions.

The hon. Lady cited another definition, which she did not complete. It raised the possibility that the spread of responsibility could become wide. For example, a spouse's clause could be involved and extend to cover more distant relationships, perhaps even business partners. The limits of the liabilities are far from clear despite the moderate success of the consultation process, at least in narrowing the definition to some extent.

It is worth citing some of the professional bodies. The hon. Lady has done that and I shall not simply repeat all her cases. The Institute of Chartered Accountants in England and Wales is a reputable organisation that has no obvious axe to grind. It stated:

"Many of our members provide a variety of services for MSCs but are acting properly and within our ethical code and professional conduct rules. They are concerned that if the exclusion is not clarified, they could become liable for debts incurred by their clients when they have been acting entirely within the law and the professional conduct rules that govern their services."

That professional body is trying to get on the right side of the law and not push the boundaries. It simply wants to be crystal clear about who falls within the definition of the schedule.

I therefore believe that the sensible way forward is to provide for limited delay. I appreciate that prolonged delay can simply open the way to evasion and people finding a new way around the provisions, so I do not suggest that. However, the method that the hon. Lady proposed of a specific targeted study is one way of achieving the objective. We suggest a six-month delay to give the relevant organisations an opportunity to assimilate the secondary legislation, which we have not seen.

[Dr. Cable]

The Professional Contractors Group said that it would welcome a six-month delay because the proposals had caused much confusion among legitimate small businesses, especially the question whether accountants could be deemed to be scheme providers under the Bill. The PCG is an important voice in the debate.

Stewart Hosie: I am comfortable with a delay or a specific study. However, should not we consider more than exemptions and definitions? Should not we also include provision for a cost benefit analysis? If we are right and a tax liability may fall on a third party, which, as the hon. Member for Chipping Barnet (Mrs. Villiers) said, is uninsurable, the costs would be put on to the final user—largely Departments and local authority departments. Should not such consideration be made in the study during the suggested delay?

Dr. Cable: That is eminently sensible and amendment No. 1 is designed to provide such a cost benefit study. I emphasise the six-month delay because the six-month contract is the standard period for many contractor-type relationships. If we are to avoid a position whereby MSCs have to redesign all their payroll arrangements in mid-contract, they need a period in which to phase them in. That was the origin of the proposal for six months, but amendment No. 1 also appears entirely sensible.

I hope that the Government will reconsider the matter. I reiterate that we appreciate that there is a genuine problem of tax avoidance. We understand that the Government are responsible for dealing with that and that avoidance—and, indeed, serious criminal evasion in some cases—is happening with the rapid growth of MSCs. Something must be done, but we want to provide a limited opportunity for phasing in and conducting a study and analysis. That is the sensible way in which to deal with the sensitivities of the companies involved.

8.30 pm

Stephen Hesford: You really hit the nail on the head for this debate, Mr. Gale. Of the two amendments, amendment No. 14 is slightly better than amendment No. 1, in the sense that it is less disingenuous. If what the hon. Member for Chipping Barnet (Mrs. Villiers) said is to be taken at face value, the debate that we should be having—but which we cannot have, because schedule 3 is not before us, as you quite correctly pointed out, Mr. Gale—is on a group of amendments to schedule 3, not this one.

Mrs. Villiers: The amendment concerns the implementation date of schedule 3, which is dealt with in clause 25. It is entirely in order to talk about clause 25, because it implements schedule 3.

Stephen Hesford: I am not addressing technical reasons why one could not move the amendment. I am talking about having a proper debate on a matter of substance, and I am questioning whether this is a genuine debate to have at this point.

Although I do not agree that there should be any pause or delay, the reason I say that amendment No. 14 is slightly better than amendment No. 1 is that it at least has the merit of being time-specific, in proposing a six-month delay. As well as not grasping the details of schedule 3—we have had a discussion about that—amendment No. 1 is designed to make implementation almost impossible. Proposed new subsections (4)(a) to (4)(d) in amendment No. 1 list the things that the report should deal with, but it is wholly unrealistic that the House would want to see those matters dealt with in such a report. The amendment is set out in such a way as to make the report so complex and compiling it take so long that the delay in getting to schedule 3 would almost last for ever.

Mrs. Villiers: The hon. Gentleman does not have a lot of confidence in his own Government if he thinks that they cannot produce a report on the fairly simple matters that I detailed in the amendment.

Stephen Hesford: The hon. Lady says that they are fairly simple matters. I shall not read out the list, but if the amendment were passed at face value and a report was produced, I suspect that she would then say that proposed new paragraph (a), (b), (c) or (d) had not been looked into properly. She would then again want to set in motion a debate about whether those issues had been looked into sufficiently, before the matters that my hon. Friend the Minister will want to talk about in due course could be dealt with. The amendment is really an exercise in kicking the process into the long grass.

Why are the Opposition trying to kick the whole process into the long grass? I probably have far less experience of Finance Bills than most hon. Members here, but in my limited experience, the words that are guaranteed to set off Opposition Members are "anti-avoidance". That is the one matter that consistently gets them exercised. Every time we have such debates they trot out the same arguments, no matter what anti-avoidance scheme is proposed. Their argument is that they are of course in favour of anti-avoidance and protecting the Revenue; but they then disparage, blow-for-blow, the anti-avoidance schemes that my hon. Friends on the Front Bench have put forward, and this debate is no different.

Mr. Newmark: I understand the spirit in which the hon. Gentleman is making his point, but our point is that every time the Government come forward with legislation, their tax remit becomes wider and wider and they end up hurting people whom they do not mean to hurt. Our party is trying to deal with those unintended consequences, not stopping people who should be paying tax from paying their fair share.

Stephen Hesford: I am grateful to the hon. Gentleman for that intervention, because it enables me to reiterate the point that I made earlier. If he is going to make a contribution in this debate—

Mr. Newmark *indicated assent.*

Stephen Hesford: The hon. Gentleman nods, and I look forward to hearing what he says. He therefore may wish to reflect on this point. If the amendment is a

genuine attempt to take issue with the substance of schedule 3, the debate should be about the contents of schedule 3, not about its start date, as I have indicated. What I am saying is that this is a peculiar and artificial debate. The debate that we need to have is on the detail of schedule 3, which I am sure we will come to in due course.

The hon. Member for Chipping Barnet also said that there need to be further discussions. In my limited experience of reviewing such matters—I shall of course be corrected from the Front Bench if I am wrong—HMRC does just that, always keeping them under review and always being prepared to seek further discussions as events unfold. Her point is therefore not really an argument for delay.

Mrs. Villiers: It is my understanding that HMRC has refused to give anyone any advice at all on how the provisions will operate until the Finance Bill has completed its passage through Parliament. I shall be interested if the Minister contradicts me, but the reality is that people are not receiving the advice that the hon. Gentleman says they are.

Stephen Hesford: The hon. Lady misunderstands what I was saying, although I do not think purposely. I was not talking about advice so far, but about ongoing discussions as to how the legislation will affect people. If as a result of experience the legislation needs to be reviewed in due course, I have no doubt that my hon. Friends on the Front Bench will do just that.

Stewart Hosie: If the consequences are increased costs to users, particularly the Government, a tightening of the labour supply, inflexibility in the labour market and chaos for possibly tens of thousands of contractors in many sectors, does the hon. Gentleman not think that we should conduct the review in advance, rather than doing so down the line, after the damage has been done?

Stephen Hesford: I am grateful for that intervention, because I shall come to that very point in my concluding remarks. In a sense, the hon. Gentleman has hit another nail on the head—there are lots of nails.

Mr. Newmark: With a sledgehammer.

Stephen Hesford: Yes, absolutely—cracking the nut with a sledgehammer. However, I shall address that point in my concluding remarks.

The other matter that worried me when I listened to the hon. Member for Chipping Barnet was that of the three institutions that she chose to quote in support of her argument—I am not talking about schedule 3, and she will tell me if I have miscounted—two were not related to the industry. One was the Chartered Institute of Taxation and the other was the Law Society. They are removed from the issue, because they are just practitioners.

Mrs. Villiers: They are not removed. Accountants will be directly affected by this legislation. They are potentially at risk, as huge sums could be involved in relation to the tax debts of their clients. These are reputable organisations with an extensive knowledge of tax and legal matters.

Stephen Hesford: I accept that those organisations have an indirect, ultimate connection to these matters in a professional sense. The odd thing is, however, that the people that the hon. Lady prays in aid are not the ones that she says that she is trying to protect.

Mrs. Villiers: If the hon. Gentleman wants to hear what the contractor community thinks about these proposals, he should just go and visit Shout99 or one of the IR35 websites. He would experience a lively discussion and hear some trenchant views on this Government's performance on tax matters.

Stephen Hesford: I thank the hon. Lady for that intervention, because it brings me to my next point. Von Clausewitz said that war was the continuation of diplomacy by other means. The hon. Lady seems to be seeking to have the whole argument about IR35 over again, having lost that battle—*[Interruption.]* She is nodding. If she wants to intervene on me, she may do so.

Mrs. Villiers: Schedule 3 is an admission that IR35 has not worked. If it had worked in the way that the Government had intended, we would not need schedule 3.

Stephen Hesford *rose—*

The Temporary Chairman: Order. This is not about schedule 3 at all. We are becoming slightly detached from the amendment before the Committee.

Stephen Hesford: Of course I shall adhere absolutely to what you have said, Mr. Gale.

I did not count the number of times the hon. Lady said "IR35", but it must have run into double figures. She seems to be replaying all those arguments, which I did not accept at the time. The reason why I did not accept them is that a number of self-employed constituents came to see me when the IR35 debate was going on, and they were worried about the effect that it would have on them, in advance of its introduction. A furore had been whipped up, no doubt to some extent by the arguments adopted by Conservative Members. Of all those constituents who expressed concern about what the effects of IR35 might be, however, none came back to tell me that their fears had been borne out and that we were now doing this, that or the other to them. I would argue that the fears about IR35 were to a great extent oversold, and I put it to the hon. Lady that the fears that she is now expressing are being oversold in exactly the same way, and for exactly the same reasons. This all goes back to a lack of willingness to support my hon. Friends on the Front Bench in their efforts to sort out tax avoidance.

8.45 pm

From my short experience of Finance Bills, I have observed that one of the documents that is often referred to in great detail—because it rescues many of us—is the explanatory notes. Neither of the two

Front-Bench spokespersons who have spoken in this debate have mentioned them. I find that extremely interesting. The hon. Member for Dundee, East (Stewart Hosie) raised a point earlier about consultation and asked whether there should be a delay. The explanatory notes state that in 2006—by my calculation, that is a year ago—the pre-Budget report announced that the Government would take

"action to tackle managed service company...schemes which enable workers to provide their services through companies and avoid paying employed levels of tax and national insurance".

We have therefore had one year's notice—

Mrs. Villiers: December? That is not a year ago.

Stephen Hesford: Forgive me. We have had six months' notice.

The explanatory notes go on:

"The consultation document "Tackling Managed Service Companies", set out the growing problem of the use of managed service companies and their failure in the vast majority of cases to apply the Intermediaries legislation".

It seems strange that that consultation document was never referred to by either Front-Bench spokesperson.

Mrs. Villiers: I referred to the consultation document at least twice, possibly three times.

Stephen Hesford: They must have been the very briefest of references, because I missed every one of them.

This is an apparent row, rather than a real one, and we are having it for a time-honoured reason in Finance Bill debates: Conservative Members do not like the anti-avoidance schemes. The Government are putting forward legislation to protect the Revenue. That is what my hon. Friends on the Front Bench are doing tonight and I support clause 25.

Mr. Newmark: Thank you for calling me to speak, Mr. Gale. I am delighted to see you in the Chair.

I have three points to make. First, there is agreement over the broad principle that managed service contracts should not be allowed to exist as a cynical tax dodge—as I believe the hon. Member for Wirral, West (Stephen Hesford) might describe it—but there seems to be some question over the real scope of the existing problem. I was uneasy when I heard John Whiting of PricewaterhouseCoopers give evidence to the Treasury Committee on this subject. He said:

"I have seen various estimates, certainly estimates of 100,000 or more employees or individuals under this regime. It is very difficult to get an exact figure because very often these populations by nature are transient and rapidly changing."

That alone should be sufficient justification for my hon. Friends' cautious amendment proposing deferral while further study takes place.

Julia Goldsworthy: Is not there another reason for the Minister to be cautious? The number of people registering as personal service companies in recent months gives some indication of the number who might previously have been working in managed service companies. Given that tax offices are being reviewed and the scaling back of staff is being considered, should not the Government examine the ability to manage at local level the burden of the tens of thousands of individuals now registering as personal service companies? It would be for their own benefit.

Mr. Newmark: The hon. Lady makes an excellent point. I do not want to detract from it, but the Treasury Committee also considered the issue of the Government closing down tax offices and letting go experienced tax officers who could track down the very avoidance that they are seeking to deal with by centralising everything. That, in itself, creates problems.

If the Minister believes that he already has the answers to the questions posed by the amendment, he has an opportunity to set them out for the Committee now. I look forward to hearing his comments.

Rob Marris: I understand that the hon. Gentleman has asked the Minister to set out further evidence. Has he read the consultation document, "Tackling Managed Service Companies", or the publication that followed that document, "Managed Service Companies: Transfer of Pay as You Earn and National Insurance contributions debts"? If he has not read those documents, I suggest that he do so before peppering the Minister with questions, the answers to which might be in the documents.

Mr. Newmark: As always, I very much appreciate advice and guidance from more experienced Members of the House, but I will go on.

In the absence of firm data about those who are likely to be affected, let us take time to undertake a thorough study, and hold off on a potentially damaging change until we are fully informed of its consequences. I am not advocating complacency as a solution, and neither is the amendment, but year after year we see well-intentioned changes fall victim to the law of unintended consequences. There is a proverb involving fools and angels that is probably of some use in this instance, and if the Government claim that they have not rushed in, the Minister will already be able to answer all the questions posed by the amendment.

My second point is about the adequacy of the proposed solution. In his written evidence to the Treasury Committee, John Whiting, to whom the hon. Member for Twickenham (Dr. Cable) referred, commented instructively that,

"more discussion is needed to ensure the targeting is precise with no collateral damage."

That "collateral damage" is of most concern to the Opposition. IT contractors often work through managed service contracts, and the industry will feel the full force of the changes. As one contractor said in his response to a poll by an industry website:

"I have no idea why I have to play this game; in most other countries the taxation is far, far simpler for temporary professional work."

As we all know, small business people, unlike large businesses, have much less mobility: they cannot go overseas; they are stuck here with whatever the Government throw at them.

We are quickly into dangerous territory, because anti-avoidance measures sooner or later come down to subjective moral judgements about "fair shares" or "genuine" companies and so on. But when the "collateral damage" is ordinary people—the constituents of the

hon. Member for Wirral, West (Stephen Hesford), the hon. Member for Twickenham, my hon. Friend the Member for Chipping Barnet (Mrs. Villiers) and even mine in Braintree—who may be blissfully unaware that they have transgressed against the Revenue, there is surely some room for caution, if not for outright forbearance.

That leads me to my third point, on the problem of publicity and awareness of changes that, by any estimation, will affect a great number of people. The amendment proposes a delay for further study—a delay that will also offer the Treasury a further opportunity to ensure that all those who work through managed service companies are fully apprised of the changes. I appreciate that the Treasury needs to prevent forestalling when dealing with anti-avoidance provisions, but that need must be balanced against the potential impact on a large class of ordinary workers.

The Treasury's consultation document admitted that there are cases in which workers do not benefit from operating through managed service companies and do not understand the implications of doing so. It admits:

"HMRC compliance units have anecdotal evidence of this happening to vulnerable workers such as recent immigrants."

There is also a further warning on the infringement of employment rights represented by coercing workers into managed service companies. As the Institute of Chartered Accountants submitted to the Treasury Committee,

"we are concerned that the workers employed by MSCs do not usually have a choice when they accept work, about how the engagement is structured. Indeed many will not even realise that they are involved in MSCs."

It cannot be right to press on regardless, with the prevention of forestalling the only justification, and I have no hesitation in supporting the amendment tabled by my hon. Friends pressing for a full report on the various impacts of schedule 3.

Rob Marris: The hon. Member for Braintree (Mr. Newmark) said that he was "not advocating complacency as a solution". A couple of very good points that he made at the end of his speech concerned vulnerable workers, whether migrant workers or otherwise.

Another part of the economy in which we have had a problem for a long time is the construction industry. I think that action is overdue. The hon. Member for Braintree is too young to remember "the lump" on building sites, but it was operating when I was a teenager, and there is now an updated version of it among construction workers. Not only can it rip off the Treasury and therefore other taxpayers; it can rip off the individual building worker. Worse than that—because of the grey area in which the individual worker finds himself—it can have implications for safety. Some safety legislation covers only employees, as opposed to workers. I therefore suggest to the hon. Gentleman that the amendments that he supports are, in fact, an expression of complacency about a problem that we face in terms of tax revenue and in terms of individual safety.

Mrs. Villiers: Does the hon. Gentleman acknowledge that schedule 3 will not give one person extra employment rights? It will have no impact on the serious problems that he has described. It will give no extra health and safety or employment protection.

Rob Marris: I hope that you will allow me to stray from the amendments for a couple of sentences, Mr. Gale. Schedule 3 specifically uses the term "worker"—I cannot tell the hon. Lady exactly where, because we are not debating schedule 3 so I had not prepared myself—in contradistinction to the term "employee", and it has a different implication for certain health and safety measures. If the hon. Lady wishes, I will dig out—later, of course, Mr. Gale—the phrase that includes the term "worker".

The second issue on which I think the hon. Member for Braintree was complacent, despite having said that he was not advocating complacency as a solution, relates to the timing of the introduction of these measures, with which both the clause and the amendments deal. Not only is he complacent about what is a growing problem; he seems, complacently, to want a Treasury Minister to take up the Committee's time by providing all kinds of information that might well be in the two reports to which I referred in an intervention that he kindly allowed me to make but which apparently he has not read. He certainly did not confirm to the Committee that he had read them, and implication was that he had not.

Julia Goldsworthy: The hon. Gentleman said that individuals could be exploited when they did not realise that they were part of a managed service company. Unfortunately, trying to deal with those problems creates a set of further problems. The Institute of Chartered Accountants said that it had seen correspondence from managed service companies to their customers offering them an alternative service, and advising them to set themselves up as personal service companies of which they would be sole shareholders. They would then be asked to certify whether they were within the rules of IR35. If people do not know that they are part of a managed service company, they will be vulnerable when asked to self-certify on something of which they are not adequately aware. Dealing with managed service companies might create a further problem.

Rob Marris: The hon. Lady might be right. However, I did not refer to those vulnerable workers in the way she suggests. I did not say that they did not realise that they were part of a managed service company.

What I would describe as bogus self-employment—not in an "illegal" sense—has existed for many years. Under Margaret Thatcher's Government, milk deliverers were pushed into what most would regard in a moral sense, though not in a legal sense, as bogus self-employment. There was a fad for it, because of the tax regime. The milkmen realised what they were doing, but they were effectively given no option by those who had hitherto employed them. It is a scandal that has continued for years, and clause 25, along with schedule 3, will help to deal with it.

I do not think we should delay any longer. Both amendments suggest that we should, but I think that there has been enough consultation and enough knowledge of these problems for a long time, and that we should reject the amendments.

9 pm

John Healey: We have had a useful debate on clause 25. The clause introduces measures to tackle the problems set out in the consultation document entitled "Tackling Managed Service Companies", which we published last December. As you rightly pointed out, Mr. Gale, schedule 3 contains the detailed provisions, to which we will return in the Public Bill Committee. I look forward to your chairmanship of that Committee, and I have enjoyed your chairmanship tonight.

I am glad that we have been able to arrange to debate the clause today, uncomfortable as it is for our discussion in this Committee of the whole House. It is an arrangement that the Opposition wished for, and I am glad that we have been able to accommodate them. Many of the detailed points that the hon. Member for Chipping Barnet (Mrs. Villiers) raised clearly relate directly to schedule 3. We will return to and deal with them in detail in the debate in the Public Bill Committee, rather than tonight.

The Opposition amendments would delay the date on which the legislation takes effect. Before I consider those, and the legislation in general, perhaps it would help the Committee if I reminded hon. Members of the rationale for legislating in this sector and outlined the consultation that we have undertaken. I hope that it will help to reassure hon. Members that we are not acting in haste, that we have considered the measures in some detail, and that what we propose is the necessary and right response to the problem that we increasingly face with managed service companies. The questions are significantly different from the questions that we may have considered with IR35 and personal service companies.

Managed service companies are corporate structures through which workers provide labour services. What is notable is that managed service company schemes are mass marketed, and it is not appropriate to use the intermediaries legislation to try to deal with them. In the vast majority of cases, workers in managed service companies are not in business on their own account and the nature of their engagements is equivalent to one of employment.

Mr. Gale, you and the House will remember that the House has taken action not just in the last decade but in previous decades to maintain a clear policy intent, which is that those who are, in substance, employed should be treated by the tax system as being employed. For example, between 1988 and 1996, six separate pieces of legislation were introduced by the Conservative party to counter the use of what were then termed readily convertible assets specifically to avoid class 1 national insurance contributions. The steps that we are taking in respect of managed service companies should be seen in the context of that clear and consistent intent, endorsed on occasions by the House, both in the past decade and previously.

Those mass marketed schemes are almost always promoted on the basis that the worker will pay less tax. Let me refer to one or two such schemes and quote the sort of publicity that those companies were issuing before the pre-Budget report announcement in December. Nova Corporate Services said:

"Our aim...Established in 2001, Nova was set up with one goal in mind—to increase the take-home pay of its members: self-employed people, frequently in temporary employment and largely working through employment agencies.

The result—less tax! Individuals who choose to work through a Nova company pay considerably less PAYE (income tax) and National Insurance than those who continue to be paid directly by employment agencies."

Around the same time, before the pre-Budget report announcement, Brookson detailed the advantages of working through a managed service company:

"Well, for a start we can make your life easier by taking care of all your paperwork and handling all your tax issues. As well as saving you time we can also save you money by reducing the amount of tax payable increasing net pay by anything up to 30 per cent. For a very competitive weekly fee Brookson will"—

and it goes on to detail precisely how the company will, essentially, take away any suggestion that an individual, through an MSC, is managing their own affairs or involved in that. It then says:

"With every aspect of administration and accounting taken care of, you are free to concentrate on what you do best—your job."

I could refer to a number of other examples that I have brought into the Chamber with me. If I could read Polish, I could quote similar provisions set out in Polish to attract foreign workers, binding them in from the start of their employment—disguised employment—in this country in this way.

Let me give Members an idea of the scale of the tax benefit, and therefore of the artificial tax arrangements and their impact. Currently, an employee earning £30,000 who incorporates for tax purposes will pay £4,290 less tax and national insurance than other employees on the same salary. It is important to be clear that such workers are being encouraged to use incorporation as a means of disguising their real employment status. We are trying to tackle that.

Workers in MSCs are shareholders in the company, formally. Generally, they are paid a combination of salary at the level of the national minimum wage and dividends, on which a lower rate of income tax applies and on which no national insurance is levied. That is the nature of the tax gain, and it shows the artificiality of the tax arrangements.

Under existing rules—the intermediaries legislation, often known as IR35—employed levels of tax and national insurance should be paid, but in most cases the rules are not followed. That a large and growing number of workers are involved in these mass marketed schemes makes it difficult to enforce them. That is why we need fresh legislation in this area. The use of MSCs has grown sharply in recent years. It is estimated that in 2005-06 240,000 workers were in MSCs. As I hope Members appreciate, there are obvious difficulties in quantifying the impact and the figures, but the Government consider this to represent a significant and unacceptable risk to the public purse, which we cannot allow to continue. The estimated yield from this proposed legislation in 2007-08 is about £350 million. Furthermore, we aim that it will deter future use of MSCs and protect the Exchequer against future losses.

Mrs. Villiers: I would be interested to learn whether the Financial Secretary would plan to publish regular figures on the increase in tax take resulting from the application of schedule 3, as he has never been prepared to do that in relation to IR35.

John Healey: There are reasons why it is difficult to isolate any tax impact from IR35, which no doubt we can explore, along with the hon. Lady's points on schedule 3, in the Public Bill Committee. However, let me say that when we introduce the provisions we will closely monitor, and report on, how they work. If any revisions are required—I hope that they will not be—we will introduce them; we will explain, and consult on, any proposals, as we have done in respect of this scheme.

It is important to recognise that workers will still be able to work flexibly. Many employment agencies—and in particular their representative body, the Recruitment and Employment Confederation—support the measures, because the agencies are being undermined by MSC providers that do not enforce the current rules properly. Workers can continue in MSCs as long as they pay the right level of tax and national insurance. That is the right approach.

Rob Marris: Will my hon. Friend confirm that because of the national insurance implications, some of those workers—who, in lay terms, are in a bogus situation—will not get disability benefits if they are injured at work, will not get jobseeker's allowance if they are made unemployed, and will not have pensionable years of contribution toward a basic state pension?

John Healey: My hon. Friend has a point—and to be fair to the hon. Member for Chipping Barnet, so did she when she said that this legislation was not specifically about employment rights. However, when workers are signed up to, and sometimes obliged to operate through, managed service companies, as a consequence they forfeit certain employment rights and protections, and are not aware that in operating in that way, they are doing so. That is not surprising, given that the publicity and the appeal is directed, as I have suggested, specifically at the tax advantage, and therefore to the weekly or monthly take-home pay advantage that certain workers may see.

Stewart Hosie: How, therefore, will HMRC define as different and genuinely self-employed the legitimate and ambitious individuals who wish to be flexible and work on their own, who go through reputable recruitment agencies to find their contracts, and who work with management accountant-type firms to do their books, compared with someone who happens to be working through one of those companies? Moreover, although those companies are mass marketed and might have lots of such people, could there not also be innocent people genuinely working on their own who happen to use such outfits because it suits them to have their books and accounts done in that manner? How will those different types of people be distinguished?

John Healey: The short answer is that the distinction will be made by applying the proposed definition set out in schedule 3. Given that in previous years, the hon. Gentleman has made a really important contribution to Standing Committee proceedings on Finance Bills, I hope that he will be willing to serve on the Public Bill Committee for this Bill, too, and that we can deal with these matters.

Mrs. Villiers: I am grateful to the Financial Secretary for giving way again. Is he prepared to acknowledge that there are freelancers genuinely in business on their own account who operate via managed service companies?

John Healey: If someone is genuinely operating on their own account and essentially running their own affairs and engaging their labour through a managed service company, they clearly will not be caught by the provisions before us. I answered many of the questions that the hon. Lady raised about freelancers on Second Reading, and she will have the opportunity to probe this one in a lot more detail and depth in the Public Bill Committee. I am happy that we should do that, but the intention behind the legislation is clear, and it is not to catch those genuinely in business on their own account and managing their own affairs—*[Interruption.]*

David Taylor: Will the Minister make it absolutely clear, as my hon. Friend the Member for Wolverhampton, South-West (Rob Marris) is attempting to do from a sedentary position, that the terms "freelance" and "self-employed" are not interchangeable and equivalent? They are necessarily different in many aspects.

John Healey: My hon. Friend, who brings a lot of experience to our debate thanks to his professional capacity before he joined this House, is right: "freelancers" is a colloquial not a legislative term. The test will be whether individual workers run their own company to gain the advantage of taking the profits out of it as dividends. If workers are not running their own business they are likely to be employees, and are therefore likely to be disguising their employment status and not paying the tax that they ought to be paying, as other employees do. It is clearly unfair if two workers carrying out the same work pay different levels of tax and national insurance because one is operating through a structure provided by a third party that fails to apply the rules correctly. There is also the further concern that some workers are encouraged, or even forced, to use MSCs without understanding that they may lose their employment rights. The Government therefore set out objectives and detailed proposals for change in the pre-Budget report in December.

9.15 pm

During the consultation, almost all those who commented agreed that the existing rules are not being applied and that action on MSCs is necessary. In its response, the Chartered Institute of Taxation said:

> "We acknowledge that some MSCs are responsible for significant underpayments of Pay as You Earn and National Insurance Contributions...we further acknowledge that this is a serious issue that HMRC cannot ignore."

Some respondents commented that their businesses were being undercut by those who did not comply. An employment agency for teachers wrote:

> "This has put us at a considerable commercial disadvantage to other employment businesses which have used MSCs to pay their workers...As we also pay employers NIC on our teachers' earnings our margins are significantly lower than those recruitment businesses which choose to use MSCs."

As I said earlier, I am dwelling on the consultation process to emphasise how deliberate we have been in

formulating our proposals. During the consultation, officials from the Treasury and HMRC met a wide range of interested parties, and the provisions in clause 25 and the related schedule reflect many of the key concerns raised during that process. I express my appreciation, and that of the Government, to the many people who have offered us technical advice and support, and indeed challenge, to get our proposals in good shape and ensuring that they are targeted on meeting the policy objectives we set out.

As we pointed out in the consultation document, getting the definition of MSCs right requires great care. On the one hand, we are determined to end the abuse of the tax system by MSC schemes, while on the other we recognise the advantages—not least in the performance of the British economy—of a relatively flexible labour market. Legislation should ensure that contractors can continue to operate through appropriate structures and obtain the professional services and support they need. People genuinely in business on their own account providing services through service companies will not come within the MSC definition.

Mrs. Villiers: Will the Minister acknowledge that someone operating through a personal service company that was entirely compliant with the provisions to be enforced by clause 25 could be brought within the scope of the MSC definition merely because their professional advisers were offering other clients non-compliant services?

John Healey: From the outset we have constantly made it clear that our intention is that the legislation will not hit those working through personal service companies. The legislation was drafted with that intention and it remains our clear purpose, so I hope during this debate and in the Public Bill Committee to convince the hon. Lady that that will be the effect of our proposals.

At the pre-Budget report, when we published the draft definition of MSCs—the starting point for the provisions in clause 25—it focused on the question of who controlled the company and its finances. The hon. Member for Twickenham (Dr. Cable) was interested in that point. As the hon. Member for Falmouth and Camborne (Julia Goldsworthy) mentioned tonight, and in more detail on Second Reading, we soon realised that some MSC providers were intending to move their MSC workers to companies as directors to give the impression that workers were in control of the company. The hon. Lady claimed that the setting up of such new companies was evidence that the MSC measures would not work. However, the fact that some MSC providers act in that way because they are determined to get around the legislation—combined with the comments of some of the respondents to the consultation that the definition needed to be tougher and more robust—is precisely why we revised our approach, instead focusing more on the business of the MSC provider. That will be more effective because it will enable HMRC to focus on the smaller number of MSC providers.

I hope that the hon. Lady will accept the views of David Heaton, a tax partner in the Baker Tilly accountancy firm and employment consulting group. Writing in a tax journal in April, he said:

"This looks to be a very elegant solution to the difficulty that seemed likely to undermine the new rules. The Treasury is to be congratulated on its consultation exercise and, more importantly, on being prepared to listen and change tack to produce workable new law."

That, indeed, is what I hope that we have produced—workable new legislation. Clearly, we await what happens in practice, but I am encouraged that we are moving in the right direction.

There is a specific exclusion from the definition of an MSC provider of those merely providing legal and accountancy services in a professional capacity. Let me make it clear that even where this specific exclusion does not apply, the purpose of the legislation is not to include within the definition of an MSC provider accountants, tax advisers, lawyers and company secretaries, who provide advice or other professional services to companies and individual clients. Those parties are not in the business of promoting or facilitating the use of companies to provide the services of individuals. Nor are they regarded as involved with the company in the way that the legislation envisages. In other words, simply because someone is not exempt by virtue of proposed new section 61B(1)(b) does not mean that they are caught by the legislation.

The legislation specifically excludes employment businesses and agencies from the definition of an MSC provider. That is because we accept that some of the activities that employment businesses and agencies undertake legitimately as part of the business of placing work seekers superficially resemble what MSC providers do in running their clients' companies. In that respect we recognise the important and legitimate role that those businesses play in the temporary labour market, and it is not our intention to disrupt that.

The hon. Member for Chipping Barnet spent some time on the transfer of debts provisions, so I would like to say a few words of reassurance to members of the Committee about them. The legislation aims to deal with a further problem that we identified with MSCs: that they have often escaped payment of tax and national insurance contributions because they have no assets. Where a debt is established, MSCs are often simply wound up and then begin to trade again. They trade again because their workers are transferred to a new MSC by the MSC provider. Respondents to the consultation were consistent in agreeing that the wider package of measures would be ineffective without debt transfer provisions.

Where the MSC does not pay, the legislation will allow the PAYE debts of MSCs to be transferred to appropriate third parties, such as the MSC provider or the director. Those parties are clearly involved and clearly benefit from the arrangements. If payment cannot be obtained from those parties, the debts may be transferred to others who have

"encouraged, facilitated or otherwise been actively involved in the provision by the MSC of the services of the individual".

Without a provision to transfer debts, the entire purpose of the legislation would be lost. Those benefiting from the arrangements would simply be able to continue promoting and using these schemes with no financial risks. Of course, transferring debts to third parties is not a new principle in our tax system.

For those concerned about the transfer of debt, there is, frankly, a simple answer: not to operate through or encourage others to operate through MSCs. I recognise that there are nevertheless some concerns and I am sure that we will return to schedule 3 in greater detail in the Public Bill Committee. The regulations for the PAYE provisions were published for comment back in February and the consultation closed today. We will consider any comments very carefully and take full account of them in finalising the regulations, which we aim to publish in June. The regulations will contain a number of safeguards and grounds for appeal. The debt transfer provisions are intended to be effective for PAYE and national insurance contributions incurred from 6 August in respect of MSC directors and MSC providers, and from 6 January next year for other parties.

I have dwelt for a moment or two on how the provisions might work, because I thought that it was necessary to do so to reassure Members that the Government have considered the issue in detail and have discussed it in detail with the relevant parties. I also wanted to try to allay the concerns and correct some of the misinformation and the misunderstandings that have been evident. I hope that what I have said has helped to reassure Members that the amendments are not necessary, or desirable.

Let me elaborate briefly on those points specifically in relation to amendments Nos. 1 and 14. The amendments are not necessary because the legislation was published for consultation last December, alongside a partial regulatory impact assessment. During the course of the consultation, officials dwelt in detail on the proposals with a wide range of parties. We received 81 written representations and we set out the points that were made in a summary of the consultation responses, which I published last month. Not only did the consultation confirm our analysis of the problem and the need to tackle it, it provided the further evidence that we needed to inform the full regulatory impact assessment, which was published at the same time as the Finance Bill and which covers many of the issues that the hon. Member for Chipping Barnet is concerned about in her amendment. Importantly, the responses to the consultation have allowed us to refine the approach that the legislation takes in a way that enables us to deal with the key concerns that have been raised.

Finally—[Hon. Members: "Hooray!] I am sure that Opposition Members would not wish me to treat in a cursory way the detailed points that have been raised in the Committee proceedings this afternoon—even though I missed the contribution made by the hon. Member for South-West Hertfordshire (Mr. Gauke).

The recruitment and MSC sectors have already responded to the announced changes and are operating the new rules. I have been encouraged by the willingness of many in the industry and their representatives to work to make the measures effective. Introducing a delay would mean that companies that are already operating the new rules would be thrown into confusion and uncertainty. It would send a signal to those seeking to exploit the use of MSCs that we may not be serious about tackling the abuses. I have to say to the hon. Member for Falmouth and Camborne and the hon. Member for Twickenham that delaying the implementation of the provisions until November, as amendment No. 14 envisages, would constitute a loss of anticipated revenue to the public purse of about £50 million.

In conclusion, we set out clearly in the consultation the serious and growing problem of mass marketed MSCs. We consulted widely. We discussed our proposals in depth. We altered the approach, as set out in the Finance Bill. The clause will help us to tackle bogus companies and it will restore more even conditions. Currently, those observing the existing rules lose out. It will protect the public purse from the sort of artificial tax arrangement that means that people who should be employed, and are in effect employed, are not paying the levels of tax that they should be paying as employed people. I commend the clause to the Committee.

Mrs. Villiers: Taking the decision to become a contractor or a freelancer does not make one a tax dodger. I am not reassured by the Financial Secretary's response. The clause remains flawed and I wish to press amendment No. 1 to a Division.

Question put, That the amendment be made:—

The Committee divided: Ayes 123, Noes 265.

Division No. 103] **[9.29 pm**

AYES

Ainsworth, Mr. Peter
Amess, Mr. David
Atkinson, Mr. Peter
Barker, Gregory
Beith, rh Mr. Alan
Bellingham, Mr. Henry
Bercow, John
Blunt, Mr. Crispin
Boswell, Mr. Tim
Bottomley, Peter
Brady, Mr. Graham
Brazier, Mr. Julian
Breed, Mr. Colin
Brokenshire, James
Browning, Angela
Burns, Mr. Simon
Burrowes, Mr. David
Burt, Alistair
Cable, Dr. Vincent
Carswell, Mr. Douglas
Chope, Mr. Christopher
Clappison, Mr. James
Curry, rh Mr. David
Davies, David T.C. *(Monmouth)*
Davies, Philip
Davies, Mr. Quentin
Djanogly, Mr. Jonathan
Dorries, Mrs. Nadine
Duncan Smith, rh Mr. Iain
Dunne, Mr. Philip
Evennett, Mr. David
Fallon, Mr. Michael
Featherstone, Lynne
Francois, Mr. Mark
Fraser, Mr. Christopher
Garnier, Mr. Edward
Gauke, Mr. David
Gibb, Mr. Nick
Goldsworthy, Julia
Goodman, Mr. Paul
Goodwill, Mr. Robert
Gray, Mr. James
Greening, Justine
Gummer, rh Mr. John
Hammond, Mr. Philip
Hammond, Stephen
Hands, Mr. Greg
Harper, Mr. Mark
Harvey, Nick
Heath, Mr. David
Heathcoat-Amory, rh Mr. David
Hendry, Charles
Herbert, Nick
Hoban, Mr. Mark
Hogg, rh Mr. Douglas
Holloway, Mr. Adam
Horam, Mr. John
Horwood, Martin
Hosie, Stewart
Howarth, David
Howarth, Mr. Gerald
Hughes, Simon
Hurd, Mr. Nick
Johnson, Mr. Boris
Key, Robert
Lamb, Norman
Lancaster, Mr. Mark
Lansley, Mr. Andrew
Leigh, Mr. Edward
Letwin, rh Mr. Oliver
Lewis, Dr. Julian
Liddell-Grainger, Mr. Ian
Loughton, Tim
Luff, Peter
Malins, Mr. Humfrey
Maples, Mr. John
May, rh Mrs. Theresa
McIntosh, Miss Anne

McLoughlin, rh Mr. Patrick
Mercer, Patrick
Miller, Mrs. Maria
Milton, Anne
Moss, Mr. Malcolm
Murrison, Dr. Andrew
Newmark, Mr. Brooks
Ottaway, Richard
Paice, Mr. James
Pelling, Mr. Andrew
Penning, Mike
Prisk, Mr. Mark
Pugh, Dr. John
Robertson, Hugh
Robertson, Mr. Laurence
Rosindell, Andrew
Ruffley, Mr. David
Russell, Bob
Sanders, Mr. Adrian
Scott, Mr. Lee
Simmonds, Mark
Spicer, Sir Michael
Spink, Bob
Spring, Mr. Richard
Stanley, rh Sir John
Streeter, Mr. Gary
Swayne, Mr. Desmond
Syms, Mr. Robert
Taylor, Mr. Ian
Teather, Sarah
Tyrie, Mr. Andrew
Vaizey, Mr. Edward
Vara, Mr. Shailesh
Viggers, Peter
Villiers, Mrs. Theresa
Waterson, Mr. Nigel
Wiggin, Bill
Willetts, Mr. David
Williams, Hywel
Willis, Mr. Phil
Wilshire, Mr. David
Winterton, Ann
Winterton, Sir Nicholas
Yeo, Mr. Tim
Young, rh Sir George

Tellers for the Ayes:
Angela Watkinson and Michael Fabricant

NOES

Abbott, Ms Diane
Ainger, Nick
Ainsworth, rh Mr. Bob
Anderson, Mr. David
Anderson, Janet
Armstrong, rh Hilary
Atkins, Charlotte
Austin, Mr. Ian
Bailey, Mr. Adrian
Balls, Ed
Barlow, Ms Celia
Barron, rh Mr. Kevin
Battle, rh John
Bayley, Hugh
Beckett, rh Margaret
Benn, rh Hilary
Benton, Mr. Joe
Blackman, Liz
Blizzard, Mr. Bob
Blunkett, rh Mr. David
Borrow, Mr. David S.
Bradshaw, Mr. Ben
Brennan, Kevin
Brown, Lyn
Brown, rh Mr. Nicholas
Buck, Ms Karen
Burden, Richard
Burgon, Colin
Burnham, Andy
Butler, Ms Dawn
Byers, rh Mr. Stephen
Byrne, Mr. Liam
Cabom, rh Mr. Richard
Campbell, Mr. Alan
Campbell, Mr. Ronnie
Caton, Mr. Martin
Cawsey, Mr. Ian
Challen, Colin
Chapman, Ben
Chaytor, Mr. David
Clark, Ms Katy
Clark, Paul
Clarke, rh Mr. Charles
Clarke, rh Mr. Tom
Clelland, Mr. David
Coaker, Mr. Vernon
Coffey, Ann
Cohen, Harry
Cook, Frank
Cooper, Yvette
Cousins, Jim
Crausby, Mr. David
Creagh, Mary
Cruddas, Jon
Cryer, Mrs. Ann
Cummings, John
Cunningham, Mr. Jim
Cunningham, Tony
Curtis-Thomas, Mrs. Claire
Davies, Mr. Dai
Dean, Mrs. Janet
Denham, rh Mr. John
Dhanda, Mr. Parmjit
Dobbin, Jim
Dobson, rh Frank
Donohoe, Mr. Brian H.
Drew, Mr. David
Eagle, Angela
Efford, Clive
Ennis, Jeff
Etherington, Bill
Farrelly, Paul
Field, rh Mr. Frank
Fisher, Mark
Fitzpatrick, Jim
Flint, Caroline
Flynn, Paul
Follett, Barbara
Foster, Mr. Michael *(Worcester)*
Francis, Dr. Hywel
Gapes, Mike
Gardiner, Barry
George, rh Mr. Bruce
Gerrard, Mr. Neil
Gibson, Dr. Ian
Gilroy, Linda
Goggins, Paul
Goodman, Helen
Griffiths, Nigel
Grogan, Mr. John
Gwynne, Andrew
Hall, Mr. Mike
Hall, Patrick
Hamilton, Mr. Fabian
Harman, rh Ms Harriet
Harris, Mr. Tom
Havard, Mr. Dai
Healey, John
Henderson, Mr. Doug
Hendrick, Mr. Mark
Hepburn, Mr. Stephen
Hesford, Stephen
Hewitt, rh Ms Patricia
Heyes, David
Hill, rh Keith
Hillier, Meg
Hodgson, Mrs. Sharon
Hoey, Kate
Hood, Mr. Jimmy
Hoon, rh Mr. Geoffrey
Hope, Phil
Hopkins, Kelvin
Howarth, rh Mr. George
Howells, Dr. Kim
Hoyle, Mr. Lindsay
Hughes, rh Beverley
Humble, Mrs. Joan
Iddon, Dr. Brian
Ingram, rh Mr. Adam
Irranca-Davies, Huw
James, Mrs. Siân C.
Jenkins, Mr. Brian
Johnson, rh Alan
Johnson, Ms Diana R.
Jones, Mr. Kevan
Jones, Lynne
Jones, Mr. Martyn
Jowell, rh Tessa
Kaufman, rh Sir Gerald
Keeley, Barbara
Keen, Alan
Keen, Ann
Kemp, Mr. Fraser
Khan, Mr. Sadiq
Kilfoyle, Mr. Peter
Knight, Jim
Ladyman, Dr. Stephen
Lammy, Mr. David
Laxton, Mr. Bob
Lazarowicz, Mark
Levitt, Tom
Lewis, Mr. Ivan
Linton, Martin
Lloyd, Tony
Love, Mr. Andrew
Lucas, Ian
Mackinlay, Andrew
Mahmood, Mr. Khalid
Malik, Mr. Shahid
Mallaber, Judy
Mann, John
Marris, Rob
Marsden, Mr. Gordon
Marshall, Mr. David
Marshall-Andrews, Mr. Robert
Martlew, Mr. Eric
McAvoy, rh Mr. Thomas
McCabe, Steve
McCafferty, Chris
McCarthy, Kerry
McCarthy-Fry, Sarah
McDonagh, Siobhain
McFadden, Mr. Pat
McFall, rh John
McIsaac, Shona
McKechin, Ann
McNulty, Mr. Tony
Meacher, rh Mr. Michael
Meale, Mr. Alan
Merron, Gillian
Michael, rh Alun
Milburn, rh Mr. Alan
Miliband, Edward
Miller, Andrew
Moffat, Anne
Moffatt, Laura
Mole, Chris
Moon, Mrs. Madeleine
Morley, rh Mr. Elliot
Mudie, Mr. George
Mullin, Mr. Chris
Munn, Meg
Murphy, Mr. Denis
Murphy, rh Mr. Paul
Naysmith, Dr. Doug
Norris, Dan
O'Brien, Mr. Mike
O'Hara, Mr. Edward
Olner, Mr. Bill
Osborne, Sandra
Plaskitt, Mr. James
Pope, Mr. Greg
Pound, Stephen
Prentice, Mr. Gordon
Prescott, rh Mr. John
Prosser, Gwyn
Purchase, Mr. Ken
Rammell, Bill
Raynsford, rh Mr. Nick
Reed, Mr. Andy
Reed, Mr. Jamie
Reid, rh John
Robertson, John
Robinson, Mr. Geoffrey
Roy, Mr. Frank
Ruddock, Joan
Russell, Christine
Ryan, Joan
Salter, Martin
Seabeck, Alison
Shaw, Jonathan
Sheerman, Mr. Barry
Sheridan, Jim
Simon, Mr. Siôn
Simpson, Alan
Skinner, Mr. Dennis
Slaughter, Mr. Andy
Smith, rh Mr. Andrew
Smith, Angela E. *(Basildon)*
Smith, Geraldine
Smith, rh Jacqui
Snelgrove, Anne
Southworth, Helen
Spellar, rh Mr. John
Starkey, Dr. Phyllis
Stewart, Ian
Strang, rh Dr. Gavin
Straw, rh Mr. Jack
Stringer, Graham
Stuart, Ms Gisela
Sutcliffe, Mr. Gerry
Taylor, Ms Dari
Taylor, David

Taylor, Dr. Richard
Thomas, Mr. Gareth
Thornberry, Emily
Timms, rh Mr. Stephen
Tipping, Paddy
Todd, Mr. Mark
Touhig, rh Mr. Don
Truswell, Mr. Paul
Turner, Dr. Desmond
Turner, Mr. Neil
Twigg, Derek
Ussher, Kitty
Vaz, rh Keith
Vis, Dr. Rudi
Waltho, Lynda
Wareing, Mr. Robert N.
Watson, Mr. Tom
Watts, Mr. Dave
Whitehead, Dr. Alan
Wicks, Malcolm
Williams, rh Mr. Alan
Williams, Mrs. Betty
Wills, Mr. Michael
Winnick, Mr. David
Winterton, rh Ms Rosie
Wood, Mike
Woodward, Mr. Shaun
Wright, Mr. Anthony
Wright, David
Wright, Mr. Iain
Wright, Dr. Tony
Wyatt, Derek

Tellers for the Noes:
Claire Ward and
Mr. John Heppell

Question accordingly negatived.

Clause 25 ordered to stand part of the Bill.

To report progress and ask leave to sit again. *—[Kevin Brennan.]*

Committee report progress; to sit again tomorrow.

DELEGATED LEGISLATION

Motion made, and Question put forthwith, pursuant to Standing Order No. 118(6) (Delegated Legislation Committees),

Disabled Persons

That the draft Disability Discrimination Act 1995 (Amendment) (Further Education) Regulations 2007, which were laid before this House on 22nd March, be approved. *—[Liz Blackman.]*

Question agreed to.

EUROPEAN UNION DOCUMENTS

Motion made, and Question put forthwith, pursuant to Standing Order No. 119(9) (European Standing Committees),

Energy policy for Europe

That this House takes note of European Union Documents No. 5282/07, Commission Communication "An energy policy for Europe" and No. 5354/07, Commission Staff Working Document "EU energy policy data"; further notes the Government's position on these documents; and agrees that the Commission's Strategic Energy Review represents a helpful staging post towards an energy policy that will underpin the Government's ambitions of addressing climate change, improving sustainability, enhancing energy security and increasing EU competitiveness. *—[Liz Blackman.]*

Question agreed to.

PETITION

Bicycle Security

9.44 pm

Bob Spink (Castle Point) (Con): We all know how important it is to encourage people to use public transport and to cycle, for health and environmental reasons, and how important it is to tackle crime prevention by all possible means. I am therefore pleased to present a petition that promotes those aims and facilitates their achievement. I am most grateful to Lisa Gilliham and all the petitioners—there are a few hundred of them—for showing that they care enough to do something about those issues. The petition states:

"To the House of Commons.

The petition of Lisa Gilliham, Benfleet commuters and others declares that there are unacceptably poor security measures protecting bicycles parked in designated parking areas at Benfleet Rail Station, notes that this causes great problems to bicycle owners and further observes that there have been a number of incidents of theft and vandalism which could easily have been prevented or remedied in due process of law had suitable security measures been in place. The petitioners highlight the importance of encouraging people of all ages to use bicycles for environmental and health reasons and lament the reluctance of the local councils to accept responsibility to deal with these matters.

The petitioners therefore request the House to urge the Government to obtain action from the local council and various agencies to resolve the issues of responsibility once and for all and to install security measures to deal with the problem in a suitable and sustainable manner.

And your Petitioners remain...etc.

To lie upon the Table.

Voluntary Sector

Motion made, and Question proposed, That this House do now adjourn.—*[Liz Blackman.]*

9.46 pm

Mr. Andy Slaughter (Ealing, Acton and Shepherd's Bush) (Lab): I am grateful for this opportunity to raise a matter of great concern to my constituents who live in the London borough of Hammersmith and Fulham, and to others, as the voluntary sector organisations there affect many people living in west London. I am pleased to see that the Parliamentary Secretary, Cabinet Office, my hon. Friend the Member for Doncaster, North (Edward Miliband) is to respond to my speech; he can already count himself a friend of the voluntary sector in Hammersmith and Fulham because, as he will recall, earlier this year he spoke at a well-attended meeting in the assembly hall of Hammersmith town hall. The meeting was called by West London Citizens, an umbrella group for many voluntary and community bodies that does excellent work across west London in raising issues such as the living wage and migrant workers' rights.

That same assembly hall hosted a rather less happy meeting exactly two weeks ago—a meeting of the ruling Tory cabinet of Hammersmith and Fulham council to decide on future council support for the voluntary sector. On that occasion, about 500 supporters, clients and employees of the voluntary sector had come to oppose swingeing cuts to the financial support that they receive from the council. I should at this point declare several interests. For 15 years, I sat on the management board of the Hammersmith and Fulham community law centre, which has lost £159,000, or 60 per cent. of its grant. Until recently, and for a similar length of time, I was a board member of Broadway, the homeless charity for single people, which has lost 100 per cent. of its grant. I do not say that the fact that I sat on the boards of those bodies is anything to do with the loss of their grants, as a number of other organisations have lost their grant, too, but perhaps it is tangentially relevant.

I will say more about individual organisations in due course, but I am not here to submit special pleading on behalf of one or more organisations. From my 20 years as a member of Hammersmith and Fulham council and my 46 years as a local resident, I know the voluntary sector in the area well. It is overwhelmingly well-motivated and targeted to meet local needs and aspirations, as one would expect, but it is also particularly efficient and effective. Of course, not every organisation merits receipt of public funds in perpetuity, and it is the right of any grant-giving body to review its funding to determine whether money is being well spent. My purpose in requesting this debate is to draw the Government's attention to the fact that what is happening in Hammersmith and Fulham is not the proper exercise of local democracy, and the implications of that, as an article on page 24 of *The Times* today suggests, go far beyond Hammersmith and Fulham.

I also want to warn the Minister that the Government's laudable aim of encouraging and expanding the work of the voluntary sector is being undermined by Tory local authorities, and I want to ask him to express his support for those voluntary sector organisations that are being unjustly driven to the wall. I shall first set out the facts on what is happening in Hammersmith and Fulham to show that, contrary to the council's propaganda, we are talking about real cuts in the voluntary sector, not redistributions of grant. Secondly, I shall comment on the process by which those cuts have been made, which is both irregular and dishonest. Thirdly, I will highlight some of the disastrous consequences for my constituents of the cuts. Sadly, the fact that the voluntary sector has been savagely cut is no surprise. I raised the matter with the Prime Minister at Question Time last week, only to find that he was aware not only of the problem but of the other £34 million of cuts already under way in the borough. The reputation of the Tories in Hammersmith and Fulham has spread far and wide in the single year since their election. It is known that the borough has fallen into the hands of an unrepresentative, post-Thatcherite rump. What is more surprising is that it has the full backing of the national leadership. Again, today's edition of *The Times*, says that

> "far from distancing themselves from such councils, modernisers closer to the Conservative leader have embraced the activities of councils such as Hammersmith and Fulham. One said 'They are very much part of the project'".

It is to be expected that a council prepared to cut £34 million from statutory services, including home care, mental health provision and services for the homeless, would move on to the voluntary sector. Indeed, the very council services that have been cut are those that work alongside the voluntary sector, supporting vulnerable people in the community.

Mr. Andrew Pelling (Croydon, Central) (Con): Will the hon. Gentleman give way?

Mr. Slaughter: If the hon. Gentleman does not mind, I will not do so, as I have a lot to cover.

Wary of the powerful voice that the voluntary sector exercises, the council has attempted to conceal the scale of the cuts, as well as to enforce the decision quickly and in secret. In 2002, the then Labour-run council set out a four-year programme of funding that aimed to combine security of funding with robust checks on performance, and it worked very well. In the last year of the four, which ended last month, total spending was £4,192,233. The present council says that it will preserve that funding level in the current financial year, but that is an empty boast. First, the sudden announcement of the cuts has forced it to guarantee funding at current levels until 30 September. A new regime then takes over, with a hotch-potch of six-month grants, 18-month grants, extraneous commitments and sums reserved for further review. It is impossible to say what the spend for this year will be, but in any event, it is a red herring. The first year of comparison is, in fact, next year—2007-08—on which the council has not given any guarantees, but it has allocated a notional £3.1 million.

There are allusions in the report to ongoing commitments, further reviews of services and, indeed, to a secret stash of cash known as the fast-track fund, but there are no figures, which means that mainstream voluntary sector funding is set to fall by over a quarter—or over £1 million—this year. Moreover, that is not the full extent of the cuts. Separate provision has been made for top-up relief—the 80 per cent. relief

from business rates that charities receive. Under current arrangements, they are entitled to the additional 20 per cent., 75 per cent. of which is paid by the local authority and 25 per cent. by the Government. The director of the Voluntary Sector Resource Agency, Penelope Harrison, wrote to the council on 10 April—needless to say, she has not received a reply—querying why the money is going to be cut and mentioning, inter alia, that as a result of the 75 per cent. cut, charities will lose the 25 per cent. that the Government provide, too. The answer is quite simple—it costs the council some £411,000. In addition, it intends to cut discretionary relief worth £28,000 for non-profit-making organisations that are not charities.

The report that passed those provisions on 19 March said that that money would be safeguarded. It said that the expected savings resulting from cuts to the top-up relief

"are likely to be in the order of £300,000 to £400,900."

It said that that money would be recycled into the voluntary sector grants budget, but I received an e-mail from the grants section on Friday, which said that

"approximately £250,000 will be recycled back into voluntary sector grants. Additional savings of approximately £100,000 will be a saving to the General Fund from 2008/09."

At least I have achieved the first open admission of a genuine cut of £100,000, but my belief is that, at present, the amount of cuts the council intend to make is nearer £1 million over the cycle.

There are other cuts in prospect. Gleefully, the current report that was considered two weeks ago notes that a review of council premises occupied by the voluntary community sector and the levels of rent subsidy will shortly commence, and there is to be a review of in-kind support to the voluntary community sector, assessing the use of seconded staff, the availability of officer advice, and access to the council's payroll service. Those reviews could produce an increase in support, although that is unlikely. From every possible angle and through every possible device, the voluntary sector in Hammersmith and Fulham is being targeted for swingeing cuts by the Conservative council.

Mr. Pelling: Will the hon. Gentleman give way?

Mr. Slaughter: As the hon. Gentleman has been patient, I shall briefly give way.

Mr. Pelling: I am grateful. Does the hon. Gentleman accept that the actual amount of money being given to the voluntary sector is increasing by 2 per cent. this year? Moneys are merely being re-arranged, with 16 new organisations being given extra money. Is he suggesting that new money being given to Standing Together Against Domestic Violence and to the Zimbabwe Women's Network, two of the 16 groups, should not be given out?

Mr. Slaughter: There is always a danger in coming to the Chamber inadequately briefed to do others' bidding. The hon. Gentleman has warned me of that on other occasions. Perhaps because his conscience pricks him occasionally because his own council is also making swingeing cuts in public services, he feels the need to stand up for a council such as Hammersmith and Fulham. I offer him this piece of advice: just don't go there. If he reads my speech tomorrow, he will see that I have already dealt in some detail with the points that he makes. Perhaps he wanted to get his intervention in earlier and had not corrected it at the appropriate time.

I accept that we may disagree on the exact figures. That is deliberate. The process is deliberately obfuscatory, but there is no disagreement that the process itself is a disgrace, a hole in the corner, dishonest, shifty, lacking all transparency. There was a year during which the proposals could have been brought forward. The Conservatives say that there have been public meetings of a general kind. They have asked the voluntary organisations to apply again for their grants. That ended in the council sending the voluntary organisations the top half of a piece of paper and asking them to confirm factual details. They omitted the rather more vital bottom half, which had the recommendation of how much money the organisations were to receive.

Then, suddenly, out of the blue, a bombshell dropped. On 2 April this year, at the beginning of Easter week, the council sent out papers which for some organisations meant the end of 20 or 30 years of service to the community. Some never received those papers and did not know until they were told by word of mouth that their grants were being cut. Some received them on the Wednesday or Thursday before Good Friday. If they wished to object, they had to ask for a deputation by Tuesday 10 April, one or two working days later. Amazingly, six organisations did object. Others tried, but fell foul of bureaucratic rules.

The meeting to make the final decision on the cuts was held on Monday 16 April, exactly two weeks ago. Such, however, was the strength of feeling that despite the short notice, about 500 people met outside the town hall for speeches, and inside they listened while deputations from the Law Centre, Hammersmith Community Transport, the Voluntary Sector Resource Agency and others were allowed a bare 5 minutes to justify their continued existence. Not one Conservative councillor asked a question in respect of the report. Labour councillors, not members of the one-party committee making the decision, were heckled when they tried to ask questions and prevented from asking questions of the deputations, despite provision in the standing orders for them to do so.

After the six deputations had put their case very effectively, Halima Ismael of the Horn of Africa Group went up to the microphone. The Horn of Africa Group is an organisation for Somalians and other east African people in west London. It has been in existence for 20 years and is recognised as a beacon of expertise and advice, counselling and services to the east African community. Given the large numbers of refugees who have come over the past few years, there has never been a greater need for its services. It is to lose all £55,000 of its grant.

Ms Ismael was sneeringly told that as one of the signatories to her deputation was not an elector of the borough she would not be allowed to speak, and that if she was that concerned, she would have got it right.

It being Ten o'clock, the motion for the Adjournment of the House lapsed, without Question put.

Motion made, and Question proposed, That this House do now adjourn.—*[Liz Blackman.]*

Mr. Slaughter: On cue, having heard enough, the Conservative councillors, as they had on every occasion when challenged by their constituents, rose as one, left the meeting, and then, we are told, with no further discussion ratified all the cuts that they had proposed in secret. There is nothing in the papers that were before the council to rank one voluntary group against another. There is nothing to justify the percentage of the cuts. There was no consultation on the proposals with the groups or with the wider community. In 20 years in local government, I have never seen a process conducted with less openness or propriety.

I have said enough on the process; I shall say a few short words on the cuts. I mentioned Hammersmith and Fulham Community Law Centre. It is a body with a national reputation that employs 12 highly qualified solicitors who offer expert, professional legal advice. It is the only organisation in the borough that does so. That is my opinion and that of many others, including the shadow Attorney-General, who many years ago sat on the board of the law centre and is, I believe, an admirer of its work. It was set up in 1979 and its primary role is to serve the local community. I note that in the last calendar year it dealt with more than 1,900 housing cases, almost 2,300 immigration cases, and a substantial number of employment, welfare benefit, asylum support and many other miscellaneous cases.

It goes beyond that, however. The law centre has been the occasion of many significant legal decisions in this country and often involves representation up to the House of Lords and the European Court. Many well-known cases have gone to those courts as a consequence of local cases that have started in Hammersmith and Fulham. It is the repository of an irreplaceable degree of expertise and experience, and yet it is to have its budget cut by 60 per cent. It is also the bedrock for the community in Hammersmith and Fulham. It provides training and advice to other voluntary sector groups and it may well be being targeted for cuts for exactly that reason.

I have mentioned the Horn of Africa group, and numerous other refugee organisations have also been targeted for cuts: the Iraqi Association and the Kurdish Association are both losing 100 per cent. of their grant. The Third Age Foundation, which helps older people who are unemployed back into work, is losing 100 per cent. of its grant. I hosted a successful reception for that body on the Terrace a few months ago, and the Opposition pensions spokesman came and spoke in praise of the organisation and its work. Organisations that support the community, such as the Hammersmith community transport project and Caring for Carers, are also losing 100 per cent. of their grant. Only two months ago, I noticed the latter organisation in a glossy photograph in the local council propaganda sheet with the mayor saying what a wonderful job it was doing. It is an extraordinary act of not only belligerence but hypocrisy that now all those organisations are to lose all their grant, and many others, particularly the advice centre, are to lose some of their grant. Given the overheads that we all know that voluntary sector organisations work to, that will make it almost impossible for them to survive.

I know that other councils, especially the new Tory councils elected last May, have their eyes set on cutting the voluntary sector. Last week, I met a solicitor from Camden Community Law Centre, which is fighting a fierce campaign against the Tory-Liberal council there. I doubt whether the same scale or approach apply—perhaps they do in Croydon—in other local authorities. I do not know why it is happening. We may find out through judicial review or as the campaign against the cuts takes off. It may simply be due to the arrogance and inexperience or political extremism of those running the council.

I found an extraordinary comment—it is a matter of public record—from one of the Conservative councillors about the law centre's grant. He said:

> "The absurd situation has been allowed to develop where taxpayers fund the Law Centre who act on behalf of 'clients' who are actually taking the council to court. We are paying the people who are suing us!"

There is a clue to the reasons for the cuts. It never entered the mind of the little sprog who wrote that that there might be a reason for the law centre to sue the council, but it gives an interesting insight into the totalitarian mindset of the Conservative party under the stewardship of the right hon. Member for Witney (Mr. Cameron). If the reasons that I outlined or more overtly political ones are those for the cuts—I suspect that they are—it is a further disgrace.

Most of the cuts have been made to organisations that support the homeless, the unemployed or refugees. They match the cuts in the statutory sector to social housing programmes, community schools and social services. There is a concerted campaign from the Conservative council to remove services from vulnerable people to transform Hammersmith and Fulham into the nightmare, literally care-free borough that its predecessors in fanaticism in Wandsworth and Westminster wrought.

I do not expect my hon. Friend the Parliamentary Secretary to fight our local battles for us. The Hammersmith and Fulham voluntary sector funding campaign, which was established last Thursday, will do that ably. It plans to reverse the cuts with the aid of its supporters locally and nationally. I ask my hon. Friend to examine what Tory councils such as Hammersmith and Fulham do to the voluntary sector, and work with voluntary sector organisations locally and nationally to highlight the need for their services, not for the benefit of councils, the Government or even the organisations, but the people—especially the vulnerable people—whom they serve and whom I represent.

10.7 pm

The Parliamentary Secretary, Cabinet Office (Edward Miliband): I congratulate my hon. Friend the Member for Ealing, Acton and Shepherd's Bush (Mr. Slaughter) on securing the debate. I know that he is a long-standing champion of the voluntary sector in his area, as he showed so eloquently in his speech. He did much to help the sector in Hammersmith and Fulham during his nine years as leader of the council. He is right to say that I had the pleasure last May of meeting some of the local groups in Hammersmith and Fulham at the west London citizens event. It testified to the great diversity and strength of the sector in Hammersmith and Fulham.

No hon. Member can fail to have sympathy with the case that my hon. Friend makes. He talks about cuts to organisations that represent some of the most disadvantaged people in our society—the homeless, refugees and those urgently in need of access to the law.

The debate goes to the heart of the future of the voluntary sector, not only in Hammersmith and Fulham but everywhere. It does that because it deals with the central fact that local authorities are at the front line of the drive to ensure a thriving and successful voluntary sector.

When it comes to representation and campaigning, the voluntary sector needs a local authority that genuinely listens and understands that a strong democracy comes from a diverse range of voices. When it comes to public services, the sector needs a local authority that understands the potential of the voluntary sector—as in the case of the law centre that my hon. Friend mentioned—but also recognises its responsibilities to provide adequate public funding.

When it comes to building community—again, my hon. Friend spoke eloquently about groups in Hammersmith and Fulham—the third sector needs a local authority that understands its need for small grants to do the vital work that keeps our communities strong.

Above all, we need local authorities that recognise the need for partnership with the local voluntary sector and understand that local authorities such as Hammersmith and Fulham play an irreplaceable role as the democratically elected voice of local people but that the voluntary sector can reach people and places that the public sector on its own cannot reach.

The question at the heart of my hon. Friend's debate is: how do we secure the strong voluntary sector in Hammersmith and Fulham and what do we learn from his remarks today? I have been round the country as part of our third sector review, talking with local organisations about their relationship with local authorities. We in the House need to be clear that central Government can play an important role, but we also need to understand the role of local politics. I want to talk about those two issues in responding to my hon. Friend.

Central Government need to send clear signals in the framework that they set about the need for partnership. The commitments in the local government White Paper and the Local Government and Public Involvement in Health Bill, which is currently before the House, are, I hope, a major step forward in that regard. There is a new duty on local government to ensure the participation of local citizens. Through that, the voluntary sector will have a greater voice in local strategic partnerships, the forum for policy making in local authorities.

The Government's ambition is also for some of the key commitments in the compact—the agreement governing the relationship between the public sector and the voluntary sector—to be part of the financial codes for local government. There is a strong expectation that three-year funding, which is being introduced for local government, will be passed on to the voluntary sector. We hope that, as part of the local government performance indicators, there will also be a clear acknowledgement of the role of the local voluntary sector. Those commitments are also supported by the compact and, now, by the new commissioner for the compact, an independent body at arm's length from Government, to encourage best practice. Those are important commitments from the centre of Government, and there are others, but there is an important truth in my hon. Friend's debate that we should acknowledge. If we are to uphold the role of local government as the voice of local people, the culture change that we want to see will need to come from local government itself or, if the change is not forthcoming, from political change at local level.

That brings me to some specific observations about Hammersmith and Fulham and to my hon. Friend's suggestions about the way forward. Five points stand out from my hon. Friend's remarks. First, he is right to suggest that the voluntary sector should never be seen as a soft touch for cuts in funding. The cuts in funding that he described hit some of the most vulnerable groups in Hammersmith and Fulham. We should be under no illusions: it will often be the most vulnerable members of the community who will suffer from cuts in funding. He outlined in detail the disadvantaged groups that will suffer from the significant overall cut that, I understand, is planned for next year in Hammersmith and Fulham.

Secondly, the voluntary sector draws its strength from its diversity. In our approach to the funding of the sector, we in central Government are trying to respect and encourage that diversity. At local level, the local government White Paper urged a continuation of grants as well as contracts. That is especially important for the smallest organisations, particularly those representing the most marginalised groups. The local compact drawn up by Hammersmith and Fulham provides a commitment to what should be possible. All partners agree to

> "take account of the diverse nature of the voluntary and community sector and use a variety of methods to encourage socially excluded groups to participate."

That is why we are all concerned to hear about the cuts for the smallest organisations that my hon. Friend outlined, such as the 100 per cent. cut in funding to the horn of Africa group, the 100 per cent. cut in funding to the domestic violence intervention centre or the 100 per cent. cut in funding to the senior citizens creative arts and lunch club.

Thirdly, it is essential both that central Government and local government do not use the role of the voluntary sector as a way of providing public services on the cheap and that they provide funds on time, taking account of the full costs that organisations face. The cuts to Hammersmith and Fulham law centre that my hon. Friend described are obviously of concern, since I know that law centres round the country do great work for those who have least access to legal representation.

Fourthly, as the compact makes clear, it is important that all decisions are transparent, which, in a way, is what is most concerning about the remarks that my hon. Friend made and the issues to which he has drawn attention. Reasons for decisions need to be clearly explained. There should be ample opportunity to discuss decisions in advance and, where appropriate, for those decisions to reflect arguments that are made.

[Edward Miliband]

My hon. Friend suggested that that had not happened, which is obviously a significant matter of regret.

I draw my hon. Friend's attention in that context to an organisation called the Public Law Project, which has taken action against another council, precisely over the form of consultation that took place. The law centre will take its own view on whether it should take action against the council, but I would draw his attention to the case that I have described and the work of the Public Law Project.

Fifthly, it is crucial that public authorities respect the voluntary sector organisations' desire to combine campaigning and advocacy with public service provision. Because of this, some public authorities might find themselves funding organisations that sometimes campaign against them or challenge them, but that is part of how important social change happens. Many of the changes of the past 10 years would not have happened without voluntary sector campaigning. It is fundamental to what the sector does. I see the hon. Member for Croydon, Central (Mr. Pelling) nodding in agreement.

I welcome the new statements from the chair of the Charity Commission which clarify the right of charities to pursue advocacy and campaigning. The national compact states that the Government must

"recognise and support the independence of the sector, including its right within the law to campaign, to comment on Government policy, and to challenge that policy, irrespective of any funding relationship that might exist."

As I understand it, the compact drawn up by Hammersmith and Fulham borough partnership included an identical commitment. Ceasing to fund an organisation because it has helped to represent people against the council would therefore certainly not comply with the terms of the compact.

My suggestion would be that the law centre take up the issue with the compact advocacy programme, which is operated independently from the Government by the National Council for Voluntary Organisations. It can advise on using the compact to improve relations with central and local government, and make representations to public bodies on behalf of voluntary sector groups.

My hon. Friend has highlighted the important wider issue of the right of organisations to campaign and advocate. I will draw the attention of the new commissioner for the compact, John Stoker, to all the issues that my hon. Friend has raised. I am obviously disappointed, as all Members of this House should be, to hear of the issues in Hammersmith and Fulham—not just the cuts to important projects but the apparent questioning of the right to advocacy and campaigning.

In the end, the real solution to the problems described by my hon. Friend involves politics and the collective ability of individual organisations and political parties to make change happen. But it also requires the right council leadership that will listen to and understand the role of a thriving voluntary sector and see the need to make it a priority. This is partly about how we view the relationship between the voluntary sector and the state. Do we see the sector as a replacement for the state, funded from private income rather than taxpayers' money? Or do we understand that partnership means the state putting its money where its mouth is?

I am proud of the fact that central Government funding for the voluntary sector has seen a 96 per cent. real-terms increase since 1997. My hon. Friend has drawn our attention to a range of important issues tonight, but one in particular stands out. It is easy to make promises in opposition, but much harder to hold to them in practice. It is easy to have photo opportunities and warm words, but much harder to do the long hard slog of enabling people to build a thriving voluntary sector.

I would say to the Opposition that we are watching the situation, not only in Hammersmith and Fulham but elsewhere. If the trends that my hon. Friend has highlighted continue, it will be a clear sign that warm words and commitments to the voluntary sector are simply not being honoured in practice. I am sure that the people of Hammersmith and Fulham will be grateful to my hon. Friend for drawing our attention to the issues he has raised tonight. I am sure that the voluntary sector in the borough will be particularly grateful, and I hope that it will make its voice heard and be able to thrive in the years to come.

Question put and agreed to.

Adjourned accordingly at eighteen minutes past Ten o'clock.

House of Commons

Tuesday 1 May 2007

The House met at half-past Two o'clock

PRAYERS

[MR. SPEAKER *in the Chair*]

Oral Answers to Questions

FOREIGN AND COMMONWEALTH OFFICE

The Secretary of State was asked—

European Constitution

1. **Mr. David Heathcoat-Amory** (Wells) (Con): What recent discussions she has had with the German EU presidency on reviving the European Constitution. [134731]

The Secretary of State for Foreign and Commonwealth Affairs (Margaret Beckett): I have had regular discussions with my German colleagues during their presidency about many issues, including EU institutional reform—so, too, has my right hon. Friend the Prime Minister, who met Chancellor Merkel most recently on 24 April. At present, there remains no consensus among EU partners on this issue, but we will discuss it at the European Council in June.

Mr. Heathcoat-Amory: Will the Foreign Secretary confirm that she has received a letter from the German presidency and Mrs. Merkel, suggesting how to revive the European constitution by using

"different terminology without changing the...substance"

and preserving part 1 of the constitution

"with the necessary presentational changes"?

Is not this a deceitful way to proceed? Why are these negotiations taking place in secret? Will the Foreign Secretary make an urgent statement to the House about the Government's intentions?

Margaret Beckett: There is nothing to make an urgent statement about at the moment. I do not recall the letter that the right hon. Gentleman referred to, unless he is referring to some kind of questionnaire that came round a little time ago—[HON. MEMBERS: "Questionnaire?"] Yes. I presume that Conservative Members know what a questionnaire is: people ask us questions and we fill in the answers, so that they can get a picture of the general range of views—*[Interruption.]*

Mr. Speaker: Order. Hon. Members must let the Foreign Secretary answer in her own way.

Margaret Beckett: Thank you, Mr. Speaker.

As I was saying, that might be what the right hon. Gentleman was referring to. It is clear that the German Government would prefer to keep as much as possible of the constitutional treaty. As the presidency, however, the German Government will have to determine where the consensus lies among colleagues in the European Union, and do their best to give effect to that. As I have said, there is at present no such consensus.

Ms Gisela Stuart (Birmingham, Edgbaston) (Lab): The Foreign Secretary refers to the process of finding where consensus lies. In this House, we have found it extremely difficult to find out what the British Government's position is, never mind determining where consensus lies. Will she at least acknowledge that one of the biggest difficulties for the British Government is that there is a huge division between the needs of the countries in the eurozone, which will require greater political integration from such a document, and the needs of those that are outside it?

Margaret Beckett: I believe that we have been quite clear about this. The Minister for Europe has set out on a number of occasions the principles on which we base our approach to the issue. My right hon. Friend the Prime Minister and the Dutch Prime Minister recently made it clear that we would certainly be looking not for a constitutional treaty but for an amending treaty that did not contain the characteristics of a constitution, but which might tidy up the rules of the European Union to make it operate more effectively. With regard to whether there is a difference of approach for those countries that are members of the eurozone, I know that my hon. Friend the Member for Birmingham, Edgbaston (Ms Stuart) takes a great interest in these matters, but, for my own part, I would be reluctant to say anything that encouraged the idea that there should be some kind of two-speed Europe.

Mr. Quentin Davies (Grantham and Stamford) (Con): Are not the mooted proposals for treaty change either so obviously in the interests of democracy and transparency, such as an increased role for national Parliaments, or so obviously in the national interest, such as reducing the numbers in the Commission while we keep a permanent seat, or reducing the current bias against us in the qualified majority voting system, that it is difficult to see how anyone could rationally want to oppose them? Furthermore, how could we possibly conceive of having a referendum on what are essentially procedural and administrative matters, or even on matters relating to personnel management and job description? If we are going to have a referendum on that kind of thing, surely we should simply put all the amendments in the Finance Bill this afternoon—*[Interruption.]*

Mr. Speaker: Order.

Margaret Beckett: Without agreeing with every syllable that the hon. Gentleman has uttered, I have to say that I find myself much in sympathy with his point of view. I would be unwise, however, to enter into what is clearly a degree of internecine warfare.

Mr. Doug Henderson (Newcastle upon Tyne, North) (Lab): Following on from the interesting, predictable and common-sense view expressed by the hon. Member for Grantham and Stamford (Mr. Davies), does my right hon. Friend agree that it is important in the public debate to draw the distinction between the management of the European Union—especially in the Commission—and the powers of its respective bodies? Would not we make a lot more progress towards reaching consensus in this House and in the Council of Ministers if that distinction were to become more clear-cut?

Margaret Beckett: My hon. Friend makes an entirely sensible point. As the hon. Member for Grantham and Stamford (Mr. Davies) has identified, it is hard to see how a sensible person could disagree to a number of the propositions, especially the notion of an enhanced role for national parliaments. Members on both sides of the House have long called for a proper degree of greater subsidiarity. At the moment, however, it appears that not everyone wishes to draw the kind of sensible distinction that my hon. Friend is making. I suspect that we may get closer to that as people get closer to having to try to draw conclusions.

Sir Nicholas Winterton (Macclesfield) (Con): I am sure that the Foreign Secretary will be aware that my hon. Friend the Member for Grantham and Stamford (Mr. Davies) is out of step with the overwhelming majority of the people of the United Kingdom. Does she accept that the people of the United Kingdom do not trust the European Union and will not accept any further handover of powers to it without a referendum? I expect the Government to honour their commitment to the people of this country.

Margaret Beckett: I am slightly shocked to hear the hon. Gentleman say that the hon. Member for Grantham and Stamford is out of step with opinion, even in his own party, let alone the country, since, as he pointed out, much of what he said was simple common sense. I certainly accept that many people would be concerned if they felt that massive transfers of powers to the European Union were taking place—

Sir Nicholas Winterton: Not some—any.

Margaret Beckett: I have some sympathy with the hon. Gentleman's concern, as I know the point of view that he has long expressed. I wonder, however, how he managed to contain himself during the passage of the Single European Act and the many steps taken by the Conservative party in government that did indeed hand over powers to the European Union.

Keith Vaz (Leicester, East) (Lab): Does the Foreign Secretary agree that what we need now is not the waving of letters by Angela Merkel, as the right hon. Member for Wells (Mr. Heathcoat-Amory) has done, but a sensible and practical discussion with our European colleagues? Given that the constitution has been defeated in the referendums so far, such a discussion will allow us to proceed with the reform agenda so that a Europe of 27 can be governed in an efficient and effective way.

Margaret Beckett: My right hon. Friend is entirely right. He will recall, as will many Members of the House, that we are committed by existing treaties to, for example, reconsider the numbers in the European Commission now that Romania and Bulgaria have joined the European Union. People are bound to consider whether sensible improvements can be made to the way in which Europe works, of a kind that have been made on several occasions in the past without a referendum having been held.

Mr. Michael Moore (Berwickshire, Roxburgh and Selkirk) (LD): It is obvious that two years in the deep freeze has done nothing to alter the flavour of this debate, in this place and elsewhere. Does the Foreign Secretary at least accept that we must have a proper public debate about the issues? Any significant changes, other than overdue institutional alterations, cannot be introduced by stealth. Will she publish the answers to the questionnaire that she has received? Will she set out clearly what parts of the existing constitutional treaty would have to be removed for the Government to believe that we had gone below the threshold at which a referendum would be required?

Margaret Beckett: As the hon. Gentleman and the House will appreciate, I am not intending to do so, as I have pointed out already that the opinion of member states has moved little hitherto. I am certainly not going to conduct, in public, negotiations that have yet to commence seriously. We have made it clear that there should not be anything that has the characteristics of a constitution. There would be merit, however, in having an amending treaty, which could tidy up some of the ways in which the European Union works—*[Interruption.]* Well, for example, we must consider the issue of the number of members of the Commission. There is also merit in considering whether the practical working and efficiency of the European Union can be improved in the interests of this country. We certainly have not the slightest intention of consenting to decisions that would not be in the interests of this country.

David Taylor (North-West Leicestershire) (Lab/Co-op): If my memory is correct, it is 33 years since an incoming Labour Prime Minister received an electoral boost from announcing that there would be a referendum on the United Kingdom's future in Europe. Does the Foreign Secretary believe that there is an historical parallel that might be beneficial to us? Would she urge such a course on the Chancellor, on my hon. Friend the Member for Hayes and Harlington (John McDonnell), or on my right hon. Friend the Member for Oldham, West and Royton (Mr. Meacher)—whichever of them will lead our party in years to come?

Margaret Beckett: My hon. Friend is entirely right in saying that that was the only time when we had such a referendum. A Labour Government did indeed invite the British people to make that basic decision—which was not done by the previous Government, in breach of every undertaking that had been given. Nor did the Conservative party in office ever hold a referendum on any of the changes made to the European Union. That includes the introduction of qualified majority voting in the Single European Act and its extension to

12 areas, and its extension to—I speak from memory—some 30 areas in the Maastricht treaty. The Conservative party did not believe in referendums then, and to be perfectly frank I do not believe that it really believes in them now.

Mr. Graham Brady (Altrincham and Sale, West) (Con): I think that the Foreign Secretary acknowledged receipt of a questionnaire from the German Chancellor, Angela Merkel, which set out 12 propositions on how to proceed with the EU constitution by making presentational changes such as replacing the full text of the charter of fundamental rights with a short cross-reference having the same legal value. Will the right hon. Lady now publish the Government's response, following cross-party support for that step? Does she understand that people will view these cosmetic changes as spin and deception while the EU constitution is introduced through the back door? Will she now match our unequivocal pledge that we would give the British people a referendum on any treaty that transferred powers from Britain to the EU, whether it was called a constitution or not?

Margaret Beckett: All I can say is that the British people would be very ill-advised to take the hon. Gentleman's assurance any more seriously than they took the assurances that were given and broken in 1972.

No, I will not publish any response that we may make to the document that has been circulated, which I presume to be the document to which the hon. Gentleman referred. It was intended to give the German presidency an overall picture of the views of member states. The hon. Gentleman is leaping to a conclusion on what will be the outcome of the discussions in a way that is wholly unjustified by the facts.

Iraq

2. **Sir Malcolm Rifkind** (Kensington and Chelsea) (Con): What her estimate is of the number of (a) people who have left Iraq since the invasion and (b) Iraqis who are internally displaced; and if she will make a statement. [134732]

The Minister for the Middle East (Dr. Kim Howells): I am sure that the House will join me in expressing condolences to the family of Rifleman Paul Donnachie of 2nd Battalion The Rifles, who was tragically killed in Iraq last Sunday. Rifleman Donnachie was killed by small arms fire during a routine patrol in Basra city while he and other members of his patrol were escorting a police training team.

United Nations agencies estimate that there are some 1.9 million Iraqis displaced internally, and up to 2 million refugees in neighbouring states. Many of those now in neighbouring states left Iraq before 2003, and there are no accurate figures on how many have joined them since then. However, the United Nations High Commissioner for Refugees estimates that currently 10,000 people are leaving their homes every week, many of them crossing into neighbouring countries.

Sir Malcolm Rifkind: Does the Minister agree that the almost 2 million refugees who have fled Iraq since the war are, to a large extent, members of the professional and business classes in Iraq—the very people who are required if Iraq is ever to enjoy proper civil reconstruction? Given that nearly 2 million have fled as refugees, that a further 2 million are internally displaced and that hundreds of thousands have been either killed or injured—including, sadly, further British soldiers—does the Minister still argue that the British Government's policy has contributed to progress and stability in the region? Has not Iraq in fact been transformed from a rogue state under Saddam Hussein to a failed state, with appalling consequences for its own people and for the region as a whole?

Dr. Howells: The right hon. and learned Gentleman makes some very good points, but I remind him that, before the invasion, Iraq was run by a fascist dictator who tortured people readily and murdered hundreds of thousands of people, not just Kurds but fellow Arabs, and that many people had already left the country. This is not a comment on the right hon. and learned Gentleman or his question, but it seems to me that the silence that existed before the invasion of Iraq about the behaviour of Saddam Hussein is in stark contrast to the sudden interest and the protests about Iraq now.

Mr. David Anderson (Blaydon) (Lab): It is two years since the Iraqi Government seized the assets of the Iraqi trade unions, three months since three raids were carried out on the offices of the trade unions by US troops and a month since the leader of the mechanics union in Iraq was assassinated after being tortured. Will the Minister agree to meet me and representatives of the trade unions in Iraq to try to find a way forward, because at the moment our policy towards the trade unions in Iraq is not working?

Dr. Howells: I disagree with my hon. Friend. Our policy towards trade unions has been very supportive because they are a key part of civil society and are building the new society in Iraq. We must ensure that the sectarians who are killing trade unionists and those who for their own reasons are opposing democratic trade unionism in Iraq, are opposed. They are opposed regularly by the British Government and by our diplomats in Iraq.

Bob Spink (Castle Point) (Con): Does the Minister agree that there has been excellent progress socially, economically and politically in the other Iraq—Iraqi Kurdistan? Does he also agree that, in order to maintain that progress and to guarantee the stability of populations and the return of internally displaced persons, the Kirkuk referendum must go forward later this year, without any interference, either internal or external, or delay?

Dr. Howells: The British Government certainly have no intention of interfering in any way in the referendum on the future of Kirkuk. I know that the hon. Gentleman is very interested in the Kurdish-administered part of Iraq and that he wants the referendum to go ahead. So do the British Government, but we want to ensure that that

referendum is carried out properly and in a clear fashion, and that it is as inclusive as possible. As he knows, many allegations have been made about gerrymandering and the rest of it, so the referendum has to be seen to be as clean as possible. This is potentially a volatile area and we have already seen some jihadists and insurrectionists moving out of Baghdad to Kirkuk and murdering people with their suicide bombers. It is an important issue. We will do all that we can to ensure that the referendum is properly conducted and benefits the people of the Kurdish north and the people of Iraq in general.

Jim Sheridan (Paisley and Renfrewshire, North) (Lab): Does my hon. Friend agree that the information that has been sought by the right hon. and learned Member for Kensington and Chelsea (Sir Malcolm Rifkind) is exactly the propaganda information that the insurgents in Iraq are seeking? Will my hon. Friend confirm that those killed or displaced in Iraq are not being killed or displaced by allied forces?

Dr. Howells: That is an important point. Sometimes it seems as if we are killing those tens of thousands of people. They are being killed by sectarians: there are Sunni on Shi'a murders, and Shi'a on Sunni murders. Sometimes the murders are committed in Basra by criminal gangs, who are making millions out of smuggling petroleum products. My hon. Friend is right to highlight that. The British armed forces in Iraq are trying their best to make that country a much more stable and prosperous place than it is now. I believe that they will succeed when the Iraqis themselves have the will to take on that fight to provide the security that their people need. That is why we are helping, in very difficult circumstances, to train Iraqi policemen and soldiers.

Mr. Keith Simpson (Mid-Norfolk) (Con): Following on from what has been said about the tens of thousands of people who are now leaving Iraq and the internal conflict there, what prospect does the Minister think there is of the Iraqi Government hanging together in the near future given the enormous strains that are now on both Sunni and Shi'a members of that Government? What pressure can the British Government bring to bear on the Iraqi Government to take this matter forward? If it is not taken forward, there will be a complete collapse of political credibility in Iraq.

Dr. Howells: The hon. Gentleman is right: this is about political credibility and national reconciliation, and about how that Government can become more inclusive—how they can represent not only Shi'as but Sunnis, and also Assyrian Christians, Kurds and everyone else who makes up that huge nation. I believe that that can be done. In the constitutional review that is under way in Iraq there will have to be imaginative thinking about, perhaps, forms of devolution and about trying to understand how it might be possible to reconcile the different pressures that there are in Iraq at present. That can be done, and in recent weeks Prime Minister Maliki has expressed a desire to do just that—to make the Iraqi Government a more inclusive Government who reach out to encompass all parts of society.

Gulf War

3. **Ben Chapman** (Wirral, South) (Lab): What discussions she has had with the UN on the request for part of the money paid to people detained in Iraq during the first Gulf War to be repaid. [134733]

The Minister for the Middle East (Dr. Kim Howells): My right hon. Friend the Foreign Secretary has not had any discussions with the United Nations about the request to recover overpayments to claimants identified in the 2006 audit of the United Nations Compensation Commission. Her Majesty's Government, along with other permanent members of the governing council of the UNCC, agreed to the adoption of a "best efforts" approach to recover overpayments. We are taking such an approach in contacting concerned claimants. We are aware, however, that in some cases it will be difficult for claimants to repay the money, and we will handle them with due concern for the claimants' welfare.

Ben Chapman: But does my hon. Friend understand that these were payments, modest ones, made 17 years ago to those detained against their will in the first Gulf war? My constituent, Chris Shaw, received a payment of £9,000 and is now being asked to repay £1,300 within 30 days. Is that not shameful, and ought it not to be written off?

Dr. Howells: I certainly think that, in the case of my hon. Friend's constituent, that is an unreasonable demand. However, I am sure that he knows that there have been UNCC-approved compensation awards totalling $52 billion to 1.5 million claimants worldwide, and so far $21.8 billion has been paid out. That amounts to 5 per cent. of Iraqi oil revenues. The figures for Britain are that 5,000 United Kingdom claimants have received awards totalling $428 million. Those are large sums, but I take on board my hon. Friend's point and, as I said, where there are difficulties we must look carefully at the demands and where possible ask that the most difficult payments be written off.

UK-Islamic Relations

4. **Mr. Greg Hands** (Hammersmith and Fulham) (Con): What recent assessment she has made of UK relations with the Islamic world. [134734]

The Secretary of State for Foreign and Commonwealth Affairs (Margaret Beckett): The United Kingdom has strong relations with Muslim-majority countries and communities, through our governmental, people-to-people, cultural, educational, trade and other links. Based on shared values and interests, we are working together for a safer, more just and more prosperous world for all, addressing the common challenges that face us all, such as development, terrorism and climate change.

Mr. Hands: Turkey is crucial to our relations with the Islamic world. What specific steps is the Foreign Secretary taking to follow up on the statement of the

Prime Minister earlier today on the political crisis in Turkey, and would intervention by the Turkish army in the selection of a new President of that country result in the UK dropping its support for Turkish European Union membership?

Margaret Beckett: Irrespective of our approach to Turkish EU membership, everyone must recognise that it is highly undesirable for armed forces to interfere in a democratic process. We would certainly discourage that, and we have done so very firmly with the Turkish military.

Emily Thornberry (Islington, South and Finsbury) (Lab): Does my right hon. Friend agree that another very important Islamic country is Bangladesh? In the light of recent developments such as the warrant for the arrest of one of the major political leaders and the house arrest of another, the putting off of elections and the increasing dominance of the military, will she look again at Britain's support for the interim Government?

Margaret Beckett: We do of course keep a careful eye on the position in Bangladesh and recognise the concerns that my hon. Friend identifies, and I hope that she will recognise that there was great anxiety about the position in Bangladesh before the caretaker Government were appointed. Throughout the state of emergency and in our engagement with that Government, we have emphasised the need to balance concerns about stability and security with respect for individuals' rights and democratic processes. We have urged them to put in place the circumstances and conditions that will lead to well run, free and fair elections, to recognise that concern exists about the timeline identified for those elections, and to recognise that there is a great deal of work to do before they can be carried out in a way that could meet suitable standards.

Mr. Robert Walter (North Dorset) (Con): May I return to the question of Turkey, which is our most important ally in the Islamic world, and ask the Foreign Secretary, given that the nominee for the presidency of Turkey is her opposite number—the Turkish Foreign Minister, Mr. Gul—whether she has congratulated him on his nomination or counselled him otherwise?

Margaret Beckett: I would never venture to counsel even as good a friend as Abdullah Gul as to how he should judge his political career. This is of course a matter for the people and the democracy of Turkey, and our chief hope and concern is that it should be democratically and peacefully resolved.

Mr. David Winnick (Walsall, North) (Lab): Is it not interesting that on Sunday hundreds of thousands of people demonstrated in Turkey in defence of the republic and of freedom, and against the nightmare of a religious-run state? Should we not congratulate all those who demonstrated and all their supporters on the fact that Turkish freedom and democracy will not be undermined?

Margaret Beckett: My hon. Friend makes a very powerful point. As I said to the hon. Member for North Dorset (Mr. Walter), it is of course right and proper that people make their views known, and in peaceful ways that contribute to the democratic outcome that we all hope to see.

Mr. William Hague (Richmond, Yorks) (Con): Events since the last Foreign Office questions have underlined that our most difficult relationship in the Islamic world is with Iran. Should we not do everything we can to make it clear that Iran can have a normal relationship with the western world if it suspends nuclear enrichment and some other activities, but that if it does not the United Kingdom will ask other EU countries to join the United States in taking progressively more serious economic and financial action against Iran—on access to the banking system, export credits and investment in oil and gas fields—so that the maximum peaceful pressure can be applied against nuclear proliferation, before it is too late?

Margaret Beckett: I agree with every word that the right hon. Gentleman has just uttered. He is right to say that it is very important not only that we maintain pressure on Iran to realise that there is a price to be paid for continuing on her present route, but that we do so in concert with our partners. He may be aware that at the last meeting of the General Affairs Council it was agreed that the European Union will indeed fully implement, and go slightly further than is demanded by, the previous UN sanctions resolution. We shall continue to urge our colleagues to maintain that firmness.

Mr. Hague: Given that approach by the European Union, is the Foreign Secretary happy with the recent agreement by the Austrian energy firm OMV to develop Iran's Pars gas field? Is not the view of the US State Department, which said,

"perhaps this is not the most appropriate time to be making or committing to making large investments in the Iranian oil and gas sector",

one that should be shared throughout the European Union?

Margaret Beckett: I understand the concern that the right hon. Gentleman raises. Although this is of course a matter for the Government of Austria, we do have some concerns about whether we are all trying to make the right kind of decisions, in the context of the overall background to which he refers. As I say, it is a matter for the Austrian Government, but there will no doubt be others who share the concern that he—and, indeed, the United States Government—have expressed.

Mr. Gordon Prentice (Pendle) (Lab): There are only three or four fully functioning democracies in the 44 states of the Islamic world. Why should that be the case?

Margaret Beckett: That is a very interesting question—to which, I fear, I do not feel inclined to try to give a full answer in the middle of Question Time.

High Commission (New Delhi)

5. **Peter Luff** (Mid-Worcestershire) (Con): If she will make a statement on the future accommodation and offices of the UK high commission in New Delhi. [134735]

The Minister for the Middle East (Dr. Kim Howells): The FCO's estate in New Delhi provides efficient office and residential accommodation for our staff and those of other Government Departments. We do, of course, keep our estate strategy in New Delhi, as elsewhere, under constant review.

Peter Luff: Given the ties of history that bind our two nations and the economic and political significance of India to this country and the wider world in the 21st century, does the Minister agree that it is desirable that the British high commissioner to New Delhi should continue to reside at 2 Rajaji Marg as he does at present? If it is impossible to negotiate a commercial deal with the Indian Government to enable him to do so, will the Minister give me a categoric assurance that the new residence will be of sufficient prestige to demonstrate to the Indians and the wider world how seriously we take that relationship?

Dr. Howells: I very much hope that our high commissioner stays there, if only for the architectural value of that beautiful building, which also has a beautiful garden. In 2006, 7,500 guests were entertained at the residence, including the hon. Gentleman. I do not know what wine he enjoyed, but I know that the wine is as good as the architecture.

Mr. Ken Purchase (Wolverhampton, North-East) (Lab/Co-op): Notwithstanding property wrangles, the Minister will be anxious to reassure the House that the services rendered by our post there continue apace, not least the consular services, especially in the light of the continuation in custody of my constituent, Panjab Singh, who has been held since Christmas eve by the authorities in the Punjab, without proper trial. It is strongly suspected that he has been mistreated. I know that the consular services are working hard, but will the Minister assure me that every effort will be made to assist my constituent, as happens in every other case of such difficulties in the sub-continent?

Dr. Howells: I can certainly give my hon. Friend that assurance. India is an extremely important country for the UK and we will do everything we can to continue with the excellent consular services that are provided. It is a complex country and, as my hon. Friend knows, there is considerable devolution to the states that make up India, which has, on occasion, resulted in great difficulties in some consular cases, including the one he raises.

Climate Security

6. **Mr. Adrian Bailey** (West Bromwich, West) (Lab/Co-op): What assessment she has made of the outcomes of the recent UN Security Council debate on energy, security and climate; and if she will make a statement. [134736]

The Secretary of State for Foreign and Commonwealth Affairs (Margaret Beckett): The UN Security Council debate was a landmark event. The participation of 55 countries was an all-time record for a thematic debate. The vast majority of those who participated recognised climate security as an issue of immediate international concern. That should add momentum to the UN negotiations to galvanise collective action.

Mr. Bailey: Does my right hon. Friend agree that much of the debate about climate change so far has been understandably couched in terms of the humanitarian consequences of failure to address it? However, the security implications of failure to deal with the humanitarian issue are profound and important. Can she make an assessment of how far the international community has appreciated that and taken it into account in developing policies to combat climate change?

Margaret Beckett: My hon. Friend is right. It would be fair to say that we have been in on the early stages of recognition by the international community of the security implications of that challenge. As he may know—and, by coincidence, on the very day of the debate in the Security Council—a group of retired American generals and admirals published their own assessment of the security issue, describing climate change as

"a threat multiplier for instability in some of the most volatile regions of the world."

They also identified it as a security risk to the United States, as it is to the whole world.

Mr. Andy Reed (Loughborough) (Lab/Co-op): Is it not the case that the countries that will be most affected by the first changes in climate will be the poorest, such as Bangladesh, where large parts of the country will disappear? What assessment has my right hon. Friend made of the possibility of some 100 million refugees pouring out of some of the poorest countries and the security implications not only for the surrounding countries, but the regions in which they sit?

Margaret Beckett: My hon. Friend is entirely right, and the country that he uses as an example—Bangladesh—is an area where substantial movement of people is causing security difficulties. However, I advise him and the whole House that a range of different threats have much the same effect. For example, there is great concern about the implications that difficulties with the flow of the River Nile would have, both in Egypt and all along its course, and about the pressures caused by the possible migration of millions of people. My hon. Friend is therefore right to identify such challenges. It is very important that the countries of the world work together to adapt to the changes that are already inevitable and to head off those that are not, as they might be even more damaging.

Middle East

7. **Andrew George** (St. Ives) (LD): What recent discussions she has had with her counterparts in those countries with an interest in the middle east peace process. [134737]

The Secretary of State for Foreign and Commonwealth Affairs (Margaret Beckett): I am in regular contact with my EU, US, Israeli, Palestinian and Arab counterparts, as well as with other international partners, to discuss ways to move the peace process forward. I most recently discussed that with my EU counterparts at the General Affairs and External Relations Council on 23 April.

Andrew George: On this 10-year milestone of the Government's election, what does the Foreign Secretary believe has been the most successful contribution that Britain has made to achieving lasting peace in the middle east, and what has been the least successful?

Margaret Beckett: I am not sure that it is very fruitful to assess Britain's contribution in that way. Over the past 10 years, all my predecessors in this post, and my right hon. Friend the Prime Minister, have made a most determined effort to do everything possible to move the middle east peace process forward and to identify the potential of the road map. My right hon. Friend the Prime Minister displayed the same determination in respect of the Northern Ireland peace process. At present, there is an opportunity to move the road map process forward, with regular meetings taking place between President Abbas and Prime Minister Olmert. That opportunity could slip away, but many people from all parts of the world are determined to try to work together to get a good result.

Sir Gerald Kaufman (Manchester, Gorton) (Lab): Now that an independent judicial inquiry has exposed the reckless culpability of Israeli Prime Minister Ehud Olmert—his popularity rating is now 2 per cent.—in bringing about an invasion of Lebanon that killed 1,200 Lebanese and 160 Israelis without achieving any of its objectives, what action is being taken by my right hon. Friend and her road map and other partners to require the Israeli Government to comply with the UN Security Council resolutions that that Government have violated consistently?

Margaret Beckett: My right hon. Friend is referring to the interim report of the Winograd committee, which is, of course, a matter for the Israeli Government. Of course I recognise that a series of international resolutions have made various calls on different participants in the middle east. The Government are determined to do everything we can to support the peace process and move it forward, as in the end that could provide the answers to many of the questions that my right hon. Friend has raised.

Mr. Geoffrey Clifton-Brown (Cotswold) (Con): Will the Foreign Secretary utterly condemn those who have been holding the BBC correspondent Alan Johnston for the past 50 days? Will she join me in sending a message of sympathy to his family, colleagues and friends at this very difficult time? She will know that the whole House will support her in any effort that she makes to secure his release, but can she give us any additional information this afternoon—for example, about who might be holding Mr. Johnston? What discussions has our high commissioner in Jerusalem had with President Abbas about this matter?

Margaret Beckett: First, I am sure that the whole House will want to express its sympathy and concern for Alan Johnston and his family. He has been most cruelly treated, despite his long-standing friendship with, and support for, the people of Palestine. We are certainly doing all we can to work with his employers, the BBC, and with his family and other interested parties to try to be effective in obtaining his release.

There is little I can say to the hon. Gentleman about the situation. There are people who, it is thought, are likely to be holding Mr. Johnston, although they deny it. Every effort is being made at every level. My hon. Friend the Minister for the Middle East raised the matter when he chaired the Security Council recently, and the hon. Gentleman may know that the Prime Minister of the Government of national unity, Prime Minister Haniya, said only yesterday that he and his colleagues are also working quietly, but actively, to try to release Alan Johnston. Everyone is doing everything they can and we will continue to do so. I know that the hon. Gentleman understands that sometimes such things are better conducted more in private than in public.

Mark Lazarowicz (Edinburgh, North and Leith) (Lab/Co-op): One of the continuing obstacles to the middle east peace process is the presence of illegal settlements in the occupied territories. Notwithstanding the limited withdrawals from Gaza not long ago, the evidence is that the rate of increase of settlements on the west bank is growing; in fact, some settlers removed from Gaza are taking on new settlements in the west bank. What are the Government doing to increase pressure on Israel to stop the growth of illegal settlements in the occupied territories, which is now clearly undermining the peace process?

Margaret Beckett: I am not aware of evidence that suggests that the pace of settlement expansion has increased, but we absolutely share my hon. Friend's view in opposing any extension of settlements. We believe that they should be halted and that any construction barrier beyond the green line should also be halted. Both are contrary to international law and run the risk, whatever anyone's intention, of creating so-called "facts on the ground", which could impede the peace process. That, too, is something we deplore, as we have made very plain and will continue to do so.

Iraq

8. **Mr. John Baron** (Billericay) (Con): What her Department's involvement was in the production of the dossier on Iraq's weapons of mass destruction in September 2002; and if she will make a statement. [134738]

The Minister for the Middle East (Dr. Kim Howells): Matters relating to the dossier on Iraq's weapons of mass destruction have been examined in great detail by the inquiry led by Lord Hutton, Lord Butler's "Review of Intelligence on Weapons of Mass Destruction" and the Intelligence and Security Committee's report "Iraqi WMD—Intelligence and Assessments". The Foreign and Commonwealth Office co-operated fully with those inquiries and FCO officials gave evidence to them.

Mr. Baron: In answer to my written questions, the Foreign Secretary has again refused either to publish the draft dossier, written by John Williams, a press officer in her Department, on 9 September 2002, or to explain why those papers were not made available to the Hutton inquiry. The reason cited for the refusal is national security, but how can the Minister justify that cloak of secrecy when the paper was a draft document intended for publication, and when previous and subsequent drafts have been made available? Or is the real reason because the Williams draft was the first to mention the 45-minute claim and was the basis for John Scarlett's draft the following day?

Dr. Howells: Lord Hutton had access to all documents he wished to see. *[Interruption.]* Both John Scarlett and John Williams—*[Interruption.]*

Mr. Speaker: Order. Mr. Wishart, you are out of order. In no circumstances should you keep shouting at a Minister.

Dr. Howells: That is right—Ministers like me get sensitive about it.

Both John Scarlett and John Williams referred to the draft dossier in their evidence sessions. There is, therefore, no question of its existence being hidden from the inquiry.

Alistair Burt (North-East Bedfordshire) (Con): When Colin Powell gave evidence to the United Nations Security Council was he fully aware of all the hesitations and qualifications in the intelligence community behind the dossier, which only subsequently became apparent?

Dr. Howells: I cannot answer for Colin Powell, or for anybody in the American Administration.

Paul Flynn (Newport, West) (Lab): I do not want to tread on the Minister's sensitivities but he should recall that of the four inquiries two were by Committees that were cheerleaders for the Iraq war and the other two dealt only with certain parts of the evidence. We have not had a full inquiry. That dossier was a disgrace. It was presented as evidence to the House on which a decision was taken to take this country to join in Bush's war in Iraq. If the evidence in the document was true, I do not believe—

Mr. Speaker: Order. I have not heard a question so far, but I think the Minister will try to reply.

Dr. Howells: Thank you for that, Mr. Speaker, as I did not hear a question either and I would certainly not recognise the two Committees as being "cheerleaders" for any war. They were filled with very distinguished Members of this House and the other place, so I think that my hon. Friend does them a great disservice.

European Constitution

9. **Andrew Selous** (South-West Bedfordshire) (Con): If she will make a statement on plans to hold a referendum on the EU constitution. [134740]

10. **Stephen Hammond** (Wimbledon) (Con): By what criteria she will reach a view on whether a referendum should be held on any new EU constitutional treaty. [134741]

The Minister for Europe (Mr. Geoffrey Hoon): There is at present no consensus among EU partners on the way forward regarding the constitutional treaty or, indeed, any new treaty. Those issues will be discussed at the European Council in June. The Government's approach to the discussions was set out in my written ministerial statement of 5 December 2006. As my right hon. Friend the Prime Minister said on 16 April this year, we should return to the idea of a conventional amending treaty that makes a European Union of 27 work more efficiently and focuses on its citizens' priorities. However, as we have made consistently clear, if the constitutional treaty comes back in its present form, the Government would want to hold a referendum.

Andrew Selous: Does the right hon. Gentleman agree that it is not up to this Parliament, still less Ministers, to transfer any further powers from Britain to the European Union without the express agreement of the British people given in a referendum.

Mr. Hoon: I will surprise the hon. Gentleman because I looked for some help and advice on this issue from the Opposition Front Bench. I received some useful advice from the right hon. Member for Richmond, Yorks (Mr. Hague), who voted against holding a referendum on the Maastricht treaty on 21 April 1993—as, incidentally, did the right hon. Member for Wells (Mr. Heathcoat-Amory), who asked a question earlier. That is significant because the Maastricht treaty established the European Union, as we now call it. It made significant amendments to the European treaties and, in that light, clearly affected the relationship between Westminster and Brussels, which is what the shadow Minister for Europe has been talking about. It introduced a common foreign and security policy, a European security and defence policy, a new competence for the EU in respect of co-operation in the field of justice and home affairs, qualified—*[Interruption.]*

Mr. Speaker: Order. The Minister has made his point.

Stephen Hammond: On 20 March in response to my question, the Minister said that the Government's policy had not changed and that if the constitutional treaty returned,

"there would be a referendum"—[*Official Report*, 20 March 2007; Vol. 458, c. 679.]

Yet on 20 April, the Prime Minister, when asked by *Le Monde* whether the modified treaty would be put to a referendum, said: "No. That is clear." The Government's position has changed, so who is correct—the Minister or the Prime Minister?

Mr. Hoon: The Government have been quite consistent on this issue. We made it clear that, because of the constitutional nature of the constitutional treaty, it would require a referendum. Again, however, the hon. Gentleman should check with his own Front

Benchers precisely what the Government's policy should be. We have been asking them to set out their position, but unfortunately, the right hon. Member for Richmond, Yorks—*[Interruption.]*

Mr. Speaker: Order. We cannot hear the Minister. We need to be able to hear him.

Mr. Hoon: The right hon. Member for Richmond, Yorks has changed his view quite dramatically. I suspect that he changed it 10 years ago—indeed, on 1 May 1997, when he went from being a Cabinet Minister into opposition.

Mr. Lindsay Hoyle (Chorley) (Lab): Will my right hon. Friend ensure that there will be no EU constitution without a referendum in this country? The public out there are absolutely fed up with the creeping transfer of powers to Europe. We need a referendum: will my right hon. Friend give us that guarantee today?

Mr. Hoon: I have already given the House an assurance that if the constitutional treaty returns in its present form, the Government would seek to hold a referendum.

Mary Creagh (Wakefield) (Lab): Will my right hon. Friend resist the siren calls from both sides of the House for this constitutional referendum? May I say how pleased I am that there will not be one? If we are to join together in Europe to tackle the challenges of migration, terrorism, immigration, threats to public health and climate change, we need to work together incrementally to do so. I ask my right hon. Friend not to take any lessons from Conservative Members, whose sole promise to pull out their people from the European People's party has been delayed while they find someone to sit with.

Mr. Hoon: I am grateful to my hon. Friend. She has pointed out the total inconsistency of the position adopted by the Opposition. That position varies according to whether they win or do not win elections. There is no principle involved, as far as the right hon. Member for Richmond, Yorks is concerned; it is simply tactical opportunism.

Daniel Kawczynski (Shrewsbury and Atcham) (Con): The Minister may be aware that a large group of Labour and Conservative MPs, together with professors and academics, have formed the national campaign for a referendum, of which I am chairman. What words of encouragement will he give to that important body?

Mr. Hoon: I must apologise to the hon. Gentleman: I must have missed the press release announcing the significant elevation that he has achieved. I take this opportunity of congratulating him on his appointment and I look forward to the long discussions that he will have with the right hon. Member for Richmond, Yorks on referendums.

Dr. Julian Lewis (New Forest, East) (Con): The Minister has said that if the constitution comes back, there will be a referendum. The leaked letter that Chancellor Merkel sent to the Prime Minister and other heads of European countries makes it quite clear that the only differences that are going to be proposed are purely presentational ones. Therefore, will we have a referendum if the Merkel proposals go forward?

Mr. Hoon: It is always difficult to comment on a draft document—

Dr. Lewis: It is a letter.

Mr. Hoon: The hon. Gentleman refers to it as a letter, as I think did the right hon. Member for Wells earlier. I have seen a series of questions that the German presidency has raised. Those questions are not necessarily answered in the document. I am sure that the hon. Gentleman logically recognises that, being no more than questions, they are not necessarily indicative of anyone position's at present.

European Constitution

12. **Ann Winterton** (Congleton) (Con): What progress has been made in discussions on a new EU constitutional treaty; and if she will make a statement. [134743]

The Minister for Europe (Mr. Geoffrey Hoon): I have had regular discussions with my German colleagues during their presidency—so too has my right hon. Friend the Foreign Secretary and my right hon. Friend the Prime Minister, who met Chancellor Merkel most recently on 24 April. Our discussions cover many issues, including the way forward on institutional reform. As my right hon. Friend the Foreign Secretary has made clear, there is no consensus at present among EU partners on this issue. This will obviously be discussed further at the European Council in June.

Ann Winterton: Can the Minister confirm that, if there is a European Union constitutional treaty, its provisions can be implemented in the United Kingdom only through an Act of Parliament and, irrespective of the outcome of any referendum, that Act of Parliament remains paramount?

Mr. Hoon: The constitutional position is slightly different from that, but I will not argue the detail. Where any international treaty requires changes in domestic law, in order to be implemented such a treaty has to be ratified by parliamentary process.

UK-Iran Relations

13. **Mr. Desmond Swayne** (New Forest, West) (Con): What recent assessment she has made of the UK's relations with Iran. [134744]

The Minister for the Middle East (Dr. Kim Howells): Our relationship with Iran is under review.

Mr. Swayne: What sanctions are yet in preparation?

Dr. Howells: As I am sure that the hon. Gentleman knows, there are a number of sanctions already in place—mainly those that cover the Iranian banking

system and the movement of capital through this country. Those are the most important ones in my opinion.

Mr. Brian Jenkins (Tamworth) (Lab): My hon. Friend the Minister is no doubt fully aware of the part that Iran can play in our struggle in Afghanistan. It is rather ironic that we need the good offices of that country at the present time.

Dr. Howells: Iran is playing a role in Iraq. There is no question about it. I would not say that it was an entirely benign one. We know that there are guns and ammunition that have already been taken into Afghanistan, in a curious relationship between the Iranian Government—or at least some part of the Iranian Government—and perhaps al-Qaeda groupings in Afghanistan. I agree with my hon. Friend that it is important that we keep a close eye on that situation to ensure that it does not develop any further.

Somalia

14. **Kerry McCarthy** (Bristol, East) (Lab): What assessment she has made of the prospects for a resumption of peace talks in Somalia; and if she will make a statement. [134746]

The Minister for Trade (Mr. Ian McCartney): I bought a new suit for the occasion, but nearly missed out on making a contribution.

We welcome the lull in fighting in Mogadishu in the last few days and hope that a lasting ceasefire can now prevail. We want a political process pursued that can deliver lasting peace and stability and allow for much-needed humanitarian relief. The Government's annual development and humanitarian programmes provide £21 million for Somalia, and the UK has provided a further £3.5 million of humanitarian assistance following the fighting in recent months. We expect Somalia's transitional federal Government to show leadership and commitment in reaching out to all parts of Somali society and to intensify their dialogue with the clans in Mogadishu.

Kerry McCarthy: I thank the Minister for that response. Does he agree that considerable concern is growing about the role of the Ethiopian troops, and particularly about some of their activities in and around Mogadishu, and does he agree that we ought to do all that we can to support a political, rather than a military, solution?

Mr. McCartney: My hon. Friend is absolutely right. That is why we have engaged in the way that we have done. In particular, we need a settlement that ensures that the Ethiopians leave the country, but in such a way that there is common agreement by all concerned not to return to the situation of the past few months, and the damage that it has done to the individual citizens of that country.

Medical Training Application Service

3.31 pm

The Secretary of State for Health (Ms Patricia Hewitt): With permission, Mr. Deputy Speaker, I will bring the House up to date on the two security breaches of the medical training application service, MTAS, that arose last week.

As I explained in a written statement to the House last Friday, on Wednesday 25 April, a serious breach of security protection occurred on the MTAS website. To enable the necessary pre-employment checks to be carried out, personal details of medical graduate applicants for foundation programme posts were made available to the postgraduate deaneries on dedicated web pages. The information was loaded on to the site at about 8.30 am and the deaneries were notified of the relevant web page address for their area at 9.30 am. In making the information available to the deaneries, the MTAS contractor, Methods Consulting, failed to provide the usual and essential password security protection.

At about 2 pm, "Channel 4 News" became aware of the situation. At 4.35 pm "Channel 4 News" telephoned the Department of Health press office to inform it of the security breach. The Department checked the position and informed the contractor, who immediately arranged for all the personal details to be removed from the site. That was completed by 5.15 pm. The Department's security team undertook an immediate initial investigation, which has established that information on foundation programme applicants was accessed from just 21 different internet addresses, mostly belonging to postgraduate deaneries.

The overwhelming majority of individual accesses before the security breach was closed came from an internet address belonging to ITN, the providers of "Channel 4 News". The access by ITN began at about 2 pm and ceased at about 5 pm. More than two hours elapsed between ITN and "Channel 4 News" starting to access personal information and "Channel 4 News" actually notifying the Department of the security breach. *[Interruption.]* There is no evidence that members of the public or other commercial interests, apart from staff at ITN and "Channel 4 News", accessed the site. None the less, it was an extremely serious breach of security, as well as a breach of contract between the IT provider and the Department of Health. The company concerned has taken appropriate action in relation to its staff, and it fully co-operated with our security investigations. We have already reported the situation to the Information Commissioner. I will also report it to Ofcom and draw it to the attention of the chairman of Channel 4 and ITN.

The following day, Thursday 26 April, it became apparent that junior doctor applicants, who have secure access to MTAS, could randomly access another candidate's messages on the messaging facility—used, for instance, to inform candidates about interview appointments—by varying the digits of their own message reference. It appears that, although the content of the message could be accessed, details of the sender and recipient could not be accessed. The Department of Health was advised of this second problem at 3.45 pm on Thursday and informed the contractor, which closed the messaging facility. The whole site was then suspended just after 5 pm and remains suspended.

In view of the two lapses, the IT contractor, Methods, immediately appointed an approved security company, MWR InfoSecurity, to carry out a full security review and penetration testing. Some weaknesses were identified and MWR InfoSecurity has been working with the contractor to rectify them. However, to provide further reassurance, the national technical authority for information assurance, Communications Electronic Security Group, is also advising the Department, and the MTAS site will be re-opened as soon as we have the necessary security assurances.

Those two security breaches were utterly deplorable. They should not have happened and appropriate steps are now being taken. However, there is no evidence that members of the public or other unauthorised people, apart from ITN and "Channel 4 News"—*[Laughter.]* I am very sorry that the Opposition regard this as a matter of such enormous levity. There is—*[Interruption]*

Mr. Deputy Speaker (Sir Alan Haselhurst): Order. The Secretary of State must be allowed to proceed with her statement so that all Members of the House can hear what she is saying.

Ms Hewitt: Thank you, Mr. Deputy Speaker. There is no evidence that members of the public or other unauthorised people have in fact accessed personal information on MTAS. Furthermore, no applicant for the foundation programme or specialist training will be disadvantaged because of the two security breaches.

Already, following the recommendations of the review group chaired by Professor Neil Douglas, junior doctors have been offered the opportunity to change their training preferences. Following successful testing by junior doctors from the British Medical Association and the Academy of Medical Royal Colleges, nearly 26,000 specialist training applicants have reviewed their initial preferences and either revised or confirmed them. That process took place between 20 and 23 April, using MTAS, without security or technical problems. Where issues arose about a candidate's ineligibility, they will be resolved by the relevant deanery, which determines eligibility.

As a result of the changes made to application preferences by junior doctors, around 15,500 additional interviews will be offered in England during the extended round 1. Although some interviews will be delayed because of the security problems, we still expect them to be completed by early June.

There is no doubt that confidence in the applications system, MTAS, has been further damaged by these deplorable security breaches. That is why the Department and I are taking them extremely seriously and taking appropriate action. I apologise again to junior doctors or foundation programme applicants who have been caused anxiety or, in some cases, inconvenience as a result. I will, of course, continue to keep the House informed of further developments.

Mr. Andrew Lansley (South Cambridgeshire) (Con): Once again, the Secretary of State has had to make a statement to the House about the appalling shambles that has become the Government's system of selecting training for junior doctors. I am sorry that the Secretary of State could not bring herself to say sorry. *[Interruption.]* It is interesting that in the copy of the statement that she sent to me beforehand, the word "sorry" does not appear at all.

The right hon. Lady must understand that the most outrageous security breach has occurred. It is astonishing that in her statement she did not tell the House what kind of data we are talking about—not only the application, but personal details, address details, references, the religious denomination of the applicants, their sexual orientation and full details of their criminal records check, including previous police records. It is astonishing that such an outrageous security breach could have happened.

The Secretary of State has not yet told us on what basis the breach occurred and what the consequences are. She said in her statement that the information was accessed from 21 internet addresses, mostly belonging to postgraduate deaneries—mostly. We do not know precisely who they were. Does she know who all those 21 internet addresses belong to?

The Secretary of State has said that there is no evidence that members of the public or commercial interests accessed the site. She may not have the evidence, but can she say that it is her certain knowledge that members of the public or commercial interests did not access the site? As it turned out, there was not only one, but two security breaches.

The Secretary of State must have known about the problems, because of, for example, the following letter to her from the British Orthopaedic Trainees Association on 5 March:

> "We have also had concerns about the security of the site, with shortlisters reporting they could access deanery data and applications they had nothing to do with."

She knew that there were problems with security on the site, and her Department did not take the necessary action to prevent that gross security breach.

Will the Secretary of State explain why on the morning after the breach her Minister, Lord Hunt, went on to the "Today" programme, where, having being asked by Jim Naughtie why it had happened, he said:

> "Someone has apparently deliberately leaked that information"?

Jim Naughtie asked:

> "You think it was deliberate rather than a mistake?"

Lord Hunt replied:

> "It's quite clear it was leaked."

What was the justification for the Department putting out that information to the public and junior doctors on the day after the breach occurred? If the Secretary of State cannot guarantee security—she has failed lamentably in this case—what possible guarantee can there be for the patient record data, which will be loaded on to the electronic patient record? We need much greater assurance.

The Secretary of State went on to discuss what is happening now to junior doctors. She said that they are continuing to go through the process without further security or technical problems. I have received 14 examples of occasions when junior doctors have gone on to the site to try to book interviews. They have seen their preferences change; they have seen interviews being booked for two weeks prior to their application; they have seen double interviews; they have seen their eligibility disappear; and they have been told that there are no vacancies, but when they have telephoned, they have been told that there are choices. The system is not working. It is probably just as well that it has been suspended, because it needs to be suspended until we are satisfied about both security and the technical problems.

How can the Secretary of State simply assume that the timetable will be met? According to the review group's plan, junior doctors should have started booking their interviews on Saturday and completed the process by this Thursday. We are four days into the process, and the site is still suspended. In theory, junior doctors have only 48 hours in which to book their interviews in order to maintain the timetable.

We had a debate last week, from which there are still outstanding questions that the Secretary of State must answer. Her Department asked trusts across the country through strategic health authorities to provide applications for additional training posts, and the trusts were asked to send in those applications by 27 April, which was last Friday. How many applications has she received? What opportunity is there now for additional training posts to provide the flexibility for junior doctors to have greater confidence? Will she assure the House that flexibility will be given to Professor Sir John Tooke's group for next year by adding training posts this year and next year and by ensuring that wherever possible temporary, one-year training posts are appointed this year, rather than all the posts going on run-through training posts?

Does the Secretary of State not understand that the lamentable shambles that has brought her to this House on, I think, four occasions—we have brought her here twice—has done untold damage to the confidence of the medical profession in the way in which its education and training is being managed. It is down to the profession to restore confidence, and I hope that Sir John Tooke and his colleagues will be able to do so.

Frankly, the medical profession has lost confidence in the Secretary of State. Last Saturday, the British Medical Association junior doctors committee unanimously called on her to resign. I know that she will not walk, but the next Prime Minister ought to move her, and I hope that he does so. Does she not understand that there are two words that junior doctors across this country want to hear her say when she gets up and that those two words are, "I resign"?

Ms Hewitt: The hon. Gentleman asked a series of questions; let me deal with them in turn. He asked about who exactly accessed the site after the first breach. As I indicated, our security investigators have established that access was made from 21 different addresses, the great majority of which belonged to postgraduate deaneries. I am confident, from that

investigation, that no members of the public or other commercial organisations accessed the site. Those investigations are continuing, and as more information is established appropriate action will be taken.

The hon. Gentleman referred to shortlisters having access to applications. It was part of the system designed at the request of the postgraduate deaneries that those assessing applications should be able to access the full range of applications because in some cases multiple assessments were being made.

On the leak, we have still not been able to establish how "Channel 4 News" came to be told of the existence of these unprotected website pages. However, since the address of the website page for each of the postgraduate deans included a randomly allocated number, it seems highly unlikely that it was by accident. That is why my noble Friend Lord Hunt made the statement that he did on the morning following this outrageous security leak.

The hon. Gentleman referred to the electronic patient record system. That is a completely separate system established under completely different security and governance arrangements and with a very well developed security compact with patients and the public. It is currently being trialled in various parts of the country, and so far patient response has been extremely good.

The hon. Gentleman referred to junior doctor candidates changing their preference for applications. It is perfectly true that in a relatively small number of cases people were told inaccurately, or rather were told that there were no vacancies or that there were question marks about their eligibility. That did not come from the MTAS site but was a matter for the deaneries. It was not a fault in the MTAS site, nor did it have anything to do with security breaches; it was a matter for the deaneries, and it is being sorted out where necessary between the individual postgraduate deaneries and individual applicants.

More than 40,000 interviews were arranged initially as part of round 1, and that part—now round 1A—has been completed. As I said, more than 15,000 new interviews are being made available in round 1B. Some of those appointments were sent to junior doctor applicants before the security breach and therefore the suspension of the site; others, of course, have not been confirmed because of the site's suspension. However, if the hon. Gentleman looks, for instance, at the London deaneries website, he will see that applicants have been informed through that site that interviews are planned to start on 8 May and that candidates will be contacted either through MTAS, when that is restored, or through other administrative arrangements if necessary.

I can confirm to the House that, as I said last week, we are working with postgraduate deaneries and with the service to create new training posts that will help to meet the aspirations of junior doctors but will also meet the needs of the service. We will confirm the number and the specific specialties, where they will be available, as quickly as we can.

Mr. Kevin Barron (Rother Valley) (Lab): Can my right hon. Friend confirm that the leaks that took place on the site last week are nothing at all to do with the electronic patient records that run inside the national health service, and that the words of the Opposition Front-Bench spokesman are nothing more than irresponsible scaremongering from backwoodsmen?

Ms Hewitt: My right hon. Friend makes his point with great force, and I entirely agree.

Norman Lamb (North Norfolk) (LD): This is the fourth occasion on which we have debated this scandalous sequence of events.

The Secretary of State sought to reassure us that the only web addresses that accessed information were at one of the country's main news organisations, which is not particularly reassuring. Even so, does she accept that the situation could have been far worse and that far more accesses could have been made in other circumstances? Will the right hon. Lady also concede that the information could have been passed on by those who accessed the site?

The Secretary of State said that the overwhelming majority of internet addresses were at ITN, but that suggests that not all of them were there. Where were the others? Are they being investigated? What has been discovered so far?

Will the right hon. Lady concede that the real outrage is that the matter could and should have been avoided through adequate piloting to identify exactly that sort of risk and if the Government had listened to all the warnings that were being given? Does she accept that she knew about IT glitches? The letter from the British Orthopaedic Trainees Association has already been mentioned. What action did she take when she received it to investigate the concerns?

The website states:

"Normal service—

whatever that means—

"will resume as soon as possible."

When is it expected to resume? Methods Consulting runs MTAS. The Secretary of State referred to a breach of contract. What action is being considered about that? Could the actions—or inaction—of Methods Consulting or others amount to a criminal offence under data protection legislation? Will that be investigated? Will a thorough, independent investigation—not by a company that Methods Consulting brings in—take place into the causes of the security lapses and to ascertain whether other breaches, about which we do not know, occurred?

How many individual medical graduates' confidential information was accessible? We know that only a few people accessed it, but how many people's confidential information was accessible to anyone who sought to find it? As we have heard, Remedy UK has received numerous details from junior doctors of strange glitches, such as preferences being changed without their knowledge.

The hon. Member for South Cambridgeshire (Mr. Lansley) gave other examples, but an especially serious example was that of Dr. Hua Luk, a Surrey-born doctor and a British citizen who was told that his application had been rejected because he did not have the correct immigration status. That is a scandal. Does not that evidence show that the system is discredited?

[Norman Lamb]

I have repeatedly questioned the Secretary of State about whether it is logistically possible to conduct all the extra interviews in the time scale provided. With the website down, what guidance is being given to applicants about arranging interviews? What faith should we have in NHS IT and the Government's plans for a national spine of patient data when such a debacle occurs?

Ms Hewitt: I entirely agree with the hon. Member for North Norfolk (Norman Lamb): it was a serious, deplorable breach of security, as I have already said. It could have had far more serious consequences.

The hon. Gentleman referred to those—one or more individuals—whom we know accessed personal information without authority. It is a matter for their employers—and possibly others—to establish whether the personal information that they accessed was made available to other people.

The hon. Gentleman asked about the 21 addresses and establishing precisely who accessed information from each address. As I said, those investigations are continuing. He referred to piloting. I have no doubt that it is useful—indeed, we piloted the system for the re-preferencing exercise with the help of the BMA and academy junior doctors and it worked well. However, the security breach that occurred last Wednesday was simply due to a decision by an individual at the IT contractor. It was a case of human error, which I am afraid that piloting could not have predicted or prevented.

The hon. Gentleman asked when the website would be restored. As I said in my statement, that will happen as soon as we are satisfied about security. He asked whether investigations are continuing, who by and whether criminal offences might have been committed. It is possible that criminal offences have been committed but we will not know that until the investigations have proceeded further.

Perhaps I could stress to the hon. Gentleman that, as I said in my statement, in order to establish the enhanced level of security that I believe is now necessary—given the publicity that the site has attracted and the danger of further or additional attempts to hack into it—we have brought in the country's leading experts on the subject: the Communications Electronics Security Group in Cheltenham, which is part of the National Technical Authority for Information Assurance, will be quality assuring the security arrangements.

The hon. Gentleman asked about the number of applicants for foundation programme posts whose personal details had been made available in this wholly improper manner to the postgraduate deaneries. The number of medical graduate applicants involved is just over 6,000. He referred specifically to the case of the Surrey-born doctor who was told that he was ineligible. It is not, however, the MTAS system that makes decisions about eligibility; it is the individual deaneries. I understand that that case was raised with the help desk—some others certainly were—during the re-preferencing exercise, and such cases were quite properly referred to the individual deaneries to sort out. If the hon. Gentleman gives me further details of that case, however, I will ensure that the deanery concerned sorts it out.

We are keeping in close touch with the postgraduate deaneries on this issue, and at this stage we expect the additional 15,500 or so round 1 interviews to be completed by early June. As I have already said, information on the dates for those interviews is already being made available by the individual deans. Appointments will then be confirmed—or, where necessary, changed—either directly through MTAS, when it is restored, or through the deaneries' making other arrangements to contact the applicants concerned.

Ms Gisela Stuart (Birmingham, Edgbaston) (Lab): I think that those on both sides of the House agree that this was an outrageous security breach. Given that we all rely on IT, and on having access to such websites, is it not incumbent on all agencies, when they come across such security breaches, to alert the authorities rather than to exploit the situation? Am I right in understanding that ITN and ""Channel 4 News"" knew about the breach for more than two hours? If so, was it not extraordinarily irresponsible of those broadcasters to exploit that situation rather than notifying the Department of Health so that it could deal with it?

Ms Hewitt: My hon. Friend makes an important point. Of course, "Channel 4 News", having been informed of the breach, was entitled to report it. It was a serious security breach, and the programme was entitled to report it; indeed, it might well claim that it had a public responsibility to do so. I agree with my hon. Friend, however, that it also had a responsibility to notify us of that breach urgently—indeed, immediately—so that the proper action could be taken to ensure that people's personal confidential details were not accessed by others who had no right to access them.

Mike Penning (Hemel Hempstead) (Con): This recent debacle will have even more serious effects on family members and loved ones who are trying to get training posts. The BMA said this morning that 34,250 doctors were trying to find posts, but that only 18,500 posts were available. The BMA also said that the vast majority—two thirds—of those doctors will not stay in the NHS. This is a crazy situation. We need those doctors to stay in the NHS—they have been paid for by taxpayers' money—but under this Secretary of State's leadership, if we can call it that, there is massive distrust in the system.

Ms Hewitt: I have already said that there is a real, and unsurprising, failure of confidence in the MTAS system, the computerised application system for recruitment. I am afraid, however, that once again Conservative Members are, deliberately or inadvertently, muddling up the numbers. There are 32,000 eligible candidates for training posts. There are 23,000 training posts—more than ever before. Of the applicants, about 30,000 are already working in the NHS. Some are in training posts, but thousands are in non-training junior doctor posts—staff posts, non-career consultant grade posts, and so on. All those jobs

will continue to be needed in the NHS. It is therefore simply wrong to say that an applicant who does not get a training post, or does not get the training post that he or she wanted, will inevitably be unemployed.

David Taylor (North-West Leicestershire) (Lab/Co-op): Having spent three decades in large-scale public sector IT, I must say that I tend to agree with the chairman of the BMA, in his letter to the Secretary of State this morning, that the IT system concerned is relatively simple, and that technological failings would tend to remove the confidence of patients in the care system being developed. Will the Secretary of State indicate how she will reassure the wider general public? Will she bring in the Office of Government Commerce to consider the lamentable lapse by Methods Consulting, which seems to have been instrumental in this latest debacle?

Ms Hewitt: I have already explained what we are doing about the two lapses that took place last week, and the failures of Methods—human failings rather than inbuilt system failings—which allowed that to happen. On the much broader issue of the electronic patient record, we have known from the beginning that it was essential to have the highest possible level of security before putting confidential medical details about NHS patients into an electronic system. It is well worth saying, however, that the current manual system is not exactly a model of security, and that regrettable breaches of privacy and confidentiality have been reported on various occasions over many years. Because of the concerns about electronic patient records, we have gone to considerable lengths over some years to put in place a carefully worked out patient record guarantee, and to discuss that with patient representative organisations, the BMA and many others in the medical profession. We are currently piloting the electronic patient record in a small number of places in the country, to establish that there is justified public confidence in the electronic patient record.

Peter Bottomley (Worthing, West) (Con): Is the Secretary of State briefed on a daily basis on the material on the Mums4Medics and Remedy UK websites? Does she agree that the interest of the broadcast and print media has brought to public attention many of the issues from which junior doctors were suffering without the knowledge of the outside world? Will she try to clear up the eligibility issue? When I took it up with a deanery, I was told that the issue was nationally determined, whereas the Secretary of State said that it was determined by deaneries. It should not be possible for deaneries to have inconsistent views on eligibility, so will she have a clearing desk at the Department? Finally, will she give an answer on whether it is possible to apply for round 2 without having applied for round 1, given that many doctors are waiting for exam results and, on advice, withheld their applications at the beginning?

Ms Hewitt: I do indeed keep up to date with the Remedy UK and other relevant websites. Various websites have raised concerns, particularly about last Wednesday's security lapse, suggesting, for instance, that people's future credit rating might be compromised. That is why I have taken pains not only to establish the facts and to deal with the security breach, but to put the information that we have so far been able to establish directly into the public domain.

On the issue of eligibility, there is one set of rules about eligibility in relation to immigration status, and there are specific eligibility criteria that relate to different posts, at different levels of seniority, in different specialties. In both cases, the postgraduate deaneries check whether individual candidates are eligible, in relation to their immigration status and their educational qualifications and experience, for the jobs for which they have applied. As for round 2, the review group is considering that at the moment, and I shall make a further statement in due course.

Sarah McCarthy-Fry (Portsmouth, North) (Lab/Co-op): Obviously my right hon. Friend cannot say exactly when the website will reopen, because of the rigorous checks that will be required, but can she reassure us that the delays will not jeopardise junior doctors' training?

Ms Hewitt: That is an important point. Had it not been for the publicity and the heightened risk of people hacking into the site, the initial investigation by MWR InfoSecurity would have provided enough reassurance to enable us to reopen it; but because of that heightened sensitivity and the need to restore junior doctors' confidence in the system, we decided to take a little longer, and to involve the national technical professions as I described. That will ensure that, without creating any unnecessary delays, we can give people the security assurance to which they are entitled and which I certainly intend to obtain.

Mr. Andrew Mackay (Bracknell) (Con): Will this arrogant Secretary of State for once simply say sorry, instead of blaming "Channel 4 News" and ITN for the shambles?

Ms Hewitt: I have already apologised to junior doctors for the additional anxiety and worries created by last week's episode.

Meg Hillier (Hackney, South and Shoreditch) (Lab/Co-op): This breach is extremely unfortunate, and a number of my constituents have written to me expressing their concerns—but what concerns them most is progress. My right hon. Friend told my hon. Friend the Member for Portsmouth, North (Sarah McCarthy-Fry) that it would take "a little longer" to get the site up and running. Can she be more specific? In my constituency and nationwide, junior doctors are keen to get on with it.

Ms Hewitt: I know my hon. Friend will understand that I cannot say this afternoon exactly when we will be able to reopen the website, but I stress to her constituents and others that if it takes longer to establish the necessary level of security and assurance, I believe that that is worth while. The individual postgraduate deaneries have already said that if necessary they will make other administrative arrangements to contact junior doctors, confirm their interview dates and go ahead with the 15,500

[Ms Hewitt]

additional interviews that have been made available as a direct result of the work of Professor Neil Douglas and his review group.

Mr. Deputy Speaker: I think I owe it to the *Hansard* reporters to ask the Secretary of State to direct her remarks to the microphone. If she does not, it makes things very difficult for them.

Peter Viggers (Gosport) (Con): Wading valiantly through this continuing disaster are more than 30,000 junior hospital doctors. When I asked the Secretary of State to give regular progress reports last week, I did not expect her to be back this week explaining that the situation had worsened. Will she ensure that when the Department thinks it has put the situation back on the rails, she—or perhaps her successor—can come to the House and reassure us that enough training posts will be available for the commitment and dedication of junior hospital doctors not to be lost?

Ms Hewitt: I do not think that either of us expected to be dealing with this subject again quite so soon, but I stress again that already more training posts are available than have been available in the NHS before—the 23,000 to which I referred last week—and that in addition we will have new training posts. They are currently being established between the postgraduate deans and the service, and will be validated by PMETB—the Postgraduate Medical Education and Training Board—because that is a requirement for training posts. Moreover, we will still have the staff posts, the non-consultant grade career posts, that already exist in the service. Thousands of applicants for training posts are currently employed in those posts, and will continue to be employed in them if their applications are not successful.

Ms Diana R. Johnson (Kingston upon Hull, North) (Lab): Can my right hon. Friend reassure me that she believes that to date there has been no criminal activity as a result of the website problem?

Ms Hewitt: I cannot assure my hon. Friend that there has been no criminal activity. There may have been, but we do not know yet. Investigations are continuing, and if there is evidence of criminal activity it will of course be reported to the proper authorities.

Stewart Hosie (Dundee, East) (SNP): For many years I was involved in IT systems development, including writing a security system to protect online records, which was used by the NHS. The Secretary of State described the second breach in the following terms: "applicants...could randomly access another candidate's messages on the messaging facility...by varying the digits of their own message reference"—without, it appears, requiring a different password related to that different message reference. I am wholly shocked. Who agreed the security testing plan? Who signed it off? Who agreed, approved and signed off the outcome of the security testing plan for MTAS? Will she agree to place in the Library the full technical details of the security plan and its outcome, so that those in the know can have a look at those things to determine whether the Department signed off and approved something that may not have been wholly appropriate?

Ms Hewitt: On the first point, to access the MTAS website any junior doctor applicant has, of course, to enter his unique identifier and user password, but the hon. Gentleman is right that it appears—this is what I have been informed—that an applicant who was already legitimately on the site could access part, not all, of other candidates' messages without going through a further password approval. Again, further investigations are going on into that point, but the security breach is being remedied and will be tested and assured before the website, and that messaging facility, are restored.

Procurement, the security specifications and so on were a matter for the Department, but also for the programme management board. I have asked the Office of Government Commerce to look at the details of that procurement, so that we can learn any necessary lessons—although I stress that Methods was already an approved Government contractor. The hon. Gentleman asked me to put into the Library the full technical details of the security systems on the site. I do not propose to do so, because although that might be helpful to him, it might also be helpful to others possibly less well disposed than he.

Rob Marris (Wolverhampton, South-West) (Lab): I welcome the Secretary of State's continued openness and helpfulness on this matter. On 16 April, before the last two security breaches, I asked during the statement whether anyone had been disciplined for the problems that were then apparent, and she told me that

"no disciplinary or performance management steps are being taken in the Department".—[*Official Report*, 16 April 2007; Vol. 459, c. 48.]

I now understand from her statement today that "appropriate steps are...being taken." She also said in her statement that this was "an extremely serious breach of security, as well as a breach of contract between the IT provider"—Methods—"and the Department of Health." Can she tell me whether Methods has had its contract terminated over those two security breaches, and if not, why not?

Ms Hewitt: No, we have not terminated the contract with Methods. It is responsible for the MTAS site. Our first priority is to deal with the security breaches, and to get proper, full independent assurance that the security breaches have been remedied and that there is an adequate full level of security on the site before it is restored. Our priority is to ensure that the junior doctors can complete the first round of interviews. The job offers can then be made and we can then move on to round 2. Clearly, it would be helpful to have the MTAS system back up and running, with proper security and greater confidence in it, in order to complete the interviews.

Mr. Desmond Swayne (New Forest, West) (Con): The Secretary of State said in her statement that she would be reporting this situation to the chairmen of Channel 4 and ITN. Can she possibly imagine that they are unaware of it?

Ms Hewitt: Until my statement this afternoon, I have no idea whether the chairmen of ITN and Channel 4 News were aware of the details of what has happened, the length of time that elapsed between their beginning to access the site and actually telling us about it, or the extent of the access that was available to them. What they do with the information is entirely a matter for them, but I do intend to draw it to their attention.

Mr. David Drew (Stroud) (Lab/Co-op): Will my right hon. Friend confirm that both the BMA and the royal colleges are still in favour of reforming the system of appointment to training posts? If not, when did they change their minds? It would be helpful if there was at least some consistency from the medical profession.

Ms Hewitt: The BMA and the Academy of Medical Royal Colleges have been involved for many years in the review of medical training that has led to the decision to create modernising medical careers, as they were also involved in the successful establishment of the foundation programme two years ago. They remain closely involved, in particular through Professor Douglas' review group, in helping to ensure that we overcome the serious difficulties that have arisen with the MTAS system. Those difficulties do not call into question the underlying principles of modernising medical careers or the substance of the new training programme, which remains widely supported. The problems have arisen, in the first year of transition to the new specialty training posts, with the system for application, shortlisting and interviewing. We are in the process of working through that, and I am grateful to the BMA and the academy for continuing to help us ensure that as quickly as possible we get junior doctors properly interviewed and job offers made—and that we do that in a way that is absolutely fair to junior doctors and meets the needs of the service and, above all, of patients.

Several hon. Members *rose—*

Mr. Deputy Speaker: Order. If I am to call all Members who still wish to ask a question of the Secretary of State, I must ask for single questions and brief answers.

Mr. Julian Brazier (Canterbury) (Con): The Secretary of State said that she hoped that interviews would be finished by early June. May I remind her of the case of my constituent about whom I have corresponded extensively with her Department? He is currently serving as a junior doctor in Afghanistan with the Territorial Army, and he has now had to fly back from there to have his interview. Given the very large increase in TA medical presence projected for next year, I urge the Secretary of State in reviewing the system to ensure that this category of junior doctor, small as it is, does not get disadvantaged again.

Ms Hewitt: Of course we will try to ensure that.

Dr. Julian Lewis (New Forest, East) (Con): Why do junior doctors have to declare their sexual orientation in making their applications in this competition, and will the Secretary of State give a categorical assurance that any junior doctor who declines to do so, in the light of the monumental mess that has recently arisen, will not be discriminated against in the intense competition for these posts?

Ms Hewitt: That is equal opportunities information, obtained simply for the purposes of monitoring. It is fairly standard nowadays. That information does not form part of the decision on whether a job offer should be made to someone, and of course, people are not penalised if they do not supply it.

Justine Greening (Putney) (Con): Was it ever requested that the data upload on to the MTAS website be password protected? Was Methods ever asked that? If it was not, why did the Secretary of State not take a closer interest, given that the website has been a shambles from start to finish, and given the order in which events arose and decisions were taken?

Ms Hewitt: The issue was simply that the postgraduate deaneries needed the information, and it would have to be supplied from MTAS. The decision to upload the data in the way in which it was done was made, improperly, by an individual at Methods. We could do nothing about that until we learned about it.

Tony Baldry (Banbury) (Con): Is not the reality that on the 10th anniversary of Labour coming into office, suitably qualified junior doctors do not have training posts and hospitals are at risk of losing services? If the Secretary of State thinks that that is wrong, please can she explain to my constituents why for the first time in almost half a century the Horton general hospital in my constituency is at risk of losing 24/7 children's services and consultant-led obstetric services because—we are told, among other reasons—there are insufficient junior doctors? What happened to "24 hours to save the NHS"?

Ms Hewitt: In the last 10 years under this Labour Government we have ensured—against opposition from the Conservative party—that the NHS has more than 30,000 more doctors, more than 80,000 more nurses and about 280,000 more employees in total. I well remember what was happening 10 years ago, when our constituents, and those of the hon. Gentleman, were waiting 18 months, or two years or more, for a desperately needed hip replacement operation, and when cardiac death rates were among the highest in Europe. Patients know very well just how bad things were under the Conservatives, and how much better they are now—how much better and faster they are being cared for as a result of the policies of this Labour Government.

Young Offenders (Provision of Speech Therapy)

4.19 pm

John Bercow (Buckingham) (Con): I beg to move,

That leave be given to bring in a Bill to require the provision of speech and language therapy for young offenders; and for connected purposes.

In preparing today's Bill, I have been indebted to Juliet Lyon and Jenny Talbot of the Prison Reform Trust, and to Kamini Gadhok and Jane Mackenzie of the Royal College of Speech and Language Therapists. The problem is simply stated: more than 60 per cent. of the 11,000-plus young offenders in institutions today lack the communication skills to engage effectively and profitably with educational programmes, with courses in behaviour and anger management, and with initiatives designed to enhance their thinking skills.

The House will be aware, not least from the work of the educational charity I CAN, that it is estimated that the lifetime cost of the failure to treat communication disorders is of the magnitude of £26 billion. We are also commonly reminded that some 80 per cent. of young offenders reoffend: they go through the revolving door of the criminal justice system over and over again. We also know from a vast literature of published evidence of repute and academic expertise that a lack of education and the inability to communicate are risk factors in reoffending. People in the situation that I have just described are less likely to obtain a qualification, less likely to land a job and less likely to find a home; conversely, they are more likely to suffer emotional and behavioural problems, more likely to experience mental health challenges, and more likely to commit, or to go on to recommit, crime.

That is the situation with which this country is faced, and it prompts the obvious question: what can be done about it? I put it to the House that we could do a lot worse in dealing with this client group of people with severe communication disorders than to go for a significant, far-reaching and intensive programme of speech and language therapy.

As chief inspector of prisons, the then Sir David Ramsbotham—now Lord Ramsbotham—visited Polmont young offenders institution in Scotland. There, he had an intriguing and memorable conversation with the governor of the institution. Going round the prison estate, he was struck by the governor's observation that if by some mischance he was obliged to get rid of all the institution's staff, and if it was within his discretion, the last person to be let out of the gates would be his speech and language therapist, because of the invaluable extra that that person provided for the institution and the young people incarcerated there.

Sir David subsequently became aware, as others will have done, of the work undertaken on commission for the Home Office by the Learning and Skills Research Centre as long ago as 2001-02. A study of a particular group of young offenders in an institution found that when that group were given help with their oral communication skills, they were 50 per cent. less likely to reoffend in the year after release than the group who were not so helped. The reoffending rate was cut from a typical rate of 44 per cent. to 21 per cent. Armed with the impressionistic material and the empirical evidence, the chief inspector of prisons said to the Home Office, "I think that this is significant. I have taken advice and I am told that the most distinguished speech therapist in England is Professor Karen Bryan. I would like to undertake a two-year trial at particular institutions, to see whether help could effectively and cost-effectively be provided."

It was agreed that the trial would go ahead, and it took place under the auspices of Professor Karen Bryan between 2003 and 2005. Speech therapists were appointed at Brinsford and Werrington young offenders institutions, both of which are in Staffordshire. Working to Professor Karen Bryan, their responsibility was to assess, to diagnose and to plan effective interventions to help those young people. The young offenders suffered from a miscellany of difficulties, but the significant point is that they suffered from difficulties of hearing, of listening, of understanding, of remembering, of relating to people and of expressing themselves in terms that were simultaneously comprehensible and legitimate.

At the end of the two-year study, which was privately financed courtesy of Lady Helen Hamlyn, Professor Bryan concluded that 100 per cent. of the young offenders studied would benefit from, or—to put it more strongly—were palpably in need of speech and language therapy. The report went to the Government. What did Ministers say? They were full of plaudits. The response was laudatory. They were grateful for a striking, important and valuable piece of work. One could deduce from Ministers' observations that the report would have a significant influence on future Government policy. Therefore, I am bound to inquire what, two years on and in the light of those public ministerial utterances, has happened. The answer is: absolutely nothing.

To add insult to injury, in December 2005 the Department for Education and Skills published a document entitled "Reducing Re-offending Through Skills and Employment", which consisted of 47 pages, 20,000 words and no fewer than 58 footnotes, but made not one reference to speech and language therapy. In the House of Lords on 27 October, Baroness Scotland of Asthal said that there was no problem, because the service was "already available". If people were identified as having a problem, they were referred. The unspoken message that we were entitled to take from those remarks was that if there was a problem, it was being handled and there was no reason to worry. That is cold comfort, and rings hollow to the people at the coal face who know that it simply is not the case. The impression was given that it was happening, but it is not; that people can get the help, when they cannot; and that the system will work, when it will not.

There is an institutional paralysis at the heart of the system, not noticed by the Under-Secretary of State for the Home Department, the hon. Member for Bradford, South (Mr. Sutcliffe) in dealing with the Offender Management Bill—and it is the fact that the Home Office, the Department of Health, the Department for Education and Skills, the Youth Justice Board, the Prison Service and children's services are all involved. When everyone is responsible, no one is responsible. Nothing happens, nothing changes and nothing beneficial accrues.

The proposal in the Bill is simple. I suggest that we should cut the Gordian knot and place responsibility firmly in the hands of the Home Office. It provides that every young offenders institution—all 18 of those that cater for young men and the four that cater for young women—should be required to employ a speech and language therapist. That person would screen, diagnose and provide. The cost, at £34,000 per therapist, is infinitesimally small compared with £30 million spent on the respect agenda, or the £80,000 per head cost of uselessly and unproductively incarcerating someone who, we can confidently predict, left untreated, unqualified, unreformed and unemployed, will come back into a young offenders institution all over again.

I understand the strength of public feeling that says that when people commit serious crimes they must be locked up and pay their dues. The deprivation of liberty must take place. But we have to give people hope. We have to do something to make a difference. My Bill is not a panacea, but it would improve lives, offer opportunities and do something to hold out the prospect that those young people who are on the wrong track can become productive, effective and worthwhile citizens. I am proud of my Bill, which enjoys cross-party support, and I commend it with enthusiasm to the House.

Question put and agreed to.

Bill ordered to be brought in by John Bercow, Mr. Kevin Barron, Mr. Richard Benyon, Angela Browning, Mr. Tom Clarke, Mr. Geoffrey Cox, Mrs. Joan Humble, Mr. Ian Liddell-Grainger, Bob Russell, Mr. Ben Wallace, Hywel Williams, Sir George Young and Mr. Geoffrey Cox.

YOUNG OFFENDERS (PROVISION OF SPEECH THERAPY)

Mr. John Bercow accordingly presented a Bill to require the provision of speech and language therapy for young offenders: and for connected purposes: And the same was read the First time; and ordered to be read a Second time on Friday 15 June, and to be printed [Bill 98].

Peter Bottomley (Worthing, West) (Con): On a point of order, Mr. Deputy Speaker. During the exchanges on the modernising medical careers statement, the Secretary of State said that she was going to get in touch with the chairmen of ITN and Channel 4 because of the time taken to get in contact with the Department. One of the rules of Parliament is to maintain an open society, with the media able to investigate and report. Has there been a change of policy that requires Secretaries of State to comment on the actions of the media, instead of the other way around?

Mr. Deputy Speaker (Sir Alan Haselhurst): I have listened to the hon. Gentleman's point of order, but he will know that it is not anything about which I can comment from the Chair. His observation is more of a continuation of the earlier exchanges.

Orders of the Day

Finance Bill

[2ND ALLOTTED DAY]

(Clauses Nos. 1, 3, 7, 8, 12, 20, 21, 25, 67 and 81 to 84, Schedules Nos. 1, 18, 22 and 23, and new Clauses relating to microgeneration)

Considered in Committee [Progress, 30 April.]

[SIR ALAN HASELHURST *in the Chair*]

Clause 67

ABOLITION OF CONTRIBUTIONS RELIEF FOR LIFE ASSURANCE PREMIUM CONTRIBUTIONS

4.32 pm

The Economic Secretary to the Treasury (Ed Balls): I beg to move, That the clause stand part of the Bill.

The Chairman of Ways and Means (Sir Alan Haselhurst): It may be for the convenience of the Committee if I say that it will be in order to refer to schedule 18 in the course of the debate. I would then expect the amendments to the schedule to be taken in short order, and similarly the formal question on schedule 18 being the schedule to the Bill.

Ed Balls: Thank you for your guidance, Sir Alan. It is a great pleasure and honour for me to serve for the first time under your chairmanship in a Committee of the whole House.

Clause 67 relates to changes to the relief available to individuals for their pension contributions that are used to fund personal term assurance policies, and it also introduces schedule 18 of the Bill. In summary, clause 67 and schedule 18 are a response to a process of consultation with industry, announced at the time of the pre-Budget report, on the application of tax relief to personal term assurance. Throughout that process, and indeed throughout the whole consultation period when developing the new pensions tax regime in the period up to A-day on 6 April 2006, the Government have consistently applied the PBR's principles for providing tax relief—namely that such relief should support saving for an income in retirement.

Indeed, the Government stated in the 2002 consultation document issued before A-day that

"to encourage people to save in a pension, the Government awards favourable tax treatment...which people must use to provide a secure income in retirement. Most of the savings built up in this way must be used to generate a taxable income in retirement."

The tax reforms that came into effect last April removed the complexity that had led over many years to different tax rules applying across numerous types of pension scheme. The long-term benefit is a streamlined regime that is easier to understand and cheaper to administer and which was at the time, as it is now, broadly welcomed by the pensions and savings industry.

[Ed Balls]

As we announced at the time of the pre-Budget report, we became aware in the summer and autumn of last year that the rapid growth of pension term assurance—a life insurance death benefit that in most cases was providing no income in retirement—was leading to rising costs and was clearly at odds with the principles we had set out. To deal with the problem, we announced in the pre-Budget report that we would work with the pensions industry to explore, in time for the Budget, how our principle that pensions should be tax-advantaged to provide an income in retirement could be applied to pension term assurance contracts. We announced that any changes we decided to make would not affect either personal arrangements entered into before 6 December 2006 or existing types of employer arrangements.

Following detailed discussions with industry representative bodies, such as the Association of British Insurers, it became clear that a meaningful link could not be provided between those policies and pension saving without making the products commercially unviable or leading to high compliance and tax costs to Her Majesty's Revenue and Customs and the Treasury. That is why the Budget announced the changes before us today.

In making the changes, we have worked with the industry to protect the position of consumers who had taken out policies before the pre-Budget report announcement in 2006 and, as I will set out in more detail later—either in the debate on the amendments or in the wind-up—we have tabled amendments to the transitional arrangements in schedule 18 to ensure that they work in the best interests of the consumer. On that basis, given the amendments we shall propose to the schedule, I commend the clause to the Committee.

Mr. Mark Hoban (Fareham) (Con): As the Economic Secretary indicated, clause 67 abolishes pension term assurance, which was introduced in its current form in the Finance Act 2004 and was part of last year's A-day reforms to introduce pensions simplification. This is the third major pensions U-turn since the 2004 Act; it follows hard on the heels of taking residential property out of self-invested personal pensions and the changes to alternatively secured pensions foreshadowed last summer.

I am concerned about the implications of the abolition of pension term insurance and I have four key questions. First, should not the attractions of pension term assurance have been apparent to the Treasury at the outset? Secondly, how has the Government's thinking evolved over the past few years? The Economic Secretary gave us a flavour of that, to show that it had remained constant, but I contend that the Treasury's thinking has changed since the 2004 Act. Thirdly, how did the industry respond to the Government's concerns? Finally, what are the consequences both for the pensions life insurance industry and for consumers?

First, however, I shall consider why pension term assurance was introduced in the Finance Act 2004. Members on both sides of the House are lucky. As part of our pension scheme we receive a death in service benefit. When we die our widow or widower will receive a lump sum, on top of their pension. Our contribution to that benefit is tax-free. If I die as a Member of the House—

Rob Marris (Wolverhampton, South-West) (Lab): Shame.

Mr. Hoban: It is not something I am anticipating but if, unfortunately, I died while I was a Member my wife would receive a lump sum, which she could use to pay off our mortgage, thus freeing up income. Alternatively, she could invest the lump sum to provide an income.

A substitution effect arises from the death-in-service benefit. The lump sum can be invested either to generate an income or to pay off a mortgage to increase disposable income. The importance of that point will be apparent when I discuss the evolution of the Government's thought process a little later in my remarks.

I am very fortunate as a Member to have that benefit, but others are not so fortunate. People who are self-employed, for example, will not have the same benefit and will have to pay for it themselves. Prior to A-day, this type of cover could have been subject to tax relief as part of a pension policy. Now, however, as we shall see later, even that is not available to the self-employed. Anyone not covered by an employer's scheme will have to bear the full cost of cover—something that we do not have to do. In fact, we are doubly lucky because in a sense the cost of the benefit is split between us and our employer. Someone who is self-employed will not only have to pay the full cost of a stand-alone policy, but will not receive any tax relief either. That raises real questions about the affordability of protection cover for many people on low or moderate incomes.

The change that the Government have introduced creates some ironies. We will recollect that yesterday we discussed the incentives for incorporation in respect of small traders. As *Taxation* recently noted, if the policy is paid for by the employer, it is acceptable. That leads to the ridiculous situation whereby someone operating through a personal service company can get tax relief, but a sole trader or partner cannot. Yesterday, the Government tried to reduce the incentive for incorporation, but this afternoon we are discussing changes that have encouraged it.

When pension term insurance was introduced, the perspective from the industry was that it would lead to the closure of the protection gap. People out there on low and moderate incomes feel, as I said earlier, that they cannot afford life cover to provide for their dependants in the event of their death. It is worth reflecting on a recent article in *Money Marketing* by Vanessa Owen of Liverpool Victoria. I am afraid that I am going to refer back to it regularly throughout my remarks, because it provides an insightful view of the development of opinion in the industry about the introduction and development of this product and its subsequent abolition. She said:

"Everyone, including consumer bodies and the Government, understands that most people do not have enough life protection to cover sudden death of the main breadwinner or family carer. It is in all our interests to encourage more people to provide for their dependants and reduce dependency on the state. Despite all

the talk about the size of protection gaps, since Swiss Re published its data, the problem has got bigger, with everyone scratching our heads over how to solve it. Then came pension term assurance."

Ed Balls: I want to understand the principles guiding the hon. Gentleman's approach. In 1984, tax relief on life assurance products was abolished by the Government of the day. Is the hon. Gentleman suggesting that we should revisit that principle and that tax relief on life assurance and term assurance products should be reintroduced? Should we reverse the 1984 decision?

4.45 pm

Mr. Hoban: It is interesting that the Minister raises that point, because the Government effectively reintroduced the relief in their A-day reforms for pension term assurance and they are now seeking to abolish it. What I aim to achieve this afternoon is to understand rather more about the Government's thinking on that matter, particularly why they felt it appropriate to introduce this tax relief in 2004, when they want to remove it 2007. That is the purpose of my remarks today.

What the introduction of pension term assurance enabled in the 2004 Finance Bill was the creation of a level playing field, so that the indirect tax relief that we receive through our contributions to pension schemes, which gives us death-in-service benefits, is also available to others who are in a less fortunate position than us. It is worth reflecting on the debate that took place on the 2004 Finance Bill. The right hon. Member for Bolton, West (Ruth Kelly), who was then Financial Secretary to the Treasury, said in the Standing Committee debate:

"Simplification will introduce greater individual choice and flexibility."

She continued—this is the key quote—by saying:

"For the first time, everyone will have the same opportunity to make tax-relieved pension savings over a lifetime."—[*Official Report, Standing Committee A*, 8 June 2004; c. 427.]

She referred to the creation of a level playing field.

Stephen Hesford (Wirral, West) (Lab) *rose—*

Ed Balls *rose—*

Mr. Hoban: I will happily give way to the hon. Member for Wirral, West (Stephen Hesford) who pre-empted the Economic Secretary by a second. I am sure that the Economic Secretary will remember that in future.

Stephen Hesford: I am obliged to the hon. Gentleman for giving way—I think. Does he not accept that, by and large, as I understand it, the financial press did not really bat an eyelid about this measure? The only point that the financial press seemed to make was about the timings and implementation. That is why the Government have tabled the various amendments to schedule 18. Given that there was not really the clamour that he appears to be trying to make out that there was and given that the Government have tabled amendments Nos. 6, 7, 8 and 9 to schedule 18, does he not agree that those amendments are the best way forward and will he support them?

Mr. Hoban: I will not discuss the amendments at this point. I think that you indicated in your opening remarks, Sir Alan, that we may have a brief debate. We will support the amendments, because they help the Government to get out of a bit of a hole that they have created of their own volition. The Government dealt poorly with the transitional arrangements and there was a lack of clarity about the original statement that was made at the time of the pre-Budget report. That led to some concern and confusion about whether there would be relief for pension term assurance that was included within a pension policy and whether that tax relief would still continue. We have clarity now, whereas we did not have it in December. So, we will support the amendments.

I am a little perplexed by the hon. Gentleman's remarks about the lack of concern in the financial press, because my reading of that press—particularly at the time of the pre-Budget report—was that there was a significant degree of concern among members of the industry. Certainly in conversations that I had in the aftermath of the pre-Budget report, there was quite significant concern, particularly given that so many industry members—I will come on to this later—had invested a significant sum in preparation for the launch of the policy. They are now left trying to administer a relatively small number of policyholders.

Ed Balls: To go back to the question of principle—it is important that we establish the principles that are guiding us in these debates—the hon. Gentleman quoted one of my predecessors, a former Financial Secretary, talking about tax relief for pensions. But term assurance is about not pension income but death benefit. It is a life insurance product. Does he accept that it was never our intention to tax-relieve non-pension savings in the manner that has transpired, or is he saying that introducing a tax relief for term assurance is his proposal to close the contributions gap—as he referred to it?

Mr. Hoban: That is slightly curious. If it was not the Government's intention to introduce tax relief for pension term assurance, why on earth did they include it in the Finance Act 2004? The Government put the measure forward three years ago, in that Finance Act, but are now seeking to reverse it. If it was not their intention to have that provision, why did they include it in the first place? That is the problem that the Economic Secretary has to think about. The reality is that the measure was well understood by the industry. Perhaps the Economic Secretary will tell us why the Government included the provision in the Finance Act 2004, because the Committee would be interested to hear that. I would happily give way to enable him to give that explanation. *[Interruption.]* The Economic Secretary says that he will give an explanation in his speech. Well, we have heard that before.

If we go back to the Committee *Hansard* for the 2004 Finance Bill, it is interesting to note that there was no discussion whatsoever on the introduction of pension term assurance. According to my reading of *Hansard*, that clause seemed to pass through without comment. The then Financial Secretary to the Treasury did not give the merest warning that abuse could lead to the scheme being closed down; that is in stark contrast to the warning that she gave about alternatively secured pensions.

[Mr. Hoban]

The Government introduced the tax relief back in 2004, and when one talks to people involved in the industry, one finds that their view is that the Government should have been aware of the impact of the relief on the life assurance market. As the Association of British Insurers said:

"Even before this change was made, the insurance industry told the government of the positive effect this could have on the term assurance market."

It was an opportunity for that market to rejuvenate itself. That should have come as no surprise to the Treasury. Indeed, some people were so concerned that the change would lead to a large-scale re-broking of business that they started to lobby the Treasury. I once again point out what Vanessa Owen of Liverpool Victoria said:

"When I first read the proposed death benefit rules back in 2004, I wondered if boards of directors across the country would be turning pale at the risk of churning to in-force books. But after much lobbying, it became clear the rules were not going to change before A-day".

There appears to have been plenty of discussion and debate before A-day, and what happened should have come as no surprise. Indeed, when I spoke to a group of industry experts in January this year, I specifically asked them whether the take-up of pension term assurance should have come as a surprise to the Treasury, and they emphatically said no; the Treasury should have been aware of the scale of interest.

The effect of the A-day change was to encourage people to think again about life assurance, as they could pay their premiums net of the basic rate of tax, if they were basic rate taxpayers, or net of the higher rate of tax, if they were higher rate taxpayers. When consumers went to see their financial adviser or someone at the bank, the person giving them financial advice would have been remiss if they had failed to point out that they could take out pension term assurance at a lower cost than normal life assurance, because of the generous tax relief introduced by the Government in their Finance Act 2004. It is worth considering one insurer and the rates that it was offering. According to an article in *The Times*, a male non-smoker buying £300,000 of level-term cover from Legal & General would pay £27.25 a month in cover. If he chose pension term assurance, he would pay £25.25 a month in cover if he was a basic rate taxpayer, but if he was a higher rate taxpayer, he would pay only £19.39. I suspect that the hon. Member for Wolverhampton, South-West (Rob Marris) is thinking about the difference between £27.25 and £25.25 and saying to himself, "That does not sound like the basic rate reduction," and indeed it is not. There is recognition in the industry that the cost of pension term assurance cover was higher than the cost of basic cover, if we exclude tax relief.

There were significant caveats about pension term assurance cover. As Richard Eagling, the editor of *Investment, Life & Pensions Moneyfacts* says:

"Although price is not the only differentiating factor to be considered when choosing between the two, the cost savings cannot be ignored, and for those clients who have no existing cover in place, the case for PTA is compelling."

Consumers were warned that the policy might not be for them, as an article in *The Sunday Telegraph* said:

"For a start, only basic life insurance is available with these PTA packages. The tax-breaks do not apply to extras that are often added on to conventional term assurance products, such as critical illness cover which pays out if you suffer a serious illness that leaves you unable to work. Family income benefit is not covered either—this product pays out an annual income on death rather than a lump sum."

So there were caveats in respect of the sale of such policies; it was not a straightforward slam dunk, as it were, to sell the policy to clients. There was a proper process that had to be gone through. Certainly, the increased affordability of term assurance would enable people who had previously found life cover prohibitive to take greater personal responsibility for their family, but as I said earlier, it also gave those with existing life cover the chance to see whether their cover could be re-broked.

Again, Vanessa Owen made some perceptive comments about what happened in the industry at the time. She said:

"What we did find was that, although not a storm, life protection volumes started to pick up from all channels. Consumers were interested in the tax relief message which was clearly stimulating demand although, judging by our average premium levels, it was not wealthier clients who were buying but people on more modest means.

In other words, it was not just the wealthy who were taking advantage of another opportunity to claw back higher-rate tax relief but also regular policyholders looking to take out life cover at a competitive rate."

What about churning—the re-broking of in-force life protection? Vanessa Owen said of the in-force life protection book:

"It has remained largely intact, with rebroking activity at a minimal level",

so it appears from her evidence that people on low and moderate incomes were taking the opportunity to put in place cover that they may have considered too expensive before.

The interest in pension term assurance should have been apparent at the time. It certainly seemed to attract new customers. Has the Minister asked his officials to conduct any research into who purchased the products, and did the research that the Government conducted reflect Miss Owen's perception of the change of business in the market?

If so many businesses were thinking of taking advantage of the introduction of pension term assurance—clearly, the Liverpool Victoria thought about it—why was that not obvious to the Treasury? Plenty of people seem to have told the Treasury. Why did not the Treasury realise sooner what the take-up rate would be, or was it so naive that it did not think it would happen after all, or so incompetent that it did not think of taking action prior to A-day?

It is worth noting the cost of the Government's failure to take action. According to the regulatory impact assessment, the estimate of lost tax revenues if the clause is not reversed would be £160 million, out of a total estimated cost of £250 million for A-day reforms. What was the Government's original estimate of the amount of tax relief that would be claimed as a consequence of introducing pension term assurance? Presumably, in their calculation of the £250 million,

they would have produced an estimate back in 2003-04. It would be interesting to understand the difference, from the Minister's perspective, between the original estimate and the current revised estimate, as set out in the regulatory impact assessment. If the Minister knows, I should be grateful if he enlightened me and the Committee about the difference between the estimate at the time that the A-day reforms were consulted on and the £160 million cost referred to in the regulatory impact assessment.

Ed Balls: I fear that the hon. Gentleman is in danger of misleading the Committee. The regulatory impact assessment refers to the cost that would arise to the Exchequer, had we not taken action at the time of the pre-Budget report. As I said, it was never the Government's intention to incentivise through pensions tax relief what became a rapid switch to pension term assurance. It was to prevent that cost from arising that we acted. I am still trying to work out whether the hon. Gentleman is supporting our action to protect the revenue base, or advocating a reversal of the 1984 decision not to tax advantage life assurance. On that question of principle, he still has not given us any clue.

Mr. Hoban: I am only up to page 6, so there is plenty of time before we discuss that.

I hope I did not inadvertently mislead the Committee. I am clear that £160 million is the Government's estimate of what the costs would have been in the future. It would be interesting to know what they think the cost is now and what they thought the cost might have been. *[Interruption.]* The Economic Secretary says from a sedentary position that the cost at present is none, but we have had nine months of sales of the products. In a parliamentary answer, he told me the number of sales in the quarter to June and the quarter to September, so there would be some indication of the cost to the Exchequer. I am keen to understand what the Government's estimate of cost was at the time that they conducted their pre-A day consultation. The Minister still has not responded to that question. I happily give way to him.

Ed Balls: The estimate would have been that it was a negligible cost, because it was not the Government's intention to tax-advantage term assurance. The hon. Gentleman is not answering the question whether, as a matter of principle, he supports the extension of tax relief to life insurance and term assurance products to close what he has called "the coverage gap". Until he answers that question, it is hard for the Committee to understand whether he supports or opposes our proposals. At the moment, he is just drifting in the middle.

5 pm

Mr. Hoban: In my political career, I have never been accused of drifting in the middle on anything.

Mr. Philip Dunne (Ludlow) (Con): My hon. Friend is ploughing a steadfast course through the middle of the Economic Secretary's argument, and he is right to press the Economic Secretary. I struggled through the Red Book in an attempt to find an estimate of the current cost of relief to the Treasury, but I could not find anything. The Economic Secretary tells us that the amount was negligible in the past, which suggests that the Treasury had no idea not only what the relief would amount to, but that it was allowing it in the first place—he has just told us that it was unintentional relief. My hon. Friend is doing a noble thing in getting to the bottom of the matter.

The Chairman: Order. The hon. Gentleman is making a very long intervention.

Mr. Hoban: It is remarkable that the Government introduced a change that happened to slip unintentionally through the legislative process and past the eagle eyes of the Treasury and Her Majesty's Revenue and Customs and that it will cost nothing. That does not stack up. I cannot understand whether the Treasury was naive or incompetent when it introduced the measure and failed to understand the ramifications. My hon. Friends are encouraging me to believe that it was both naive and incompetent—I am a generous man, and one or the other is enough for me.

The Economic Secretary has raised the question of the future cost of the policy. I assume that the £160 million figure is an annual cost, and I am intrigued to know what assumption he made on how that cost would build up. Does he expect growth to continue at the rate of the increase in sales that took place towards the end of last year prior to the closure of the schemes? Does he expect the rate of growth to plateau? Or was there simply pent-up demand out there, because people who could not previously afford to take out such cover suddenly rushed to do so?

The regulatory impact assessment does not make it clear how the Government reached the £160 million figure—I presume that the logic is more robust than the estimate of negligible cost, which the Government made when they introduced the pre A-day consultation. It will be interesting if the Economic Secretary elaborates in his answer on how officials calculated the cost of £160 million.

Ed Balls *indicated assent.*

Mr. Hoban: The Economic Secretary has nodded, and I am delighted that we will be furnished with that information.

I want to refer to a broader point in that context. At one level, this Government, more than any other Government, understand the behavioural impact of changes to the tax regime; otherwise, the Chancellor would not meddle in the tax regime quite as frequently as he does. At the same time, there has been a fundamental failure properly to think through the behavioural impacts of those changes and the extent to which increasing reliefs, cutting rates or increasing allowances would change people's behaviour. The Association of British Insurers indicated prior to A-day that those products would have a positive impact on the term assurance market, with new policyholders taking advantage of the increased affordability of products.

The Treasury does not seem to have responded. It does not seem to have thought through whether the situation would encourage new participants to enter the market and offer new policies to try to close the

[Mr. Hoban]

protection gap. One of the problems is that the Government have not properly thought through their A-day reforms; that is why this is the third U-turn on those reforms since they were enacted in the Finance Act 2004. Slowly but surely, the Economic Secretary is unpicking the work that one of his predecessors, the right hon. Member for Bolton, West, did when, as Financial Secretary, she was responsible for the same areas. I feel sorry for her at times. She must be wondering why on earth she spent so much time working on these reforms only for the Economic Secretary, who was at the Treasury at the time advising the Chancellor in some capacity, to conduct a series of U-turns once they were on the statute book.

We can see how, and how quickly, the Treasury's approach to pensions has unravelled over the course of the past couple of years in moving on from the intention that was set out in the then Financial Secretary's speech in Standing Committee only three years ago. In the context of the Pensions Commission report, the 2006 Budget said that one of the five tests that the Chancellor set to see whether these reforms were acceptable to him was whether they would promote personal responsibility. Yet here we are with a product that would appear to promote personal responsibility and reduce dependency on the state but that the Government are seeking, through this clause, to abolish.

In last year's pre-Budget report there is a section headed "Fairness for tomorrow's pensioners", where, at paragraph 5.77, the Government casually say that they have

"become aware that, at a result of the flexibilities that the new pensions tax regime has brought in, life insurance policies that provide lump sum death benefits alone are being offered as personal pension arrangements eligible for pensions tax relief."

If the industry knew about it prior to 2004 and A-day, why did the Treasury just happen to become aware of it? Surely it should have played a much more active role in understanding what was happening in the market and what would be the impact of the legislative changes that suddenly crept into the Finance Act 2004.

In this year's Red Book, we have greater amplification of the Government's approach to pensions tax relief so that no one can be in any doubt about what might happen in future. It sets out some key principles that have guided and continued to underpin the Government's approach to pensions tax relief, one of which the Economic Secretary repeated in his brief opening remarks. It says that

"generous tax relief is provided for pension saving to produce an income in retirement. Pension saving is not, however, provided to support pre-retirement income, asset accumulation or inheritance".

Let us ponder for a moment the meaning of that principle. The death in service benefit that our widows and widowers receive on our death as Members can be used to be invested in an income in the same way as a widow's pension. It can be used as an alternative to pay off the mortgage so that their existing income is protected. Yes, we are talking about a lump sum that is gained on death, but the purpose to which it is put can enhance the widow's or widower's pension by supplementing it through direct investment or by repaying the mortgage debt with which so many people are burdened.

Mr. Dunne: Will my hon. Friend give way?

Mr. Hoban: I would like to make some more progress, but I am happy to give way.

Mr. Dunne: Will my hon. Friend clarify whether such payments into pensions arising on death in service will be made free of taxation?

Mr. Hoban: If one is a member of an occupational scheme, the contributions are subject to tax relief, and many such schemes clearly include death in service benefits. The Government are trying to remove the opportunity for those who are self-employed or not part of such a scheme to receive the tax relief on a stand-alone, pension term assurance policy. Another key principle that underpins the Government's approach to pensions tax relief emphasises that point. The Red Book states that

"incentives for employer contributions are provided as it is more efficient for pensions to be provided on a collective basis through the employer".

What happens to those who are not in employment—the self-employed and temporary workers? They will not benefit from tax relief on a stand-alone policy. Indeed, other changes make it more difficult for them to get that tax relief. They will have to bite the bullet and not only pay the costs that we pay in our pension contributions and the sort of costs that the Exchequer pays into the parliamentary pension scheme, but get no tax relief. They are therefore hit by a triple whammy and in a far worse position than us as employees in the context of death in service benefit and how to fund it.

Ed Balls: This is the last time that I shall try. The hon. Gentleman has clearly outlined the principles that guide the Government's approach, which I set out in a speech a month or two ago and has appeared in repeated documents. His speech makes it clear that he disagrees with those principles because he advocates the use of pension tax relief to pay for term assurance, life assurance and products for individuals. As I said, that is a reversal of the 1984 position. I shall give him one last chance to confirm that he is taking that principled position. He was concerned when I suggested that it was unprincipled. Have I outlined his principled position? This is his moment.

Mr. Hoban: I acknowledge the Economic Secretary's persistence. He is trying hard and, at some point, I might satisfy him. However, he ought to tell the Committee why the Government sought in the Finance Act 2004 to reverse the position that was adopted in the early 1980s. I am intrigued to hear his arguments.

My point in opposing the measure is more about the Treasury's chaotic approach to policy making and the impact of the change on consumers and the industry. It is clear from speaking to people in the sector that there is a problem with the protection gap. The Economic Secretary and I support the concept of financial inclusion and want to spread to more people the

benefits that those of us who are lucky enough to be in employment enjoy. We should consider carefully the way in which we spread those benefits, but that is not a commitment to tax relief because, as I said yesterday, we are not in a position today to write the first Budget of the next Conservative Government.

Stephen Hesford: Does the hon. Gentleman's opposition amount to agreement with the Government?

Mr. Hoban: That was a simplistic question. People oppose measures for many and varied reasons. If the hon. Gentleman survives into opposition, perhaps he will understand the way in which such decisions are made. I am not sure whether I hope that he experiences that, but he might.

My final quote from the Red Book demonstrates the hubris of a Government who are 10 years into their life. It states:

"The Government recognises the importance of a stable environment that allows the pensions industry to plan ahead and minimise disruption to the regimes already in place that are working well."

That comes from a Government who have already made three main U-turns on their post A-day reforms. How many more are consistent with maintaining

"a stable environment that allows the pensions industry to plan ahead"?

When the Economic Secretary read that bit and let it go through, he must have smiled at the irony of those remarks, and at how many people in the industry would not recognise the Government's principle in relation to the reforms of the pensions system. Another principle is that the cost of pensions tax incentives must be affordable and fall within current fiscal projections. I am sorry that I forgot to mention that earlier, because it is relevant here.

5.15 pm

This raises a doubt in my mind, and in the minds of those in the industry, about what other changes might be planned if the cost of these reforms continues to mount. Will the Economic Secretary unpick other measures in next year's Finance Bill? Will the Government take fright at the levels of the lump sum contributions that many people are putting into their pension schemes this year? I recognise the importance of the argument about affordability, but this leaves the door open to further U-turns in the future.

Where does this leave the consumer and the industry? Let us consider the industry first. It estimates that it has invested some £35 million in new systems and processes to introduce the type of policy that the Government have created, and that sum will have to be written off. This sudden withdrawal without consultation has left an estimated 50,000 policy holders in the pipeline. Insurers could not deal with inquiries promptly because there was so little information available from the Treasury when the announcement was made.

The final details of the transitional arrangements were announced only on 13 April, a few days after the previous deadline had expired. That is not an orderly way in which to conduct business. I know that the industry is pleased that those transitional changes have been made, and we should welcome them on that basis, but this is not the way to make policy. All sorts of changes had to be made by the industry: automated advice systems had to be amended to redirect customers to alternative products, for example, and the industry now has sub-scale portfolios of business to administer for the next 25 years or so.

The Minister and I agree on the importance of maintaining London as a global financial services centre, and we recognise that insurance, along with other financial services, covers a global market. Companies seeking to expand their businesses need to think carefully about how and where they use their capital. It will not help the UK market if there is a perception that we have an unstable, unpredictable pensions tax regime.

It is also worth pointing out that the industry has sought to reach a compromise with the Treasury on this issue. It has come forward with a series of proposals to facilitate the continuation of this type of business, as it recognises the importance of the protection market. It is also thinking of ways of avoiding writing off such a large investment in the new systems. It has proposed that all pension term assurance offers would contain clear information about the pension to which they were linked, including details of the provider and a policy number, reinforcing the link that the Government think is so important between the term assurance and the pension. That would produce an integrated policy that provided a pension and a lump sum death benefit. The industry made that proposal so that contributions could continue, but the Treasury rejected it. In effect, it rejected that position before A-day.

The lack of clarity in the Government's position on integrated products is such that in one of today's amendments to schedule 18 we see explicit recognition of that type of policy and of the new transitional arrangements involved. The industry also suggested, as an alternative, that it would cap the amount of the lifetime allowance that could be utilised by taking out term assurance. A third of the allowance, about £500,000, was suggested, but again the Treasury rejected this attempt by the industry to reach a workable compromise.

Many consumers have therefore been left with a protection gap. Those who are outside an occupational pension scheme will have to pay more for the coverage that all Members of the House take for granted. There is an uneven playing field, which favours those who are lucky enough to be in jobs that have a death in service benefit as part of the package, and disadvantages those who are self-employed or contractors. Perhaps more sole traders will be encouraged to incorporate, despite the Government's best efforts yesterday, to access the tax relief that comes from being an employee.

Another important issue is that consumers and industry cannot assume that just because something is a Government policy one month, it will be a policy next month, next year or the year after. That undermines consumer confidence in saving for the long term. In a subtle but important way, it undermines the Government's long-term goal for more people to take responsibility for their financial affairs. That has a destructive effect on the industry and on consumers' willingness to plan for the long term. Every Member of the House recognises the importance of that, and we

have had many debates about the Pensions Bill, which is an attempt to encourage more people to save for the long term. One message seems to be coming out from the Department for Work and Pensions, and a different one from the Treasury and the Economic Secretary.

Two quotes highlight the combined impact of the change in policy. First, Vanessa Owen of Liverpool Victoria—perhaps I should start to pay her royalties, given the number of times that I have quoted her—said:

"Our members and customers who do not have access to life assurance through their employer are now at a greater disadvantage because the option of tax relieved life protection has been removed."

Secondly, according to AEGON,

"Not to mention a complete waste of millions of pounds in making pension term assurance available in the first place, following extensive consultation with the Treasury."

Finance Bill by Finance Bill, the Economic Secretary unpicks the work of the former Financial Secretary, the right hon. Member for Bolton, West. Instead of the clear, simple scheme that she advocated, we have an increasingly complex and restrictive scheme. It is surprising that the pitfalls were not seen, and warnings not given, when the legislation was introduced in 2004. The Bill is destructive—it undermines the confidence of consumers in the stability of the Government's pensions policy, inhibits both innovation and the sector's willingness to respond to Government initiatives, and is destructive of the Treasury's ability to make policy in an area in which long-term stability is fundamental if we are to promote long-term savings.

Dr. Vincent Cable (Twickenham) (LD): The hon. Member for Fareham (Mr. Hoban) spent three quarters of an hour teasing out the issues, as he put it. I shall be very much briefer.

The hon. Gentleman started well in explaining the origins of pension term assurance, and making the point that it was an entirely innocent and reasonable way in which the industry should evolve. All individuals are faced with the question of how to hedge the risks when they look forward to their old age. There is the risk of death, and in that regard we provide for our dependants either in the form of a widow's pension or a lump sum. We must also hedge against the risk of living, and therefore provide an income for ourselves. It is entirely sensible and natural that the two sets of risks should be considered together, as many pensions providers do, and many of us are beneficiaries of such an arrangement. It was therefore natural that the industry should evolve a product that sought to provide those two activities together: pension term assurance. As the hon. Member for Fareham pointed out, in 2004, the Government saw no problem with that, and extended tax relief.

With regard to the Government's answer, about which the Economic Secretary has intervened several times, there are two issues. He has laboured the point about the need to maintain the integrity of the distinction—which he calls the principle, although it is probably more an established practice than a principle—between tax relief for pensions and tax relief for life insurance. Clearly, that is established practice, and must be maintained. The practical issue, however, is not so much the restatement of that principle as tax avoidance. There are clearly individuals who have seen, and would see in this new product, an opportunity to maximise tax relief on life insurance products, particularly if they have high incomes and are able to take advantage of higher rates of relief.

What I would like to know—and the Economic Secretary might strengthen his case if he told us—is how much of the £150 million or so that the Government hope to retrieve originates in the higher tax relief. If it is true that, as the hon. Member for Fareham suggested, this product was designed principally for people on low incomes, we can see that it may have evolved in a fairly innocent way; but if it is designed for high earners—we are talking about 40 per cent. tax relief—I am more sympathetic to the Government's view that there is a potential for avoidance. It would be helpful if the Economic Secretary could give us an idea of the relative proportions.

The Liberal Democrats approach the matter differently from the Conservatives: from the opposite direction, in a sense. We are not trying to maximise the scope for tax relief. Generally, we have gone rather further than the Government in arguing that there is no justification for giving people on high incomes not just more tax relief, but higher rates of tax relief, on pensions, let alone life insurance. However, we agree with the Conservatives that the distinction between what happened in 2004 and what happens now has created confusion, and has not been terribly well handled.

I should like to hear from the Economic Secretary how the Government responded to proposals from the industry. The hon. Member for Fareham summarised ways of meeting the Government's requirements that had been suggested by the Association of British Insurers and others, some of which seemed perfectly sensible at first sight.

If the Government's primary concern was to maintain the link between life insurance and pensions, organisations in the industry were willing to propose ways of checking that it was being maintained. They suggested, for instance, that if someone died and life insurance was claimed, it should be checked that there was a parallel pension product to maintain the integrity of the connection. Perhaps the Economic Secretary will tell us whether that proposal was explored, and whether it was deemed feasible. Organisations also suggested a limit on the tax relief that could be available, and a mechanism for fraud checking.

I have a sense that the industry has gone out of its way to try to meet the Government halfway, addressing their central concern that there must be a link between the life insurance and pension elements. As for how far the Government have gone to meet the industry's concerns, I have an open mind. Our stance on whether the clause should stand part will be determined partly by how they respond.

Mr. David Gauke (South-West Hertfordshire) (Con): I want to reiterate some of the points made by my hon. Friend the Member for Fareham (Mr. Hoban) in his

comprehensive and thorough speech. I shall cover some of the same ground, however, because it would be difficult not to: my hon. Friend really did cover the waterfront. It is worth my repeating one or two of his points in the hope of provoking an answer from the Economic Secretary.

It is not entirely clear what was the rationale for the simplification of the rules governing pension term assurance in the Finance Act 2004, which came into force on 6 April 2006. The Economic Secretary made it clear that it was never the Government's intention to encourage the granting of tax relief on products that were not connected with pensions, but that gives rise to one or two questions. There was no real explanation or debate about the issue during the passage of the 2004 Act. As for the rationale, as my hon. Friend the Member for Fareham pointed out, it was rather slipped through.

So what, if it was not simplification, was the justification for extending the relief to pension term assurance?

5.30 pm

What happened after 6 April 2006 to make the reforms in the Finance Act 2004 so unattractive and undesirable? We have had an answer from the Economic Secretary on that: the provision was used for non-pension purposes and for lump sum purposes. However, that begs the most important question, which my hon. Friend the Member for Fareham dwelt on: why was that not anticipated at the time?

One has to put that in the context of a number of cases. Yesterday, we debated the rate of corporation tax for small businesses. We have seen change after change: the introduction of a 10 per cent. band, then a zero per cent. band, which was abolished last year, and now the small business rate is increasing. That is an example of the Government introducing a policy and businesses altering their behaviour accordingly.

We have seen something similar with pension term assurance. Does it not worry Ministers that there often seems to be an almost systemic failure within the Treasury to anticipate the consequences of tax changes? Every year, a Finance Bill is presented and contains detailed provisions. The Treasury is keen to encourage certain types of behaviour and discourage others, yet it does not have a good record of judging what the consequences of the changes will be. This appears to be a very good example of that. Surely it could have been anticipated that pension term assurance would be used in the manner in which it has been. Within only a few months, the Treasury has been forced to change policy.

Ed Balls: I am sure that the hon. Gentleman will remember the debates in the House over the issue of self-invested personal pensions, where it was regularly put to the Government by Opposition Members that SIPPs needed to be addressed—and subsequently they were. We debated that during the passage of last year's Finance Bill. Does he agree that, prior to the pre-Budget report announcement of action, no points were put in the House by any Opposition Members to the Government about the need to address term assurance at any stage? We have all agreed that action is necessary to protect the revenue base.

Mr. Gauke: The hon. Gentleman may be right that those points were not made during the passage of the 2004 Finance Bill. One would have thought that the Treasury would be looking to spot those pratfalls. The Opposition do point out failures. I referred earlier to the zero per cent. band for corporation tax for small businesses, which was highlighted as a possible concern by Opposition MPs. There are times when things are not spotted by Opposition parties, but the hon. Gentleman will know—he was heavily involved in opposition—that our resources, compared with what is available to the Government and Treasury, are somewhat limited. He had access to a hotel room off Park lane, but those were perhaps the best facilities that any Opposition party has had. Often, one is talking about small numbers of people, but the Treasury is a mighty machine. It has the crème de la crème of the civil service working on these matters, yet constantly it seems to fail to spot some of them.

I would have thought that Ministers are concerned about that. There is certainly an example here of the Treasury not spotting the way in which a tax change would affect behaviour. That is not necessarily a party point, but it is a concern. I would have thought that Ministers ought to acknowledge that and be worried about it.

Rob Marris: May I gently suggest to the hon. Gentleman that he is over-egging the pudding? Labour Members might take on board his point—although we might not agree with every particular of it—in respect of SIPPs or the incorporation issue when some individuals and organisations said at the time, "Do you realise that such-and-such a change could lead to such-and-such a consequence?" My somewhat hazy recollection from having served on the Finance Bill Standing Committee in 2004 is the same as that of the hon. Member for Fareham (Mr. Hoban): no one was making that point. The hon. Member for South-West Hertfordshire (Mr. Gauke) talks about resources in opposition, and I understand that point. However, any Member who has served on the Finance Bill Standing Committee, as he has, knows that members of that Committee get bombarded—quite properly in a democracy—with submissions from outside organisations, such as the Chartered Institute of Taxation, setting out their views on the proposed legislation. I stand to be corrected, but I do not think that there were any such submissions about this change in 2004, so it differs from the other two issues to which the hon. Gentleman has referred, which is why I suggest that he is over-egging the pudding.

Mr. Gauke: I am grateful for that intervention. The hon. Gentleman and I have served on Finance Bill Committees before—he more often than me—and I think that it is fair to say that businesses that lose out as a consequence of tax changes tend to be the most vociferous in their lobbying of Committee members. The area under discussion was simplified by the Finance Act 2004, and it is unsurprising that there were relatively few contributions from industry as—I understand, because I was not a Member at the time—it generally welcomed the contents of the 2004

[Mr. Gauke]

Act. That might explain why fewer submissions were made, but circumstances in which tax change measures favour industry are perhaps those where the Treasury ought to be most alert and most alive to the potential impact.

Mr. Hoban: My hon. Friend makes an important point about the extent to which people advise us that specific changes will have adverse consequences. It is my understanding that the Treasury should have been aware of the take-up prior to A-day. Certainly the industry believes that that was discussed with the Treasury prior to A-day. Therefore, although it might not have been able to make any changes to the Finance Act 2004, it certainly could have done so in the Finance Act 2006 on which I served, along with the Economic Secretary and the hon. Member for Wolverhampton, South-West (Rob Marris). That might have been the forum in which to make such changes, because I understand that the Treasury was aware then of the issues we are discussing.

Mr. Gauke: I am grateful to my hon. Friend for his comments, although I must say that, recalling the Finance Act 2006, I am not sure whether I can support the idea that an additional measure should have been included in it. On the contrary, perhaps we should be grateful that that did not happen. However, my hon. Friend makes an important point on the substance of the case.

John Bercow (Buckingham) (Con): I entirely understand my hon. Friend's lamentation that on the whole one certainly does not look for additional items to be included in Government legislation; on the whole one searches for measures that can be deleted from it. However, I hope that my hon. Friend agrees that, whatever the complexity of Government proposals, that is no excuse for unintelligibility. As a parliamentary point, let me say that when the Government decide that a change is needed, it is important that wherever possible that should be stated in clear terms in the Bill in question. Is my hon. Friend concerned that the order-making power in schedule 18 allows for regulations, the content and detail of which we in this House might not see until some time after we have voted for the legislation? That will not do, it is not satisfactory, it happens under Governments of both colours and it ought to be changed.

Mr. Gauke: My hon. Friend is a doughty defender of Parliament, for which we should be grateful, and he raises an important constitutional point about supervision. However, this Finance Bill, in contrast to last year's, could do with more substance.

Let me turn to a couple of additional points, which I would like the Economic Secretary to address. What analysis has the Treasury conducted on who will lose as a consequence of this tax change? It seems that there are certain beneficiaries of the Finance Act 2004—the self-employed, contract workers and so on, who would not normally be able to participate in occupational pension schemes that provide some kind of life assurance lump sum. The purpose of the 2004 changes might have been to simplify the system and to make better provision for these people, but it seems that they have suffered as a consequence. I might be wrong, however, and I should be grateful for enlightenment from the Economic Secretary.

I should also be grateful if the Economic Secretary clarified the impact of the following development, which my hon. Friend the Member for Fareham addressed. My understanding is that before A-day—6 April 2006—tax relief was available for those individuals wanting to buy term assurance, if they were part of a pension plan that also provided pension benefits. As I understand it, that will no longer be the case, and I should be grateful—

Ed Balls *indicated assent.*

Mr. Gauke: From a sedentary position, the Economic Secretary gives a conclusive, authoritative nod. Term assurance is therefore more limited than it was before A-day, so this is almost more than a U-turn. We are not just going back to the position before A-day.

I turn to my final point.

John Bercow: Surely not.

Mr. Gauke: I am afraid so. I have a final question for the Economic Secretary, on stability in the pension system, which my hon. Friend the Member for Fareham discussed in his conclusion. There have been a number of tax changes to the pension system. Has the Treasury analysed the impact of these frequent changes? Is the Economic Secretary concerned that such frequent changes increase instability? If there is an unstable environment—if people do not know where they will stand and what the tax system will be next year, or in two or three years' time—it does not encourage them to save. We surely need to look at that issue. I appreciate that there are difficulties and that we need to get the system right, but such constant tinkering—the constant attempt to encourage a particular approach, only to discourage it on seeing its perhaps being overused—is characteristic, I am afraid, of the way the Treasury has been run in the past 10 years. Such tinkering is not necessarily good for stability, or to the long-term benefit of this country.

John Bercow: I am very grateful to my hon. Friend for giving way. The immediate impact on consumers of change after change should rightly preoccupy us, but there is another respect in which constant changes and growing levels of complexity are unhelpful: they tend to discourage market entry by smaller-scale providers. One can end up, even without having intended this consequence, with a lack of competitiveness and a concentration of power in the hands of a relatively small number of highly powerful operators, who tend to enjoy better access to Ministers. That does not necessarily conduce to the public interest.

Mr. Gauke: My hon. Friend again makes a very important point. As is generally the case with financial services—and, indeed, in other areas—if we want to provide good products and services, competition is very important. Encouraging new entrants into the market and encouraging innovation is a very important part of

any policy, but the level of complexity is making matters difficult for new entrants. It is not just a question of having the ear of the Government, but of the ability to pay legal and accountancy fees. As is often the case, I fear, too much complexity is causing us great difficulty.

However, I am straying from the clause under consideration, Sir Michael, and before I get into trouble I should like to conclude by reiterating that there are a number of questions that the clause raises, and I hope that the Economic Secretary will be able to answer them in his forthcoming speech.

5.45 pm

Mr. Dunne: I have three brief points to make. My hon. Friend the Member for Fareham (Mr. Hoban) was right to take this opportunity to chide the Government for their conduct of the issue of pension term assurance. He did so with considerable skill and took us back through the historical development—or lack of development—of Government policy on this matter.

When the then Financial Secretary—now the Secretary of State for Communities and Local Government—introduced the proposals for pension simplification and A-day in Committee on the Finance Act 2004, she also described her intentions. She said:

"Our proposals will create a transparent, consistent and flexible system that is readily understood."

I am sure that we would all agree that had that happened, it would have been a sensible ambition. However, from what we have heard today, the then Financial Secretary, her advisers and the Treasury did not understand what they were introducing. Now, three years later, we have to use up four pages of the tax code in schedule 18 to undo the damage that was done in 2004. It is right, therefore, that we take this opportunity to remind Ministers, and the industry outside, of the way in which the Government have conducted affairs and the consequences of some of their policy implementation, which were not clearly understood at the time.

The then Financial Secretary also said that the proposals would

"make it easier for people to concentrate on things that matter, such as when and how much to save for their retirement, rather than on trying to understand anomalies between the different tax regimes."—[*Official Report, Finance Public Bill Committee*, 8 June 2004; c. 427.]

However, the provision is now being scrapped as a perceived anomaly that favours a particular type of life assurance cover over another, and it was introduced by this Government.

The Association of British Insurers has not hesitated to point that out. It is perplexed that tax relief has been withdrawn from pension term assurance products, a market that the Government helped to create. It did not exist three years ago: it was the Government's measures in 2004 that brought it about. As my hon. Friend said earlier, the industry was in discussion with Government officials about the product. In the run-up to A-day, the Government were well aware that the product was being developed, but they did nothing to discourage that.

My second point relates to the impact on policyholders. Research by Scottish Widows indicates that the households most at risk from this measure are not the wealthy, as suggested earlier, but those with an income above £20,000—so not the poorest, either—but with less than £30,000 in savings. They are middle Britain, and the people whom the Government should be encouraging to make provision for their retirement and unforeseen occurrences in their lives. Emma Walker from moneysupermarket.com has said that its research shows that some one in 10 life insurance customers have already made the switch from a conventional life insurance product to a pension term assurance product, so the change will affect a significant proportion of people.

Mr. Robert Goodwill (Scarborough and Whitby) (Con): My hon. Friend is making a valid point about whom the proposals will affect. However, does he agree that farming, where self-employment is rife, and the construction industry are among those sectors already hard hit by other economic factors that will be hit again by the proposed withdrawal of the measure?

Mr. Dunne: My hon. Friend makes an excellent point. Clearly, some sectors will be affected more than others, in that they will have been the focus for the marketing undertaken by the insurance companies providing the products that we are debating. The people affected may well include farmers, in both his constituency and mine.

My final point has to do with the impact that the measure will have on the industry. The Government led the industry to develop these products: last September's pre-Budget report gave a clue that adjustments were likely, but not even the Budget itself made it clear that the policy would be scrapped. My hon. Friend the Member for Fareham was right to say that the details were hidden in the small print of the Finance Bill published in April. If the proposal comes into law, it will deal a hammer blow to the products under discussion. They will be killed stone dead.

The industry has invested £35 million in developing the products, but we are led to believe that that money will be written off, as there will be no return on it at all if the proposals in the Bill are accepted. In addition, over the next 25 years the industry will have to manage the run-off of the 50,000 or so policies that have been taken out, as they cannot be cancelled or exchanged. Companies that had anticipated building up large portfolios of such business over a number of years are now looking at having to manage a small portfolio of less than critical mass over 25 years.

That will add a cost burden to the industry for many years to come, even though the Government just now are seeking co-operation and assistance from everyone in the life assurance and pensions industries who is involved in the promotion of lifetime savings. The Government want to work with the industry, as much more substantial pension plans will come through in other legislation, but they have dealt it a difficult blow.

I would not describe it as a body blow to the industry, as I do not want to exaggerate, but the industry has come to see that the Government who led it down a certain path three years ago have now moved

[Mr. Dunne]

to block that path. That has happened at a very unfortunate time in the Government's relationship with the industry.

Ed Balls: In my opening remarks, I set out the background to the Government's decision taken at the time of the PBR and then the Budget. We have had an interesting debate, and I want to respond to a number of points that have arisen. I shall begin by putting the proposals in context, in terms of both principle and history. Much of the discussion has been about the process through which we reached the A-day reforms, and about their consequences, so some contextualisation is appropriate.

The hon. Member for Fareham (Mr. Hoban) talked about the Government's principles, and almost got to the point of agreeing with them. I fear that the speeches of some other Opposition Members contradicted that approach, but that is by the by.

In a speech to the National Association of Pension Funds in March, I set out the principles that have guided, and continue to guide, the Government's approach to pensions tax relief. I shall set them out again for the Committee. First, we believe that generous tax relief is provided to support pension saving where that produces an income in retirement. Pensions tax relief is not there to support pre-retirement income, nor to support accumulation or inheritance. Secondly, we believe that pensions should be provided with more favourable tax treatment compared to other forms of saving, in recognition of the fact that they are less flexible than other savings and that they are locked away until retirement. Thirdly, we believe that incentives for employer contributions should be provided, as it is more efficient for pensions to be provided on a collective basis through the employer. Finally, we consider that pensions tax incentives must be affordable and fall within current fiscal projections.

It is important to set out those principles again, as they have guided the Government's decisions over recent months and years. They have also guided our approach to term assurance and pension term assurance, and I shall refer back to them during the course of my speech.

I also want to set out some history. In an intervention on the hon. Member for Fareham, I said that the Conservative Government of the day withdrew tax relief on life assurance premiums in the 1984 Finance Bill. The policy issues debated at the time were slightly different from those that pertain today, but I have read the debates and remain struck by the similarities and echoes between then and now.

In particular, it is clear that the Government of the day were concerned that the relief was being used for circumstances that were not intended. That meant that most of the relief was of no real benefit to the general body of taxpayers, and that any attempt to target the life assurance premium relief more precisely would be both potentially expensive and difficult. That was why the then Government decided that the only solution was to withdraw the tax relief altogether—a pragmatic solution that took account all the different factors.

The system left in place following the 1984 changes allowed relief, restricted to 5 per cent. of earnings, for contributions to a personal pension scheme for life insurance products. However, the term assurance market that was linked to pensions accounted for only a very small percentage of the overall term assurance market.

Rob Marris: Does my hon. Friend recall that the 1984 abolition had an unintended consequence? I want to be generous to the Conservative Government of the time, but the consequence was that people getting mortgages stopped taking out the life assurance policies on which hitherto they had been able to get 15 per cent. tax relief, and piled into low-cost endowments that were widely mis-sold. This Government are still trying to sort out the mis-selling that was provoked as an unintended consequence of the Conservative Government's change of tax rule on life insurance premiums.

Ed Balls: I hear what my hon. Friend is saying. He is almost certainly correct, albeit somewhat partisan. I shall learn lessons from what he has said, but I am attempting to forge a consensus with the Opposition and so shall move on.

As I was saying, there was an earnings relief of 5 per cent., but the market remained very undeveloped. Essentially, term assurance is a pretty low-cost, high-volume sort of market, and the amount of tax relief available was not sufficient.

This Government reviewed the position at the end of the previous decade, as part of establishing an integrated tax regime for personal and stakeholder pensions. Consultations were held in September 1999 and February 2000, and the Government consistently made it clear that

"pension contributions are not a way of getting tax relief on various insurances that would not otherwise qualify for relief."

The Government held that the primary aim of pension tax relief was to encourage saving in a pension. After the consultation of February 2000, the Government stated:

"Many respondents argued that it should be possible to include an element of life assurance cover within a pension. But they did not support the use of a flat rate limit... The Government has decided that life insurance can be included so long as it does not exceed 10 per cent. of the contributions paid."

History shows that what had been a very small market before that decision became a negligible one, and that 10 per cent. of overall contributions was not sufficient to incentivise people to go into the pension-related term assurance market, given the nature of the business.

The Government embarked on a process of simplification, at each point making it clear that the goal was

"to encourage people to save in a pension".

That was what drove our thinking. In the second pension simplification document of December 2003, we said that

"the Government wishes to ensure that pensions remain a vehicle for providing income in retirement...Pensions saving is to provide an income in retirement...It is not a route for conserving and passing on capital".

That was the background to the debate on the 2004 Finance Bill, when the then Financial Secretary undertook the pensions simplification process. However, there was no reference in the legislation to pension term assurance—the expression did not exist at the time. The market for pensions-related term assurance was negligible at the time, and there was no intention to encourage a term-assurance market link to pensions, nor any discussion of such an intention during proceedings on the Finance Bill. There was a simplification of the pensions and tax regime to provide income in retirement.

6 pm

There was some discussion between the industry and the Government as to whether the simplification would lead to the growth of a pension term assurance market and whether the changes in tax relief for pensions might lead to migration or churning in the term assurance market. However, there was no consensus for the view that the changes posed a material risk. Following discussions with industry players, the then Financial Secretary concluded that there was not a material risk that the changes we were making to tax relief for pensions retirement income would be likely to lead to a rapid growth in a pensions-related term assurance market.

Mr. Hoban: Given the history of tax relief for life assurance, is the Economic Secretary surprised that his predecessor made that mistake?

Ed Balls: We had an interesting debate on those matters earlier, when my hon. Friend the Member for Wolverhampton, South-West (Rob Marris) referred to debates on past Finance Bills. In an intervention, I mentioned SIPPs. At the time, public debate and Members made it clear that there was concern that the SIPPs changes could have undesirable effects and the concerns were dealt with then. However, there was no discussion of the term assurance issue during the Finance Bill; it was never raised by Opposition Members and nor was it a subject of public debate. Technical discussions as to whether the changes posed a material risk concluded that they were not, and that the benefits of simplification outweighed the risk. It was not a mistake; it was a judgment that simplification benefits were more important than a risk that, at the time, was judged not to be material.

That was the position for the next two years and during the run-up to A-day. However, by September 2006 it became clear that although the products were completely within the law—they were not the means of tax avoidance—a substantial re-badging of the term assurance market was taking place. Many life companies did not sell the products as pension term assurance, which would have been a confusing label as they had nothing to do with pensions; they were about death benefit. The policies were often marketed as term assurance with tax relief—term assurance with the benefit of pension tax relief. In many cases, they were not marketed as pension tax relief.

I was asked for some figures. Before A-day the number of contracts sold that could be described as pension tax relief—term assurance linked to pensions—was in the low thousands; the number was negligible. In the fourth quarter of 2005, the number of mortgage-related term assurance contracts sold was 238,154. From the beginning of 2006, when almost no policies were being sold, the number rose to 58,046 products—from almost nothing to 20 per cent. of the term assurance market—whereas the number of mortgage-related term assurance products fell from about 238,000 to 190,161. What happened was perfectly understandable and, in retrospect, predictable: a substantial, tax-driven switch from mortgage-related term assurance to a term assurance that qualified for pension tax relief, but was often not marketed as such because it had no pension income. To my mind, and that of several Members, including perhaps the hon. Member for Fareham, that was not what we intended; our intention was not that pension tax relief should be used to sell what was, in essence, a non-pension product.

Last autumn, it was put to me that costs anticipated as negligible to the Exchequer were set to rise from about £25 million last year to about £160 million a year in five years' time—as the hon. Member for Fareham pointed out. Over a five-year period there would be a cost to the Exchequer of slightly more than £500 million. That is £500 million of taxpayers' money being spent on tax relief actions that people had previously taken without tax relief for, in essence, the same product—a non-pensions-related death benefit that some years before we, as a country, had decided not to tax-advantage. All our consultation documents made it clear that was not our intention and that was why we decided to act in the pre-Budget report.

The report made a clear statement that there was a substantial risk to the taxpayer, that the practice was outside our intentions and that the right thing was to address it with immediate effect. That is what we did. However, we did not say that there was necessarily an end to any link between pensions and term assurance. With the pensions industry, we wanted to find out whether we could establish an ongoing, meaningful link between term assurance policies and saving for a pension, which would not have disproportionate costs and would not mean that a large proportion of the tax relief was going to a death benefit rather than to pension saving.

We consulted the ABI, the Association of Independent Financial Advisers, the Society of Pension Consultants and the Investment and Life Assurance Group. The area is complex and we looked at several options: a test at the point of sale, to confirm that the policyholder was also a member of a relevant pension scheme; a cap on the total sum assured; a test at the point of claim; and ongoing sampling of policies by HMRC to check for fraud. Some in the industry, including the ABI, considered that some of the options might be workable, but after our consultation we found it impossible to set out a way forward that would be both commercially viable and consistent with our intentions and principles.

The problem was that the checks needed to make sure that term assurance, which is a high-volume low-margin product, was genuinely pension-related were disproportionate to the administrative costs that the industry could bear. A cap could work only if it was so high that there would be a death benefit rather than a pension income benefit. We would then have been

[Ed Balls]

forced to concede the sum of £500 million over five years. The people selling those products would have been willing for us to make that decision, but we felt that we could not do so because we could not justify expenditure of £500 million on what was largely a deadweight cost.

That is why we decided to bring tax relief back into line with our intentions and to make it clear that we could not see a way forward that was consistent with our principles. Some in the industry agreed with our approach. An expert at AEGON Scottish Equitable said:

"Although we understand the ABI's position, we do not think"—

its proposals are—

"a workable solution for providers or for customers. At the very least, it will introduce a need for additional resource from providers, which will be met ultimately in adjusted costs for customers. Ultimately, it could mean providers withdrawing from the market."

It was on that basis that we decided that we could not proceed.

The hon. Member for South-West Hertfordshire (Mr. Gauke) asked about losers—an issue also taken up in an intervention by the hon. Member for Ludlow (Mr. Dunne). The fact is that before A-day, the market barely existed: it was negligible. The market then grew very rapidly. Everyone who took advantage of it during that period is grandfathered—we are not withdrawing tax relief from anyone who took out products up to the time of the pre-Budget report, or, indeed, for a period afterwards when transitional arrangements applied. Our tax changes take us back to the position ex ante. There are no losers, though people who might have benefited from the more lax regime in future will not do so now because we have gone back to the status quo. As I have explained, I think that the right decision was taken.

Mr. Gauke: I note that point, but has the Treasury done any analysis of the type of people who were taking advantage of the regime in the period after A-day and before the pre-Budget report announcements?

Ed Balls: As I said, all the people who were taking advantage will have their benefits protected. It is not true to describe those people as either the very rich or tax avoiders. We are talking about people who previously took out mortgage-related term assurance or life assurance products and then benefited from the tax relief that came from the re-badging of those life assurance policies. It was never our intention—nor, in my view, the intention of the House—to tax advantage those life assurance policies. That is why we are returning to the status quo.

Mr. Gauke: I am seeking clarification about whether a particular type of person benefited from that regime while it existed? For example, was it generally the self-employed or contractors who took out this sort of product in the relevant period?

Ed Balls: No, I do not think so. Those who benefited were those who took out assurance policies such as life assurance. I pressed the hon. Member for Fareham to agree with me a number of times about that and eventually, on my fourth attempt, he did. Unless the Conservative party is willing to put up the £500 million to pay for an alternative proposal, I think that the hon. Gentleman and I are agreed that tax-advantaging life assurance products through pension tax relief is not the way forward. If so, we were right to sort out the problem at the earliest opportunity. We did so, despite the fact that in the period before we took our decision, we were not pressured by Opposition Members or anyone else to do so. As I said, we put transitional arrangements in place, which were widely communicated to the industry and, I think, welcomed by it as a way of sorting out the difficult pipeline cases. Indeed, we were praised by the ABI for so doing.

Rob Marris: Will my hon. Friend tell the House how difficult he believes it would have been to sort out the loophole that was being exploited if we had adopted the Liberal Democrat policy of having a Finance Bill every two years instead of every year?

Ed Balls: We would have had a considerably longer period between our decisive decision at the time of the pre-Budget report and the eventual enactment of the Finance Bill provisions, though our decision to act would not have been delayed because at that time the revenue risk was too great.

I am not going to say that there are no lessons to be learned from the experience. In retrospect, the Government could have been clearer about their intentions and I believe that both the Government and the insurance industry together could learn some lessons about the process involved in tax policy making. Indeed, I spoke earlier today to the director general of the ABI about how to learn such lessons for future tax policy.

In conclusion, the decision was taken in order to restore the Government's intentions to protect the tax base and to ensure that what we set out to do and what the Finance Bill legislated for—to tax-advantage retirement saving—was, in fact, what happened. It was never our intention to tax-advantage assurance. I do not think that the hon. Member for Fareham is proposing so to do, but if he wants to stump up the £500 million necessary to oppose the clause, I will be very interested to find out how he is going to pay for it.

Question put, That the clause stand part of the Bill:—

The Committee divided: Ayes 262, Noes 145.

Division No. 104] **[8.14 pm**

AYES

Abbott, Ms Diane	Benn, rh Hilary
Ainger, Nick	Benton, Mr. Joe
Ainsworth, rh Mr. Bob	Berry, Roger
Atkins, Charlotte	Blears, rh Hazel
Austin, Mr. Ian	Blunkett, rh Mr. David
Bailey, Mr. Adrian	Borrow, Mr. David S.
Balls, Ed	Brennan, Kevin
Barlow, Ms Celia	Brown, Lyn
Barron, rh Mr. Kevin	Brown, rh Mr. Nicholas
Battle, rh John	Buck, Ms Karen
Bayley, Hugh	Burden, Richard
Beckett, rh Margaret	Burgon, Colin

Burnham, Andy
Butler, Ms Dawn
Byers, rh Mr. Stephen
Byrne, Mr. Liam
Campbell, Mr. Ronnie
Caton, Mr. Martin
Chapman, Ben
Chaytor, Mr. David
Clark, Ms Katy
Clark, Paul
Clarke, rh Mr. Tom
Clelland, Mr. David
Coaker, Mr. Vernon
Coffey, Ann
Cohen, Harry
Connarty, Michael
Cook, Frank
Cooper, Rosie
Cousins, Jim
Crausby, Mr. David
Creagh, Mary
Cruddas, Jon
Cryer, Mrs. Ann
Cummings, John
Cunningham, Mr. Jim
Cunningham, Tony
Curtis-Thomas, Mrs. Claire
Darling, rh Mr. Alistair
Davidson, Mr. Ian
Davies, Mr. Dai
Dean, Mrs. Janet
Dhanda, Mr. Parmjit
Dobbin, Jim
Dobson, rh Frank
Donohoe, Mr. Brian H.
Dowd, Jim
Drew, Mr. David
Dunwoody, Mrs. Gwyneth
Eagle, Angela
Efford, Clive
Ellman, Mrs. Louise
Engel, Natascha
Farrelly, Paul
Field, rh Mr. Frank
Fisher, Mark
Fitzpatrick, Jim
Flint, Caroline
Flynn, Paul
Follett, Barbara
Foster, Mr. Michael *(Worcester)*
Foster, Michael Jabez *(Hastings and Rye)*
Francis, Dr. Hywel
Gapes, Mike
Gardiner, Barry
George, rh Mr. Bruce
Gibson, Dr. Ian
Gilroy, Linda
Godsiff, Mr. Roger
Goggins, Paul
Goodman, Helen
Griffiths, Nigel
Grogan, Mr. John
Gwynne, Andrew
Hall, Mr. Mike
Hall, Patrick
Hamilton, Mr. Fabian
Hanson, rh Mr. David
Harman, rh Ms Harriet
Harris, Mr. Tom
Havard, Mr. Dai
Healey, John
Henderson, Mr. Doug
Hendrick, Mr. Mark
Hepburn, Mr. Stephen
Heppell, Mr. John
Hesford, Stephen
Hewitt, rh Ms Patricia
Heyes, David
Hill, rh Keith
Hillier, Meg
Hodge, rh Margaret
Hodgson, Mrs. Sharon
Hoey, Kate
Hood, Mr. Jimmy
Hopkins, Kelvin
Howarth, rh Mr. George
Howells, Dr. Kim
Hoyle, Mr. Lindsay
Hughes, rh Beverley
Humble, Mrs. Joan
Hutton, rh Mr. John
Iddon, Dr. Brian
Ingram, rh Mr. Adam
Irranca-Davies, Huw
Jackson, Glenda
James, Mrs. Siân C.
Jenkins, Mr. Brian
Johnson, rh Alan
Johnson, Ms Diana R.
Jones, Mr. Kevan
Jones, Lynne
Jones, Mr. Martyn
Jowell, rh Tessa
Kaufman, rh Sir Gerald
Keeble, Ms Sally
Keeley, Barbara
Keen, Alan
Kelly, rh Ruth
Kemp, Mr. Fraser
Khan, Mr. Sadiq
Kidney, Mr. David
Killoyle, Mr. Peter
Knight, Jim
Ladyman, Dr. Stephen
Lammy, Mr. David
Laxton, Mr. Bob
Lazarowicz, Mark
Levitt, Tom
Lewis, Mr. Ivan
Linton, Martin
Lloyd, Tony
Love, Mr. Andrew
Mackinlay, Andrew
Mahmood, Mr. Khalid
Malik, Mr. Shahid
Mallaber, Judy
Mann, John
Marris, Rob
Marsden, Mr. Gordon
Marshall, Mr. David
Martlew, Mr. Eric
McAvoy, rh Mr. Thomas
McCabe, Steve
McCafferty, Chris
McCarthy, Kerry
McCarthy-Fry, Sarah
McCartney, rh Mr. Ian
McDonagh, Siobhain
McFadden, Mr. Pat
McFall, rh John
McIsaac, Shona
McKechin, Ann
Meacher, rh Mr. Michael
Meale, Mr. Alan
Merron, Gillian
Michael, rh Alun
Milburn, rh Mr. Alan
Miliband, rh David
Miliband, Edward
Miller, Andrew
Moffat, Anne
Moffatt, Laura
Mole, Chris
Moon, Mrs. Madeleine
Morden, Jessica
Morley, rh Mr. Elliot
Mudie, Mr. George
Mullin, Mr. Chris
Munn, Meg
Murphy, Mr. Denis
Murphy, rh Mr. Paul
Naysmith, Dr. Doug
Norris, Dan
Oliver, Mr. Bill
Osborne, Sandra
Pearson, Ian
Plaskitt, Mr. James
Pound, Stephen
Prentice, Bridget
Prentice, Mr. Gordon
Prosser, Gwyn
Purchase, Mr. Ken
Raynsford, rh Mr. Nick
Reed, Mr. Andy
Reed, Mr. Jamie
Robertson, John
Robinson, Mr. Geoffrey
Rooney, Mr. Terry
Roy, Mr. Frank
Ruddock, Joan
Russell, Christine
Seabeck, Alison
Shaw, Jonathan
Sheridan, Jim
Simon, Mr. Siôn
Simpson, Alan
Singh, Mr. Marsha
Skinner, Mr. Dennis
Slaughter, Mr. Andy
Smith, rh Mr. Andrew
Smith, Angela E. *(Basildon)*
Smith, Geraldine
Smith, rh Jacqui
Snelgrove, Anne
Soulsby, Sir Peter
Southworth, Helen
Spellar, rh Mr. John
Starkey, Dr. Phyllis
Stewart, Ian
Stoate, Dr. Howard
Strang, rh Dr. Gavin
Straw, rh Mr. Jack
Stringer, Graham
Stuart, Ms Gisela
Sutcliffe, Mr. Gerry
Taylor, Ms Dari
Taylor, David
Thomas, Mr. Gareth
Thornberry, Emily
Timms, rh Mr. Stephen
Tipping, Paddy
Todd, Mr. Mark
Touhig, rh Mr. Don
Trickett, Jon
Trussell, Mr. Paul
Turner, Dr. Desmond
Turner, Mr. Neil
Twigg, Derek
Usher, Kitty
Vis, Dr. Rudi
Waltho, Lynda
Ward, Claire
Wareing, Mr. Robert N.
Watson, Mr. Tom
Whitehead, Dr. Alan
Wicks, Malcolm
Williams, rh Mr. Alan
Williams, Mrs. Betty
Wills, Mr. Michael
Winnick, Mr. David
Winterton, rh Ms Rosie
Wood, Mike
Woodward, Mr. Shaun
Woolas, Mr. Phil
Wright, Mr. Anthony
Wright, Mr. Iain
Wright, Dr. Tony
Wyatt, Derek

Tellers for the Ayes:
Mr. Alan Campbell and Mr. Dave Watts

NOES

Afriyie, Adam
Ainsworth, Mr. Peter
Amess, Mr. David
Ancram, rh Mr. Michael
Arbuthnot, rh Mr. James
Atkinson, Mr. Peter
Baldry, Tony
Baron, Mr. John
Baith, rh Mr. Alan
Bellingham, Mr. Henry
Beresford, Sir Paul
Binley, Mr. Brian
Blunt, Mr. Crispin
Brady, Mr. Graham
Brazier, Mr. Julian
Bread, Mr. Colin
Brokenshire, James
Browning, Angela
Burrowes, Mr. David
Burstow, Mr. Paul
Cable, Dr. Vincent
Campbell, Mr. Gregory
Carmichael, Mr. Alistair
Cash, Mr. William
Chope, Mr. Christopher
Clappison, Mr. James
Clarke, rh Mr. Kenneth
Clifton-Brown, Mr. Geoffrey
Davies, Philip
Davies, Mr. Quentin
Djanogly, Mr. Jonathan
Donaldson, Mr. Jeffrey M.
Dorrell, rh Mr. Stephen
Duddridge, James
Duncan, Alan
Duncan Smith, rh Mr. Iain
Dunne, Mr. Philip
Evennett, Mr. David

Fabricant, Michael
Francois, Mr. Mark
Fraser, Mr. Christopher
Garnier, Mr. Edward
Gauke, Mr. David
George, Andrew
Gibb, Mr. Nick
Gidley, Sandra
Goldsworthy, Julia
Goodman, Mr. Paul
Green, Damian
Greening, Justine
Grieve, Mr. Dominic
Gummer, rh Mr. John
Hague, rh Mr. William
Hammond, Stephen
Hands, Mr. Greg
Harper, Mr. Mark
Hayes, Mr. John
Heath, Mr. David
Heathcoat-Amory, rh Mr. David
Hendry, Charles
Hirvbert, Nick
Hermon, Lady
Hoban, Mr. Mark
Hogg, rh Mr. Douglas
Horam, Mr. John
Horwood, Martin
Hosie, Stewart
Howarth, David
Howarth, Mr. Gerald
Hulme, Chris
Hunt, Mr. Jeremy
Hurd, Mr. Nick
Jack, rh Mr. Michael
Jenkin, Mr. Bernard
Johnson, Mr. Boris
Kawczynski, Daniel
Kay, Robert
Kirkbride, Miss Julie
Knight, rh Mr. Greg
Kramer, Susan
Lamb, Norman
Lansley, Mr. Andrew
Lewis, Dr. Julian
Liddell-Grainger, Mr. Ian
Lilley, rh Mr. Peter
Loughton, Tim
Luff, Peter
Mackay, rh Mr. Andrew
Malins, Mr. Humfrey
Maples, Mr. John
McIntosh, Miss Anne
McLoughlin, rh Mr. Patrick
Miller, Mrs. Maria
Moore, Mr. Michael
Moss, Mr. Malcolm
Mulholland, Greg
Murrison, Dr. Andrew
Neill, Robert
Newmark, Mr. Brooks
Öpik, Lembit
Osborne, Mr. George
Ottaway, Richard
Paice, Mr. James
Pelling, Mr. Andrew
Penning, Mike
Prisk, Mr. Mark
Randall, Mr. John
Redwood, rh Mr. John
Rifkind, rh Sir Malcolm
Robathan, Mr. Andrew
Robertson, Hugh
Robertson, Mr. Laurence
Rosindell, Andrew
Ruffley, Mr. David
Russell, Bob
Sanders, Mr. Adrian
Scott, Mr. Lee
Simmonds, Mark
Simpson, Mr. Keith
Soames, Mr. Nicholas
Spicer, Sir Michael
Spink, Bob
Spring, Mr. Richard
Stanley, rh Sir John
Steen, Mr. Anthony
Stuart, Mr. Graham
Swayne, Mr. Desmond
Syms, Mr. Robert
Tapsell, Sir Peter
Taylor, Mr. Ian
Taylor, Dr. Richard
Tyrie, Mr. Andrew
Villiers, Mrs. Theresa
Walker, Mr. Charles
Walter, Mr. Robert
Waterson, Mr. Nigel
Watkinson, Angela
Whittingdale, Mr. John
Wiggin, Bill
Willetts, Mr. David
Williams, Hywel
Wilshire, Mr. David
Winterton, Ann
Winterton, Sir Nicholas
Wishart, Pete
Yeo, Mr. Tim

Tellers for the Noes:
Mr. Robert Goodwill and Mr. Simon Burns

Question accordingly agreed to.
Clause 67 ordered to stand part of the Bill.

Schedule 18

PENSIONS SCHEMES: ABOLITION OF RELIEF FOR LIFE ASSURANCE PREMIUM CONTRIBUTIONS ETC

Amendment proposed: No. 6, in page 218, line 34, leave out '6th April' and insert '1st August'.—*[Ed Balls.]*

The Second Deputy Chairman of Ways and Means (Sir Michael Lord): With this it will be convenient to discuss Government amendments Nos. 7 to 9.

6.30 pm

Rob Marris: I welcome the transitional dates in the amendments in the name of the Chancellor of the Exchequer. The nationally known firm of independent financial advisers, Torquil Clark, is based in my constituency. Indeed, its office is about 100 m from my office and I know it quite well. In December I met people from that firm to discuss the announcement made in the pre-Budget report on the ending of tax relief on pension term assurance, and one of the things that they were concerned about was the suddenness of the transition. The amendments soften that somewhat, and they are welcome.

The hon. Member for Ludlow (Mr. Dunne) said that the transitional dates were not revealed until after this year's Budget, and he referred to April, but in fact they were revealed on 21 March, in paragraphs 3 to 5 on page 47 of the Budget notes. I think that the Government are right to close the loophole, and that is why I have just voted in favour of clause 67, which will introduce schedule 18 if we agree to that schedule, as I expect we will. The amendments are helpful, as they set out the dates.

Government amendment No. 9 includes what I regard as a major drafting error: the sub-paragraph that it inserts starts with the word "But", and it should not do so. I hope that on Report, the Government will remove the word. In addition, in the third line of the amendment, the verb "was" is used, but I think that the verb is conditional and should take the subjunctive form. It should therefore be "were", not "was", and I hope that the Government will look at that on Report. However, I welcome the amendments.

Ed Balls: I am grateful for my hon. Friend's contribution, which was detailed, incisive and informed, as always. As usual, he draws from the detail to make a wider point about the future direction of the country. On clause 67, I am grateful for his support for the intention behind the legislation. As he said, we consulted the industry in detail immediately after the pre-Budget report to make sure that we got the transitional arrangements right. It was put to me in our previous debate that the Government were slow in coming up with transitional arrangements; it was said that we did not do so until April. In fact, we had already come up with transitional pipeline arrangements, but the Association of British Insurers told us in April that some policies risked not getting the proper treatment because insurers had taken longer to process claims than they and the ABI had previously expected. That is why the amendments prolong the transitional period. I will reflect on the language issue; I will have to take advice on my hon. Friend's question about the word "But"—[HON. MEMBERS: "Why?"] Because I do not know the answer.

Mr. John Redwood (Wokingham) (Con): Just to add to the Minister's confusion, I suggest that he look at the numbering, too, as the amendments will result in sub-paragraph (5A) coming after a (5)(b) and conflicting with another (5)(a).

Ed Balls: I will reflect on all those points. Obviously, it is important to ensure that we get our As before our Bs, and that we use "but" correctly in this important

legislation—which, as I said, will save £500 million over five years. However, Opposition Members have just voted against part of the legislation. I do not know where the shadow Chief Secretary to the Treasury or the shadow Chancellor were when that decision was made. We look forward to finding out where the shadow Chief Secretary will find the £500 million that she will need to pay for that decision. I fear that the right hon. Member for Wokingham (Mr. Redwood) will have to find further public spending cuts to make in his tax policy commission report, which we look forward to with avid interest, as he will not only have to fund his proposed tax cuts, but pay for a £500 million tax concession. We look forward to seeing those details, and I will reflect on the detail of the points raised. With that, I am happy to commend the amendments.

Amendment agreed to.

Amendments made: No. 7, in page 218, line 40, leave out 'on or before 13th December 2006' and insert 'before the appropriate date'.

No. 8, in page 219, line 3, at end insert—

'(4A) In sub-paragraph (4)(d) "the appropriate date" means—

(a) 13th April 2007 (in any case where, on the day of the making of the insurances in respect of which the policy of insurance was issued, the rights of the individual under the pension scheme included an actual or prospective entitlement to a pension), and

(b) 14th December 2006 (in any other case).'.

No. 9, in page 219, line 7, at end insert—

'(5A) But where, on the day of the variation, the rights of the individual under the pension scheme included an actual or prospective entitlement to a pension, a relevant event does not occur by virtue of the variation if it was made in pursuance of a proposal made in writing (by whatever means) and received by or on behalf of the insurer before 13th April 2007.'.—*[Ed Balls.]*

Question proposed, That this schedule, as amended, be the Eighteenth schedule to the Bill.

Ed Balls: I want to pick up on a point made earlier about the use of the reserve powers to make regulations in the schedule. That is a complex subject. The Committee is in agreement—or at least, Labour Members are—on the intention behind the Bill but we want to make sure that future changes do not inadvertently lead to problems, and that is why we will not hesitate to use the secondary powers. The hon. Member for Buckingham (John Bercow) expressed concerns, but if there is any question of those secondary, negative resolution powers being used, I will make sure that I, or my successors, inform Opposition Members in writing of our intention to use the powers in plenty of time, so that we can ensure full consultation and consideration of the matter, both in the House and outside. With that, I hope that we can agree to schedule 18.

Rob Marris: I bear in mind the fact that we are in Committee, so I wish to make some more drafting suggestions to my hon. Friend the Economic Secretary. First, with the greatest respect to the right hon. Member for Wokingham (Mr. Redwood), he is wrong about what is now sub-paragraph (5A) of the schedule, as amended. If he looks at line 22 on page 218 of the Bill, he will see a reference to "paragraph 5", which is not bracketed. If he then looks at line 7 of page 219, where sub-paragraph (5A) has been inserted by amendment No. 9, he will see that it follows sub-paragraph (5), and that is in brackets. He has miscounted, but he is right to be wary of the wording of the Bill. I suggest to my hon. Friend the Economic Secretary that the parliamentary drafting should not refer to "premiums" but to "premia". "Premiums" occurs in lines 17, 20, 24, 28, 30, 31 and 39 of page 217 and in lines 2 and 20 of page 218.

My hon. Friend said that he would kindly look at the use of the word "But", and that anathema and grammatical error also occurs in line 32 on page 217, in line 19 on page 218, and in line 20 on page 219. I urge the Treasury to have a word with its parliamentary draftspeople about the way in which the grammar of our language is used; after all, we are talking about statute.

Sir Nicholas Winterton (Macclesfield) (Con): Give him a job!

Ed Balls: The hon. Gentleman shouts that we should give my hon. Friend the Member for Wolverhampton, South-West (Rob Marris) a job. I will reflect on the points raised. I do not want to get into the issue too deeply, but I am happy to consult Fowler's "Dictionary of Modern English Usage" on the matters that have been mentioned. I do not know about the use of the words "premiums" and "premia", but I know that Fowler allows people to go either way on the question of split infinitives, depending on their predisposition, and it may be that Fowler will tell us that some discretion is allowed on that point. However, I hesitate to dwell on those issues too long. Remembering last year's Finance Bill, all I can say is that it was not our intention to make such mistakes. I await the Committee stage to find out the views of Mrs. Gauke on these matters.

Question put and agreed to.

Schedule 18, as amended, agreed to.

Clause 12

RATES OF AIR PASSENGER DUTY

Mr. Christopher Chope (Christchurch) (Con): I beg to move amendment No. 3, in page 8, line 22, leave out '1st February' and insert '21st March'.

The First Deputy Chairman of Ways and Means (Sylvia Heal): With this it will be convenient to discuss the following amendments:

No. 4, in page 8, line 23, leave out subsection (5).

No. 5, in page 8, line 27, leave out subsection (6).

Mr. Chope: Amendments Nos. 4 and 5 are consequential on amendment No. 3, because if the retrospective element is removed by amendment No. 3, the need for the remainder of the clause will be removed.

Today is the 10th anniversary of the winning back of the Christchurch constituency from the Liberal Democrats. I do not know whether it is a delightful irony or generosity of spirit that has resulted in the Liberal Democrat Front-Bench team supporting the amendment in my name today. It may indeed be both.

[Mr. Chope]

I applaud the fact that the Liberal Democrats are prepared to come into the Lobby to support those of us who are concerned about the principle of retrospective taxation.

I have raised this matter on a number of occasions in the House. The first time was on 31 January on a point of order, on the eve of the implementation of the increase in taxes. As a result of Mr. Speaker's statement then, I applied for an Adjournment debate, which took place on 20 February. During the debate the Financial Secretary said that I would be able to return to the subject during the Budget debate and the Committee stage of the Finance Bill. He is right. I have taken up those opportunities, because we still do not seem to have persuaded the Government that they are doing the wrong thing by imposing retrospective taxation. That is why I hope the amendment will be supported this evening.

That has been the view of all my right hon. and hon. Friends, and we have been involved in sending standard letters to our constituents, drafted with the support of our Front-Bench team. Those standard letters included the following words:

"I do share your concerns about the implementation of the Chancellor's APD increases, particularly the retrospective aspect. I know that many individuals and companies have been hit by the increased duty being levied on holidays that were booked before the Chancellor's announcement."—

holidays that were not only booked but paid for before the Chancellor's announcement—

"It seems clear to me that Gordon Brown did not properly think through the consequences of this bungled raid on the travel industry. Indeed, a legal opinion received by the Conservatives suggests that the Chancellor's actions may even be illegal as it has not been approved by Parliament."

I am informed that in the judicial review that has been initiated, the Government have until the end of this week to submit their response to that claim, and that it is likely to be heard before the end of July. So it was not an idle threat that their illegal act would be challenged. This is being followed up, no doubt at considerable expense, by the travel companies, which are especially outraged by what has happened.

It is a long-standing convention of the House that Budget resolutions are not retrospective. That is why the amendment is designed to change the starting date for the air passenger duty increase from 1 February to 21 March—a seven-week deferral. The reason I chose 21 March is that that was the date of the Budget. There was a Budget resolution on the matter, but prior to that there had been no opportunity for any Member of the House to vote on the increase in taxation. We now have the opportunity to vote on it again.

6.45 pm

During the vote on Budget resolutions, six of my right hon. Friends and 14 of my hon. Friends voted against motion 13 because we were concerned about the retrospective nature of the matter and because we regarded it as a constitutional outrage. I know that some of my right hon. and hon. Friends were concerned that to vote against the whole motion was going too far. That is why the amendment focuses much more narrowly on the issue of retrospection, and simply changes the date by seven weeks.

Mr. David Wilshire (Spelthorne) (Con): Can my hon. Friend confirm that the amendments before us leave behind the generality of the debate? This is no longer a debate about air passenger duty itself. It is not about whether this is a permanent tax. It is about a one-off arrangement. It is focused narrowly on the abomination of imposing a tax before the Government have the authority of Parliament to do so.

Mr. Chope: My hon. Friend is right. I know that he would have been in the Lobby with us on 27 March had he been in the country, but he was away on overseas parliamentary business at that time. The amendment has been drafted so that it deals with the one-off period of seven weeks. It reflects the concerns shared by my right hon. Friend the Leader of the Opposition and my hon. Friend the shadow Chancellor of the Exchequer.

It may be immodest to recall that shortly after 31 January, when I raised my original point of order about the retrospective nature of the measure, I was having a sandwich lunch with my right hon. Friend the Leader of the Opposition, who congratulated me on the points that I had made and said that he very much shared my concern about the retrospective nature of the air passenger duty increase set out in the pre-Budget report and confirmed in the Bill.

I know that some of my colleagues are still worried about the cost of delaying the increase by seven weeks. It is a large cost in layman's terms—about £100 million. That is an indication of the extent of this stealth tax introduced by the Chancellor of the Exchequer—a yield of about £100 million in seven weeks. Some of my colleagues are sensitive about supporting an amendment that could be misrepresented by the Government, who might say that we have a black hole in our calculations, and ask how we will manage to balance the books when we get into government if we have voted against the retrospective nature of the air passenger duty increase.

Mr. Wilshire: Can my hon. Friend confirm that my memory is correct—that when the extra tax was put on, we were told that it was nothing to do with general taxation or a black hole if it were not introduced? It was all to do with special measures that would be introduced in the future, which our amendment would simply delay by seven weeks.

Mr. Chope: My hon. Friend is right. We are talking about a seven-week delay. Once the measure is introduced it will continue for ever and a day, unless or until it is changed. I am sure that on clause stand part, and perhaps on the next set of amendments, we will have a chance to consider whether air passenger duty can properly be regarded as a green tax.

Let us put the £100 million cost of my amendment into context. It represents less than 0.02 per cent. of total annual public expenditure. That is £2 in every £10,000. Most people believe that about 40 per cent. of the money raised in taxes is wasted by the Government. As an Opposition, we are in the business of saying that we could save 0.02 per cent. of public expenditure in a year without any problems at all. Another way of

looking at it would be to say that that £100 million is only 1 per cent. of the money being wasted on the new NHS computer system. We are not talking about an enormous black hole that the Government can use to intimidate us into not voting against retrospective taxation.

Julia Goldsworthy (Falmouth and Camborne) (LD): If somebody bought a ticket before 6 December, when the announcement was made, and was travelling after 21 March, the date that the amendment suggests, would they not still be caught by the retrospective changes to the tax system?

Mr. Chope: The hon. Lady is right; the amendment is limited. I considered tabling another amendment stating that clause 12 should not apply in respect of anybody who paid for and ordered their tickets before 6 December. She has referred to another mischief, which is one of the reasons a number of us are concerned about clause 12 in general. In a sense, that is a separate argument. It is a strand of the same retrospection issue, but speaking in strict parliamentary terms, I am talking about not increasing taxes on people in this country without allowing Parliament to vote on those increases.

Although the Government say that they have only one Budget a year, they are using the pre-Budget report as an opportunity to announce tax increases—in this case, a tax increase of £1 billion a year—so the Chancellor can come along on Budget day and say, "This is a neutral Budget." That is exactly what he did this time, having conveniently forgotten that he had already announced a £1 billion tax increase in his pre-Budget report, for which he had not legislated or obtained parliamentary approval. The issue is important, and I am glad that there is concern among Conservative Front Benchers and in the wider House about retrospection.

I want briefly to examine the idea that the tax is somehow justifiable because it is "green" or "environmental". I will not get into what I think is partly a semantic debate about whether this is a proper environmental tax—although in my view it is not. Even if it were an environmental tax, Conservative party policy, which has been announced by my hon. Friend the shadow Chancellor, is that we support green taxes, but only if they are offset by reductions in taxes elsewhere. The shadow Chancellor put it this way when he addressed the issue in an interview in "The World at One" on 1 February, following my point of order on the previous day:

> "I think there is a case for green taxes and bringing in an aviation tax but they should be replacement taxes".

That is not consistent with saying, "We can't vote against any tax increases proposed by this Government." We have said, as a matter of policy, that we will vote against tax increases, and particularly those that purport to be green tax increases, unless they are accompanied by offsetting reductions in tax.

The amendment is modest, and it does not go as far as some would wish, but it states the important principle, which we should stick to through thick and thin in this House, that we should not introduce retrospective taxation.

Helen Goodman (Bishop Auckland) (Lab): I oppose the amendment—and will vote against it if the hon. Member for Christchurch (Mr. Chope) presses it—for seven reasons.

First, the position adopted by Opposition Members—this particularly applies to the Liberal Democrats—is Augustinian. They want to be good, but not yet, so they will take any opportunity to push back the increase in tax. Secondly, the tax cannot be described as truly retrospective, when people had more than two months' notice of the increase. Retrospection surely means increasing tax on things that people have already done. Thirdly, the practice adopted is not significantly different from the traditional practice with excise duties.

Mr. Paul Goodman (Wycombe) (Con): Why does the hon. Lady think that the last time the Government substantially raised APD, they gave a year's notice of the rise?

Helen Goodman: I have no idea. I did not know that the Government gave a year's notice last time. It was obviously not for the reason suggested by the hon. Member for Christchurch, because it would not take a year to go through the process that he is calling for.

Mr. Redwood: Would the hon. Lady think it fair if the Government suddenly said that all the things that she had paid for over the past month would attract a special tax, which she had to pay although it had not been ratified by this House?

Helen Goodman: The right hon. Gentleman's point is not significantly different from all sorts of taxes that we must pay. For example, the same applies to council tax—when the local council issues a bill, one does not have time to move house.

Several hon. Members *rose—*

Helen Goodman: I will not give way, because some of the points being made by Opposition Members are wholly ridiculous.

Fourthly, Conservative Members have clearly forgotten the action that they took in February 1985, when they changed the tax treatment of gilts. When the decision was taken, the Bank of England said that it could not possibly trade in the gilts market if it knew that that tax change was forthcoming, so it could not possibly wait until the Budget. A press notice was issued at 7 o'clock in the morning, before the gilts market opened, so there were certainly no Budget resolutions on that occasion.

Stewart Hosie (Dundee, East) (SNP): Trading in gilts is market-sensitive, whereas the introduction of a retrospective tax is not. The hon. Lady's fourth argument does not hold very much water.

Helen Goodman: No, the hon. Gentleman is wrong. Either the principle is important or it is not. Tory Members who support the amendment have clearly forgotten that they used precisely the same procedure in February 1985.

Julia Goldsworthy: Returning to the hon. Lady's third argument, she mentioned council tax. An analogous example would be if someone were issued with a council tax bill, which they paid, but was then asked to pay more on top of it.

Helen Goodman: Fifthly, another key point is the behaviour of the airlines. The airlines frequently add charges, such as fuel surcharges and changes in airport taxes, after people have bought their tickets. They have protested about this measure, but their position is weak.

Sixthly, 1 February is an extremely sensible choice of date, because that is the point in the year when the fewest people are flying, which means that the fewest people will be inconvenienced. My final reason is that airlines frequently put on other charges after people have taken such decisions.

7 pm

Dr. Cable: I wish to support the amendment. The hon. Member for Christchurch (Mr. Chope) was surprised that people might wish to support it on its merits rather than on the basis of their political alignments, but it seems perfectly sensible and I am happy to do so.

The hon. Member for Christchurch argued for the amendment primarily in terms of the principle of retrospectivity. It is fair to say that there is not a basic theology about retrospective taxation, which has happened in the past. Indeed, when my hon. Friend the Member for Falmouth and Camborne (Julia Goldsworthy) wrote to the Economic Secretary to ask him for examples, he came up with several, but they related primarily to anti-avoidance measures. Nobody would remotely suggest that the people turning up at an airport and being asked to pay a levy on their tickets are in any sense involved in tax avoidance. That is a completely different concept; the right hon. Member for Wokingham (Mr. Redwood) made the distinction earlier.

Two groups of people will be disadvantaged. The first comprises travellers who bought their tickets before 6 September without any awareness that this was going to happen and will travel after 1 February. There are many people in that category. They are not business travellers, who normally buy tickets fairly close to the point of departure, but people planning a family holiday, probably with a substantial cost involved. The other group comprises travel agents who have decided to carry the cost themselves because they have no alternative, or to avoid alienating their customers. Several travel agents have made that point to me.

David Taylor (North-West Leicestershire) (Lab/Co-op): Is the hon. Gentleman suggesting that those who purchase, long in advance, services or goods that they do not use or take possession of should always be able to avoid any increases in taxation on that good or service in the meantime, no matter how long a period is involved? That is the logic of his argument, is it not?

Dr. Cable: Of course, these are tickets that have been paid for in good faith. As I understand it, the purpose of this tax measure was to change people's behaviour, but it is now being applied to decisions that have already been made. There is a basic lack of logic in the Government's proposals.

The hon. Member for Bishop Auckland (Helen Goodman) made the reasonable point that a lot of money is at stake—£100 million or something of that order. Those who oppose the measure—Opposition parties, rebels or whoever—will be challenged on how they would fund the deficit. I do not have much of a problem with that, because our approach to aviation taxation is not that it should be tax-neutral. We believe—I do not know whether the hon. Member for Christchurch shares this view—that aviation taxation should be quite a lot higher to capture all the environmental externalities involved, and we have set out the case for that. Our proposals would raise substantially more revenue than the Government's proposals, not less.

The amendment involves an important issue of principle that has been well expressed, and we are happy to support it.

Mr. Quentin Davies (Grantham and Stamford) (Con): I congratulate my hon. Friend the Member for Christchurch (Mr. Chope) on his principled approach to this difficult question, on the single-mindedness with which he has pursued his campaign for several months, and on his efforts throughout that time to draw to the attention of his colleagues in all parts of the House the importance of this issue.

The hon. Member for Bishop Auckland (Helen Goodman) is a distinguished Member of the House to whom I always listen with pleasure, but it did not sound as though she understood the concept of retrospectivity. She cited in defence of the Government's proposals an occasion in 1985 of which I have no memory—although I do not dispute that it may have occurred in the way she describes—in which the Treasury announced at 7 o'clock in the morning that a new tax would apply thenceforth. That is not retrospectivity, because all the trades done after the market opened at 7 o'clock in the morning would be done in knowledge that a new tax then applied.

Retrospectivity is a very serious matter, and it is incorporated in a glaring or, I might say, an egregious fashion in the Government's proposals. It occurs when a transaction is concluded between two or more citizens who believe that no tax applies, or a certain type of tax applies, and then find afterwards that a new tax is levied on them. It is exactly as if I had agreed today with the Financial Secretary to buy his tie for—what would it be worth? I suppose £5 or so—*[Interruption.]* No, that is unkind—I will make it £10 or so. I am not actually making him an offer, in case he is getting excited. It is as if I concluded with him today that I was going to buy his tie for £10, gave him the £10 and received the tie or was promised its delivery, and then we were suddenly told the next day, the next week, the next month or six months later that a new stamp duty or purchase tax was being imposed on ties and I had to come up with another £500 to give to the Treasury for having concluded the transaction with him some time before. That would be retrospectivity. I can see from the reaction on both sides of the House that we all think that that is a completely fantastical situation which, if it arose,

would be utterly intolerable and unacceptable. However, it is precisely the situation that we face.

David Taylor: The hon. Gentleman makes my earlier point precisely. In his example, he takes possession of this hypothetical tie and would rightly feel aggrieved if there was a retrospective tax thereon. However, in the case of air passenger duty we are talking about advance payments for services—in this case, flights—that are not consumed at the point at which the tax bites. That is not retrospectivity.

Mr. Davies: It is indeed retrospectivity. The issue is whether the tax is known to apply by the parties involved when the transaction is concluded.

Helen Goodman *rose—*

Mr. Davies: Of course I will give way to the hon. Lady in a moment if she will be kind enough to let me respond to her colleague.

This is a matter of justice. It is also a matter of economic risks. The great question is whether we have a country—a free country, I hope, in our case—and an economy in which people can conclude transactions knowing what the tax regime is at the time that they do so. It is enormously important for the economy, and for justice, that that should be the case. If there is any retrospectivity, neither of those conditions applies. When the transaction takes place, the parties involved need to know what are the costs, risks and benefits to all concerned. If the Government subsequently, in a way that those parties could not have anticipated, change the rules of the game—the costs, risks or benefits emerging from the transaction—they have acted retrospectively. That is unjustified morally and extremely dangerous economically.

Helen Goodman: The hon. Member for Christchurch placed emphasis on whether the Budget resolutions had been passed—I took that to be the thrust of his argument—but the hon. Gentleman seems to be arguing a completely different case and to think that that is not at all relevant.

Mr. Davies: It is a curious way to conduct a debate to try to refute an argument by saying that it is different from what was said by another person who took the same line but used different arguments in support of the same cause. That may well be the case, but I take my stand on the matter of retrospectivity. Such an important principle is at stake here that I will vote to defend it whether or not I am joined by the majority of my colleagues. We have heard some other good arguments. For example, the hon. Member for Twickenham (Dr. Cable) made some points of a practical character that tend in the same direction. The fact that there are other arguments from different sources that tend in the same direction hardly undermines my argument, which is based on the principle of retrospectivity.

Julia Goldsworthy: The hon. Member for North-West Leicestershire (David Taylor) said that the point of consumption was the most important. However, if one buys a bottle of whisky before a Budget that increases duties on whisky, but does not open it until afterwards, one is not expected to pay an additional charge.

Mr. Davies: The hon. Lady is right and I thank her for that additional argument, which reinforces my case, as it was intended to do. The important point is the conditions that apply when the transaction is made. Transactions are irrevocable—one buys or one sells and, at that point, one must make a definitive calculation of the costs and gains. I repeat myself because I believe that the hon. Member for Bishop Auckland has some difficulty in grasping the notion of retrospectivity. If conditions are subsequently changed by a Government tax decision, which applies to the transaction, even though at the time no one could know that the change would occur, retrospectivity has clearly taken place.

If we vote for the amendment—and one never knows in a democratic Parliament how many colleagues will go through the same Lobby—we must act responsibly and accept that the consequence of voting for something is that it may pass into law. I recognise that, if that happens, the Government will lose revenue. I have not made the calculation but I take on board the figure of £100 million or £120 million, which is not insubstantial. I am always careful about voting for a measure that will cost the taxpayer £100 million to £120 million. Perhaps the phrase "cost the taxpayer" is a little unfair because the taxpayer had no more idea than anybody else that the Government were proposing the measure.

In every society that operates under the rule of law and in a market economy that is run on sound principles, the principle that there should be no retrospectivity is so important that establishing it is worth £100 million or £120 million. If the Government are defeated, that will convey a signal to them and subsequent Governments, who may be tempted by retrospectivity, that it is expensive because the House of Commons may rightly take a principled stand. Our predecessors for generations and centuries have upheld the principle that the House should not legislate retrospectively, whether for tax law or other laws. I leave aside the special circumstances of tax avoidance schemes.

We in our generation should uphold the principle that I have outlined. If the cost of doing that in the current circumstances is £100 million or thereabouts, I fear that it must be borne in the higher and longer-term national interest.

Rob Marris: We are debating two principles this evening. First, the hon. Member for Christchurch (Mr. Chope) raised what might be called the constitutional principle. I understand that and I will be interested in the Government's response.

Secondly, we are considering retrospection. I understand the principle that the hon. Member for Grantham and Stamford (Mr. Davies) enunciated. However, he has got it round his neck when he tried to give practical examples. That also applies to the hon. Member for Falmouth and Camborne (Julia Goldsworthy), with her ridiculous argument about consuming a bottle of whisky. They both fail to

[Rob Marris]

differentiate the purchase of a physical artefact—whether a tie, a bottle of whisky or a car—and the delivery of a service.

For example, if the hon. Member for Grantham and Stamford looks back, he will realise that, when the Conservative Government, contrary to their electoral promises, raised the VAT rate markedly, that higher rate covered services, which were delivered after the change in the VAT rate, even though the agreement for providing them was made before the increase.

Mr. Quentin Davies: The hon. Gentleman used the word "principle". I hope that he agrees that a good principle remains good even if someone in the past has breached it. If some past Government or Government of a different complexion have breached it, that in no way negates or reduces its importance. Surely he does not seriously suggest that different tax rules—in the case that we are discussing, different rules relating to retrospectivity—should apply to goods and to services. He has a background in economics and he knows that there is no foundation for such a distinction in the science of economics.

Rob Marris: Perhaps I am not making myself clear. I understand the principle that the hon. Gentleman outlines. I am trying to explain that there is no retrospectivity in air passenger duty. I understand the constitutional point—we will consider that shortly and the Financial Secretary will tackle it—but there is no retrospection in air passenger duty.

7.15 pm

Although I have an A-level in economics, my background is in being a lawyer. I therefore know something about contracts. The tax is not to do with when the contract is made but, in the case of a service, which often entails delay, when the transaction is concluded through the delivery of the service. The example that the hon. Gentleman gave of the tie was a concluded deal and ownership had passed before the tax change had occurred.

Mr. Davies: The important point about air passenger duty is that the economics of the transaction will be changed subsequently. I am sure that the hon. Gentleman agrees that any transaction is based on a balance of cost and gain. Each party has costs and gains. In the example that I cited, the Financial Secretary lost his tie and gained some money. If the state subsequently changes the economics of a transaction, the equation would be different and one or other party to it would probably not have undertaken it if he or she had known what was coming. That is the essence of retrospectivity and the hon. Gentleman cannot deny that that is the result of the Government's actions in the matter that we are discussing.

Rob Marris: The hon. Gentleman says that I cannot deny it but I do.

Julia Goldsworthy: As my pocket money probably would not have stretched to procuring any services when the change in VAT to which the hon. Gentleman referred was made, will he clarify whether people were liable for the increase regardless of whether they had paid for the services and of whether the contract to provide them had been agreed?

Rob Marris: It happened when the service was performed. For example, if one engages a VAT-registered garden company and the VAT rate changes before the garden is done up, the higher rate has to be paid. It is not simply a matter of goods and services. The nature of the purchase of goods often means that ownership changes instantly whereas delivery of a service can be delayed.

The Financial Secretary to the Treasury (John Healey): My hon. Friend is making a typically well argued case. Does he agree that the point at issue, which is causing some confusion, is that the tax point in air passenger duty is that of departure, not of purchase?

Rob Marris: My hon. Friend is as perspicacious as ever. If a service has been bought in October 2006 but is performed by an aircraft company in April 2007, there is a duty on departure when the service is performed—when the aircraft takes off with a passenger in it. There is therefore no retrospectivity in the provision.

Mr. Gauke: I was merely going to intervene on the hon. Member for Wolverhampton, South-West (Rob Marris). I thought that his VAT example was good, but as his argument developed it became clear that it was not. Value added tax is payable when the service is paid for, and if that happens before the increase in the rate, no further payment is necessary. That is the difference between VAT and air passenger duty, for which, as the Financial Secretary said, the tax point is later. I simply wanted to make the point that VAT is not an adequate example and that the Government experience great difficulty in providing examples of similar retrospective legislation—

The First Deputy Chairman: Order. May I clarify whether the hon. Gentleman is making an intervention or a speech?

Rob Marris: I had finished speaking.

The First Deputy Chairman: The hon. Member for South-West Hertfordshire (Mr. Gauke) is therefore making a speech.

Mr. Gauke: I am grateful for your clarification, Mrs. Heal, of exactly what I am doing—*[Interruption.]* And I thank the hon. Member for South-East Cornwall (Mr. Breed) for his retrospective clarification.

The difficulty for the Government is that the examples that they have produced generally relate to cases of a market-sensitive nature, such as the example given by the hon. Member for Bishop Auckland (Helen Goodman). No doubt we shall hear other examples from the Minister later in which there has been a delay before parliamentary ratification, perhaps because of a general election, for example.

As I am now making a brief speech, I will ask the Financial Secretary to clarify one point. I remember that, immediately after the pre-Budget report, there were strong rumours floating around that the Chancellor had received strong advice from Treasury officials that this rise in air passenger duty could be attacked and that it might be illegal. It was also rumoured that the Chancellor had been advised to delay its implementation until after the Budget in March. No doubt there will at some point be a freedom of information request from *The Times* seeking details of the advice that the Chancellor received, but I should be grateful if we could short-cut the process so that we do not have to wait two or three years for the answer. Will the Financial Secretary confirm or deny that the Chancellor received strong advice that this retrospective legislation could prove vulnerable in the courts?

Mr. Redwood: We are hearing the most extraordinarily convoluted legal arguments from the Government about why this measure is not retrospective, and why it is a good thing that people will have to pay this tax in spite of having paid for their tickets in advance of its imposition. Perhaps the House should think about the underlying realities of the people for whom we are legislating today. We know that it is the Government's policy that only the rich should travel. Clause 12 is part of their policy that those on low incomes should be priced out of travelling by air. That is the purpose of the duty. Clearly it will not price the rich people on expense accounts at the front end of the aircraft out of travelling; it will price the poor out.

Helen Goodman *indicated dissent.*

Mr. Redwood: I see the hon. Lady disagreeing with me, but she should recognise that her Government wish to reduce the number of people travelling by air by taxing them, and that it will be the poor, not the rich, who get thrown out.

Helen Goodman: Surely the right hon. Gentleman can understand that the people in the top 25 per cent. of the income distribution take on average six return flights a year and that the people in the bottom 25 per cent. take on average one such flight a year. The benefit to the environment would be secured if those people on high incomes who take six flights reduced the number to, say, four. This would not reduce the opportunity for the rest of the population to go on their summer holiday.

Mr. Redwood: The Conservative party is holding a consultation on this sensitive issue. One of the questions in the consultation asks whether there is a way of imposing taxes on air travel that would be less penal for those on low incomes, and that would get away from the obvious obstacle in clause 12. Perhaps even worse than the underlying reality of clause 12—which is its aim of taxing the poor out of planes—is that, although those people on low incomes have already bought their tickets and carefully calculated their family budgets, perhaps for a once-in-a-lifetime trip that they could not normally afford in other circumstances, the Government have suddenly come along and said, "We have bad news for you. All your family members have to pay this extra air passenger duty." The fact that those people have already paid for their tickets and that that is a done deal has no impact on the Government; they are stony-hearted men and women, and they are going to impose the tax anyway.

I will be guided by my hon. Friends on the Front Bench, and I suspect that they will suggest that we let the Government get on with this, because the reality is that I do not think that my hon. Friend the Member for Christchurch (Mr. Chope) has enough people crowding around the Chamber to defeat the Government on this measure. Either the Government must change their hard heart, and their mind, and find another way to raise this £100 million, or those people will be badly damaged. I shall give the Government some free advice, as I often do. They could make themselves considerably more popular on the eve of the local elections if they cancelled this tax on people travelling around and paid for it by cancelling the identity card scheme. Indeed, if they did that, we would be able to have other tax reductions as well—

The First Deputy Chairman: Order. We are not discussing the identity card scheme this evening.

Mr. Redwood: I accept your advice, Mrs. Heal. I was illustrating that there are other ways of finding £100 million, and a lot more besides. We are discussing whether £100 million is absolutely essential to the future of the Government, and I was making the point that there are many popular ways for them to show that that £100 million is not essential to them.

My hon. Friends on the Front Bench are probably worried, because they have seen what the Government can do, about what would happen were they to recommend that we vote against the measure. It would be scored as £100 million that the Conservatives would not have when they come to power. The reality is completely different, however. We all know that the Government are going to take this £100 million tonight, and many more hundreds of millions of pounds through this tax in the run-up to the next general election.

Any sensible Government would accept the Opposition's position, which is that, in due course, nearer to the election, we will set out our tax proposals for a future Conservative Budget, but I hope that that will not get in the way of our vigorously opposing measures such as these, which are mean-minded and unpleasant. I hope that the Minister will think again, but I am sure that he is not going to. He obviously believes in retrospectively taxing the poor.

Mr. Brooks Newmark (Braintree) (Con): Thank you for calling me to speak, Mrs. Heal, and I appreciate the ongoing guidance that I have received from you. I have four brief points to make on amendment No. 3 and the deferral of the air passenger duty increase. I use the term "increase" advisedly because, in respect of economy fares, the Chancellor has merely undone his own handiwork.

First, I want to make it clear that air passenger duty has nothing whatever to do with forestalling. I do not want to get too bogged down in procedural intricacies

[Mr. Brooks Newmark]

and precedents, but the precedent laid down by my right hon. and learned Friend the Member for Rushcliffe (Mr. Clarke) when he originally introduced air passenger duty was to give the industry several months in which to adapt to the duty and to any subsequent rises. As I understand it, however—perhaps my hon. Friend the Member for Christchurch (Mr. Chope) will correct me if I am wrong—amendment No. 3 seeks partly to preserve that precedent which, until the Chancellor scrapped it, helped to prevent a good deal of unnecessary confusion to airlines, tour operators and passengers alike.

My second point is that air passenger duty is not at risk of forestalling precisely because it does not really help to effect behavioural change. APD was introduced on a clear pretext: to raise revenue from an under-taxed industry. The reason for the curious timing of the APD increase that appeared in the pre-Budget report was equally clear: it was to raise £100 million of additional revenue. That was certainly the view of Robert Chote of the Institute for Fiscal Studies when he gave evidence to the Treasury Committee. He said:

"The fact that the Chancellor is in a tight position I think is clear...from the fact that he did not offset the rise in green taxation with a cut in other taxation, as he might have found appealing given the political debate".

Martin Weale, also giving evidence, told me personally that APD

"is very much at the level where it is just an additional tax rather than really going at changing behaviour."

Likewise, the Institute of Chartered Accountants was of the opinion that APD did not demonstrably change behaviour.

It took another three and a half months for the Treasury to concoct an explanation. When Mark Neale from the Treasury gave evidence on the Budget, he suddenly told me that

"the APD change came in quickly because there were pressing environmental reasons for bringing that change in quickly."

I will not try to guess what those pressing environmental reasons were, but it remains my opinion that there were pressing economic reasons to grab the £100 million on offer from seven extra weeks of increased yield. What we need from the Chancellor now and in the future is a much clearer differentiation between taxation to change behaviour and taxation simply to raise revenue.

7.30 pm

My third point concerns the anomaly that tour operators have faced regarding their ability to pass on the cost of increases to their customers, to which the hon. Member for Falmouth and Camborne (Julia Goldsworthy) referred earlier. I know that the matter is, embarrassingly, sub judice, and that the Financial Secretary gave some reassurance in February that he would have the Department of Trade and Industry consider reviewing the guidelines.

Mr. Chope: Has my hon. Friend seen that a consultation paper has been published today in relation to reviewing the guidelines? Having looked at that consultation paper, however, I can say that any expectations that he had that the problem would be solved will be dashed.

Mr. Newmark: My hon. Friend beats me to my peroration, which, sadly, I will now have to leave aside.

I want to address, however, the damage that has been done to the reputation of environmental taxation by this debacle. The Treasury claimed that APD would save 1.1 million tonnes of CO_2 annually, but it is left to the Environmental Audit Committee to remind us that that is a cut in projected growth, not a cut in absolute terms.

John Healey: The Treasury has at no stage said that the APD change will lead to a saving of 1.1 million tonnes of carbon each year. Its direct impact will be to save 0.3 million tonnes of carbon a year, as I and the Treasury have consistently made clear. Given the savings on other greenhouse gas-causing emissions, which are not CO_2, its overall impact will be to save about 750,000 tonnes of carbon a year by 2010. I hope that that helps that hon. Gentleman, and does not damage his case too much.

Mr. Newmark: No, it does not damage the case. I appreciate the clarification, but it does not detract from my point that APD is effectively a blunt instrument to deal with the amount of CO_2 being chucked out into the air.

Mr. John Gummer (Suffolk, Coastal) (Con): Does my hon. Friend agree that were the proposal a green tax, no more would be paid for a full aeroplane than for an empty aeroplane? It is a simple fact—

The First Deputy Chairman: Order. I am afraid that that intervention is not relevant to the debate.

Mr. Newmark: I appreciate that guidance, Mrs. Heal, but I do concur with my right hon. Friend.

There is a legal challenge against APD on the grounds that it is not a proper environmental tax, with the result that the entire industry is feeling less inclined to be co-operative with the Government. There is a growing sense among the general public that APD—

The First Deputy Chairman: Order. May I remind the hon. Gentleman of the amendment under discussion, which is not about environmental taxation? His remarks might be more suited to the clause stand part debate.

Mr. Newmark: Again, I appreciate your guidance, Mrs. Heal, but my remarks were a precursor to my final point.

Lastly, there seems to be no intention that APD revenue, especially the extra £100 million stealthily—or perhaps not so stealthily—taken from airline passengers should be hypothecated to investment in the environment, such as building more flood defences.

Mr. Edward Leigh (Gainsborough) (Con): To be entirely in order, the debate should be about the implementation date. The Minister has made an intervention, however, giving an estimate of the

amount of carbon emissions that would be saved. Will my hon. Friend tell us what proportion of worldwide carbon emissions from aviation will be saved by varying the implementation date? I suspect that it would be infinitesimal.

The First Deputy Chairman: Order. May I point out to the hon. Gentleman that the decision as to what is in order is entirely a matter for the Chair?

Mr. Newmark: Thank you, Mrs. Heal.

As I was saying, the £100 million retrospective tax would be most beneficial if it could be hypothecated to building such things as more flood defences, which would be most welcome in my constituency, especially in the north end at Three Fields, in the south near the village of Coggeshall, and particularly in my own village of Bradwell.

Mr. Paul Goodman: You are policing the conduct of the debate as vigorously as ever, Mrs. Heal, which is entirely appropriate. Let me reassure you that I do not propose to be dragged away from considering the amendments of my hon. Friend the Member for Christchurch (Mr. Chope), either by the general debate about the clause or by the Liberal Democrat amendments, which we will deal with in due course. During the opening debate, I will confine my remarks to the amendments tabled by my hon. Friend.

I think that the record will reflect that, essentially, the hon. Member for Bishop Auckland (Helen Goodman) said that my hon. Friend was looking around for reasons to oppose the APD rise and had picked on the issue of retrospectivity as a kind of fig leaf. That is unfair to him: he has obtained an Adjournment debate on the subject, has campaigned persistently on the issue—I have had dealings with him on it—and takes the constitutional aspects of the business extremely seriously. Therefore, I had better have my wits about me in dealing with his amendments.

Although Conservative Front-Bench believe that the retrospective nature of the rise is dubious at least, are sympathetic to the intention behind the amendments tabled by my hon. Friend and fully share his concern about the principles of retrospectivity involved, we part company with him to some degree on the likely effect of the amendments if implemented, and cannot support them if he presses them to a vote. I hope to have something reassuring to say to him later, but in the meantime I shall examine in detail the points about retrospection.

As the hon. Member for Twickenham (Dr. Cable) said, these matters involve a certain amount of theology, and the whole question of whether the Chancellor, Treasury and Financial Secretary have acted retrospectively in relation to the clause has been closely considered, not least by the Treasury Committee, of which my hon. Friends the Members for Braintree (Mr. Newmark) and for South-West Hertfordshire (Mr. Gauke) are members. What it has said deserves some airing, because there has not yet been an opportunity to do so.

If we review the history of the doubling of APD, we see that it is not altogether a happy story. The last significant rise, as I pointed out to the hon. Member for Bishop Auckland, was announced in March 2000 and implemented in April 2001. At that time, therefore, Ministers gave roughly a year's notice of the rise. They helpfully explained at the time that the delay

"would allow airlines and tour operators plenty of time to adjust their marketing and pricing strategies to the new structure."

That was only a few years ago.

By contrast, the current rise was announced on 6 December last year, in the pre-Budget report, for implementation on 1 February this year—not a year's notice or even six months' notice, but less than two months' notice. There was no question this time, then, of allowing airlines, tour operators and especially passengers "plenty of time" to adjust. Indeed, those passengers who had already bought tickets dated after 1 February, and to whom price rises were passed on, were given, as my hon. Friend the Member for Christchurch said, no time to adjust.

The Treasury Committee elegantly described that as the "first element of retrospection" of the rise that the clause seeks to bring into effect. We are therefore bound to ask the Financial Secretary: why the rush? Why did Ministers give a year's notice of the last significant rise in APD, but less than two months' notice of this one? I think that we know the answer, to which my hon. Friend the Member for Braintree alluded in relation to the evidence heard by the Treasury Committee. The Chancellor was not, it seems, overcome by an urgent desire to hurry through a reduction in emissions by the means of APD, but simply grabbing the first instrument to hand to help him to pay off the £153 billion that he plans to borrow over the next five years.

There are more questions. For instance, what estimate has the Treasury made of the number of passengers who paid the new rates of APD on tickets dated after 1 February, when many airlines—as the Treasury will have anticipated—pass the cost of the rise to passengers, and what estimate has it made of the cost to those passengers? How much will they pay in total? Can the Minister confirm that the Federation of Tour Operators has issued judicial review proceedings against the Chancellor in relation to the rise, that the Government have acknowledged the service of the claim, that a judge has directed that they must serve their defence by this Friday, and that the court has directed that the case be heard quickly with the intention that judgment may be given by the end of July?

I mentioned a moment ago that the Treasury Committee had described this manoeuvre as the "first element of retrospection". This takes us to what it described as the "second element of retrospection". It observed that

"the liability to pay Air Passenger Duty at the new higher rates will effectively be incurred before the House of Commons has authorised the increase".

The Committee concluded—I consider this an important section of what it said on the subject—

"As a general rule, we consider that, where increases in rates of duties or taxes are proposed in the Pre-Budget Report, those increases should not come into force until after the House of Commons has had an opportunity to come to a formal decision on the proposed increase following the Budget. We draw the attention of the House of Commons to the unusual timing of the implementation of the increases in Air Passenger Duty, for which the Treasury has not cited any relevant precedents."

[Mr. Paul Goodman]

That carefully crafted reproof—I do not know why the Financial Secretary is wincing; I am merely reading what the Select Committee had to say—suggests that any precedent cited by the Treasury was not relevant.

The Financial Secretary is on record as citing two specific precedents: the supplementary charge on North sea oil announced in the 2005 pre-Budget report, which was introduced with effect for accounting periods from 1 January 2006, and the increase in fuel duty announced in the 2006 pre-Budget report and implemented from midnight. My recollection is that he cited both those precedents during the debate initiated by my hon. Friend the Member for Christchurch on 27 February. Unfortunately, both those precedents look a little dubious. As the House of Commons Library points out,

"It is arguable that these examples do not provide a precedent that captures all the aspects of the rise in APD rates: for example, the amount of time between the implementation date, and the date the House formally approved the measure (i.e.: that it was a matter of weeks, not days); the nature of the tax change (that it was an increase in tax rates. Not just a tax continuation), and the fact that projected receipts from the change would not have been significantly affected by a delay in the implementation date (either from taxpayers taking account of the announcement, or external factors affecting the yield from the levy)."

In other words—this touches on a point raised earlier by the hon. Member for Falmouth and Camborne (Julia Goldsworthy)—consumers have not usually pre-booked the fuel, or the alcohol or tobacco, that they consume immediately after a budget or pre-Budget report rise in duty on those products. The North sea oil supplementary charge was essentially driven by a strong surge in oil prices, and was implemented immediately to prevent forestalling—the practice of taking advantage of any implementation delay to amend tax planning strategies. As the Library puts it,

"this type of calculation would not be relevant in setting the rates of an airport departure tax".

Adam Afriyie (Windsor) (Con): The least well-off tend to book their flights much further in advance, because the earlier a booking is made, the better the deals available. On that basis alone, will those people not be disproportionately affected?

7.45 pm

Mr. Goodman: My hon. Friend makes a fair point.

My hon. Friend the Member for Chipping Barnet (Mrs. Villiers), the shadow Chief Secretary, has received a letter from the Financial Secretary citing further precedents. We want to examine those, because the Library note on the other precedents that he cited is extremely interesting.

That brings me directly to the amendments tabled by my hon. Friend the Member for Christchurch—

Mr. Leigh: May I say at this point that my hon. Friend is making such an elegant case against the Government that he has persuaded me to vote for the amendments?

Mr. Goodman: I was waiting for someone to make that point. I am only surprised that my hon. Friend needed persuading to vote for them. Evidently I have not entirely mastered his psychology: I must pay more attention in future.

I entirely agree with my hon. Friend the Member for Christchurch that the way in which the APD rise has been implemented has been—as the Library note confirms— legally and procedurally dubious, to say the least. But I doubt that the Financial Secretary will spring to his feet tonight to announce that the Chancellor has accepted the Select Committee's reproof and to guarantee that his successor will not implement a tax increase in this way in future without consulting the House first.

Mr. Redwood: Given the serious legal proceedings that the Government have had to accept, were they to lose the case presumably it would cost us even more money as taxpayers, because they would have to refund all the money and go to enormous administrative expense to sort out the mess. If the Government gave in on the amendments, they might do all of us a favour by saving us money in the event of defeat in the courts.

Mr. Goodman: My right hon. Friend makes a fair point. A sword of Damocles is hanging over the Government. I do not think that the House of Commons is the right place in which to decide what change is legally in order and what is not, but it may well be that the Government have been as careless about the legal aspects as they appear to have been with the procedure.

Where I part company with my hon. Friend, to an extent, is over his belief that passengers who purchased tickets between 1 February and Budget day, 23 March, and who have consequently had part or all of the Chancellor's APD rise passed on to them by the airlines, are likely to be reimbursed by them if his amendments are passed. This is a crucial point. Part of the debate has been conducted almost on the assumption that APD is paid directly by passengers, but in fact it is paid by the airlines. It is hard to see how the amendment would not simply result in a windfall for the airlines—a windfall of some £100 million, according to our calculations and my hon. Friend.

Mr. Chope: I think my hon. Friend has misunderstood my amendment. It would not give relief only to passengers who had purchased tickets between 1 February and 21 March; it would give relief to all passengers who had purchased tickets for travel between those dates, regardless of when they had purchased them. Some might have purchased them many months earlier.

Mr. Goodman: The key point, though, is that it would give relief to the airlines, because the airlines, not the passengers, pay the duty. One of my reasons for asking the Financial Secretary earlier how much of the increase had been passed on to passengers was the genuine uncertainty that exists on this point. We fear that as a result of the amendment the airlines might simply receive the windfall, say "Thank you very much" to the Treasury, and not pass on the £100 million to the passengers.

My hon. Friend seems to be arguing that the genie can somehow be compressed and put back in the

bottle. We are not convinced that the damage caused to passengers by the companies that chose to pass on the retrospective rise can be addressed by the amendment, but we are certainly not happy to leave the matter there. Although we cannot support my hon. Friend if he insists on pressing his amendment to a vote, we intend to table a new clause at a later stage that will prevent the Chancellor's successor from behaving in the same way in relation to APD. I hope that it will have the support of my hon. Friend as well as that of other Members.

In conclusion, this retrospective rise should not have happened. As my right hon. Friend said, it may be found to be illegal by the courts. However, it is genuinely difficult at this stage to correct the effects on passengers of a change in duty that has already come into effect—to put the genie back into the bottle or, groping for another cliché, to lock the stable door after the horse has bolted. However, as I say, we intend to table a new clause to prevent the Chancellor's successor from carrying out such a retrospective manoeuvre again.

John Healey: I think that this has been quite a good debate. All the contributions, with the exception of that by the hon. Member for Wycombe (Mr. Goodman), have been clear. His was extraordinarily convoluted. It twisted and turned. I appreciate his position and look forward to any substantive contribution that he may make to the debate on air passenger duty at subsequent stages of the Bill.

Mr. Paul Goodman: The Minister finds me convoluted. May I simply ask him a straightforward question? Does he agree with the Treasury Committee that he has not cited any relevant precedents for this retrospective increase?

John Healey: The hon. Gentleman said himself that he wants to study the letter that I have sent to the hon. Member for Chipping Barnet (Mrs. Villiers), with a whole list of precedents, which I will mention in a moment. Clearly, they are relevant and he wishes to study them. The Treasury Committee did not have access to that information when it came to its conclusions and published its report.

Mr. Goodman: Will the Minister give way?

John Healey: I will, although I want to deal with some of the points that those who have contributed have made to the debate.

Mr. Goodman: Why did not the Treasury Committee have access to the precedents?

John Healey: The information before the Treasury Committee did not include the information that I was able to set out, first, to the Chairman of the Procedure Committee and then to Conservative and Liberal Democrat Front Benchers who lead on the subject.

Mr. Gauke: I am a member of the Treasury Committee. We hold a number of hearings after a pre-Budget report. There was plenty of opportunity for the Government to cite precedents that we might have considered to be relevant, but the Government did not take that opportunity. Can the Minister explain why?

John Healey: For the purposes of this debate, there are a number of precedents that I wish to cite. I set them out in some detail to the Chairman of the Procedure Committee, to which I will refer, to Conservative Front Benchers and to the hon. Member for Falmouth and Camborne (Julia Goldsworthy), who speaks for the Liberal Democrats on the matter. What is clear is that aviation currently is responsible for nearly 6 per cent. of the United Kingdom's carbon dioxide emissions, but that figure is rising and aviation is also responsible for other non-carbon dioxide emissions that contribute to climate change. Very few contest the case that that under-taxed industry should at least cover the climate change costs that it imposes, and very few contest that action is necessary to encourage aviation to reduce the climate change impact.

While the Government continue to push and have led the arguments for aviation to be included in the European Union emissions trading scheme, which we view as the best, most effective and most efficient policy instrument available, it is right to look at what can be done domestically with the policy tools at our disposal at this point. That is what we said in the air transport White Paper in 2003, in the Budgets in 2004, 2005 and 2006 and in the energy review in 2006.

Mr. Chope: If that is so, can the Minister confirm today that, when the European emissions trading scheme comes into place, air passenger duty will be abolished, because that was a pledge that his ministerial colleague was unable to give the European Committee the other day?

John Healey *rose—*

The First Deputy Chairman: Order. I wonder whether I could ask the Minister to move on quickly to the amendments currently under discussion. Perhaps the comments made would be more appropriate in the debate on clause stand part.

John Healey: Of course I will, Mrs. Heal. It has been a wide-ranging debate to date. Let me return to the question of the air passenger duty and the proposals of the hon. Member for Christchurch (Mr. Chope).

To be clear, air passenger duty is a tax on airlines, payable by airlines. It is charged per passenger at the point of departure from UK airports, so it is a departures tax. It is not a ticket tax, not a booking tax, not a purchase tax. Again, the tax point is the point of departure by the passenger from the UK airport, not the point of purchase of the flight ticket. That is just as it was in 1994 when the APD was introduced by the previous Government and it is just as it has been for every change since.

Mr. Redwood: Can the Minister tell us how much of the extra duty has been charged directly to the customers who had already bought their tickets, and how many airlines have put surcharges on all subsequent ticket sales?

John Healey: I cannot precisely, because clearly that is a commercial arrangement between the airlines and their passengers, but, for example, Ryanair e-mailed its customers who had pre-booked and direct debited the increase in the air passenger duty from those accounts. BMI and British Airways waived the increase and absorbed the costs. There was a variety of different responses from different commercial operators. The right hon. Gentleman would appreciate that that is properly a commercial matter for those companies in relation to their customers.

Mr. Newmark: Further to what my right hon. Friend the Member for Wokingham (Mr. Redwood) has said, the Minister has just said that the money is to be used to deal with the damage created by CO_2. Therefore, I would like to ask him a specific question: how much of the £100 million that is being raised will be used to deal with the damage that CO_2 has created?

John Healey: The Chancellor was clear in his pre-Budget statement and I have made the position clear since then in different debates and in Select Committee inquiries. The rise in the air passenger duty will contribute to the increase in spending that we are looking to be able to deploy to some of our priorities, including, specifically, transport and environmental protection. This may interest the hon. Gentleman. He mentions £100 million, but in 2005-06, as the public expenditure statistical analysis confirms, we spent as a Government £8.4 billion on environmental protection. He may have seen yesterday that we published the new PESA outturn estimates. For 2006-07, the spending on environmental protection was £9.7 billion.

Mr. Illsley, I welcome you to the Chair and to this debate. The intention to introduce this legislation to Parliament was announced to Parliament in the pre-Budget report on 6 December and the change has effect for all flights departing after 1 February 2007.

I pay tribute to the hon. Member for Christchurch. As members of the Committee recognise, he has been dogged in his pursuit of the issue. He raised it on a point of order, in an Adjournment debate with me, in a debate on the Budget resolutions, although none of the others from his party who have signed his amendment did so, and of course he has raised the matter today. The decision that we have taken, the move that we have made and the provision in the Bill is not an illegal act, as he asserts. We will mount a strong defence in the case that the Federation of Tour Operators is bringing to the courts. I am confident that our arguments will carry the day.

The hon. Gentleman advanced three arguments. Let me contest each and every one of them. The measure is not retrospective; it is not out of step with established parliamentary procedure; and it is not a measure going through the House without parliamentary scrutiny and debate. I will take those in reverse order.

On the issue of proper debate and scrutiny in Parliament, after the pre-Budget report statement on 6 December, Treasury officials and the Chancellor gave evidence to the Treasury Committee on 12 and 13 December; I gave evidence to the Environmental Audit Committee on 31 January; I gave evidence to the Treasury Committee on 7 February; I wrote to the Chair of the Procedure Committee on 27 March; I answered an oral question in this Chamber in January and I answered the hon. Gentleman's Adjournment debate in February. Finally, the House had the opportunity to debate the resolution over four days following the Budget, before the taxpayers concerned had to pay out any of the increased sums for which they were liable. At the end of those four days of debate on the Budget resolutions, the House voted on the proposals for APD announced in the pre-Budget report. The vote was carried by 296 to 84—and I must say that the Whip, my right hon. Friend the Member for Rutherglen and Hamilton, West (Mr. McAvoy), would welcome a majority of 212 on several other issues that face us. We are also now having scrutiny and debate as part of our consideration of this Finance Bill. Therefore, the first assertion is not founded.

8 pm

The second argument related to parliamentary precedent. In announcing and putting forward the provisions for the rise in APD, we have used provisions under the Provisional Collection of Taxes Act 1968. We followed established procedure that has been used on a number of occasions by this Government and previous Governments. I confirmed that to the Chairman of the Procedure Committee in March. I understand that that Committee has neither considered nor reported my letter, and I therefore wrote separately to the hon. Members for Chipping Barnet and for Falmouth and Camborne to make many of the same points as were made in the letter.

I wish to quote a couple of passages from that letter. The hon. Member for Twickenham (Dr. Cable) is right that some of the precedents relate to anti-avoidance, but by no means do all of them:

"Others include, for example, the resolution to charge income tax for the 2002-2003 financial year…at the specified rates."

An older precedent mentioned was the petroleum revenue tax:

"In August 1978, the Government announced a package of changes to the tax, including an increase in the rate to 60 per cent. from 1 January 1979. The measure was not enacted until the post-election 1979 Finance Bill…These precedents are in addition to the one I cited in the House of the North Sea Oil taxation measures"

—the increase in the supplementary charge—

"announced in the 2005 Pre-Budget Report"

and implemented from 1 January 2006. Therefore, it is clear that established parliamentary conventions and procedures are not being broken.

Finally, let me turn to the third argument on retrospection. My hon. Friends the Members for Bishop Auckland (Helen Goodman), for North-West Leicestershire (David Taylor) and for Wolverhampton, South-West (Rob Marris) understood the point to do with this clearly, although a number of other contributors did not. I must say to the right hon. Member for Wokingham (Mr. Redwood) that the arguments are not at all convoluted; they are straightforward. Far from being retrospective, this tax change was pre-announced. The pre-Budget report documents made it clear that the new rates would apply to passengers departing the UK from 1 February. I accept that there is an issue in respect of those passengers who pre-booked before the pre-Budget report of 6 December, but the airlines had almost two

months to deal with that. I say to the hon. Member for Wycombe that they are the liable parties. The airlines are responsible for payment: the airlines choose, and have chosen, whether to levy the APD increase on their passengers or to absorb the costs.

Let me repeat that the distinction is principally to do not with goods and services, but with the point of tax. The point of tax is when a flight takes off, not when it is booked. All previous changes to APD have applied to both flights that were already booked at the time of announcement and to flights booked subsequently. That did not make those changes retrospective. How or whether to pass on the cost of the tax is a commercial matter for airlines. It is a matter to do with their pricing policy, their judgment and the terms and conditions of their ticket sales.

Mr. Leigh: This is a theological argument about dancing on the head of a pin. What about the public? They have no choice. It does not matter whether Ryanair keeps the money or gives it back. The Government can blame it or not. What about the public? What about somebody who has pre-booked his ticket and is now surcharged? Do such people not have any rights?

John Healey: It is not a theological argument. It is a principled argument that is based on legislative and parliamentary precedent. For the hon. Gentleman's benefit, let me add that because APD is a tax on airlines and not passengers, if a flight that is booked is cancelled or not taken, no APD is liable. Whether an airline then repays to the customer the equivalent sums of the APD that they have already taken is a matter for the airlines, and a question to do with their terms and conditions. I and many other Members have had experience of constituents who have found it difficult to get that APD repaid when they have not taken flights that they have booked and paid for.

Rob Marris: Many airline passengers are aware that the actual price of the service that they are buying is more likely to vary upwards than downwards and that it is more likely to do so the longer the interval between when they book and when they fly, because of fuel surcharges which are commonly added in by many airlines. Therefore, passengers are aware that prices can change.

John Healey: It is also frequently the case that people or organisations make decisions on investments, purchases or pricing without having full knowledge of how the tax position may change.

I wish to emphasise that following the pre-Budget report I and officials at the Treasury and Her Majesty's Revenue and Customs held many meetings with those affected by the change, including representatives of airlines, travel agents and tour operators. During those discussions, I was able to clarify a couple of points to them, on which I wish to update the House.

The hon. Member for Braintree (Mr. Newmark) raised an issue to do with package travel regulations. Scheduled airlines were generally able to pass on the cost of APD if they wished—although some, of which I have cited two, chose not to do so. We recognise that tour operators, who account for about 15 per cent. of the flights on which APD is charged, are restricted by the Package Travel Regulations 1992 from passing on increased costs to customers. The European Commission is planning a review of the directive from which the regulations stem. We believe that it should be fundamental and wide-ranging. We expect the EC soon to issue a discussion document setting out options for the review, and my right hon. Friend the Minister for Trade, Investment and Foreign Affairs has today written to the commissioner for consumer affairs underlining the importance that we place on the review of the directive and urging that any review should be wide-ranging and fundamental.

The next point relates to how APD is currently defined in terms of classes of travel; I think that the hon. Member for Christchurch referred to the consultation on this earlier. The aviation and tour operator industries have raised with me concerns about the current structure of APD, which has not changed since it was introduced more than 10 years ago, and in particular in relation to the treatment of seats on business-only flights or seats marked as premium economy. Following initial meetings with the industry, we announced in the Budget that we were open to reviewing the issue, given that the current structure might not send appropriate environmental signals and might cause market distortions. I can confirm today that HMRC has issued a consultation document seeking further information on possible options for change. I have placed a copy of that in the Library and it is also on the website.

In summary, the amendment would cost the Government £140 million—not £100 million, as the hon. Member for Christchurch suggests. The arguments that he mounts that this is a move without parliamentary precedent and without legal basis, that it is retrospective and that it has not been subjected to parliamentary scrutiny and debate are all wrong. I hope that I have been able to demonstrate that. I hope that he will not press his amendment to a Division. If he does, I shall have to ask my hon. Friends to oppose it.

Mr. Chope: I am grateful to the Financial Secretary for his response and for his comments about the package tour regulations, but I do not understand why the Government did not take account of them when they decided to double air passenger duty. Back in 1993, when those regulations were in place, my right hon. and learned Friend the Member for Rushcliffe (Mr. Clarke), the then Chancellor, introduced the concept of air passenger duty in his November autumn statement. He admitted that he did so because, unlike the present Chancellor, he was in need of extra money at the time. He was brave enough to say that, instead of trying to cover up the situation as some sort of environmental good thing.

My right hon. and learned Friend did not implement the tax, however, until 1 November 1994. He delayed implementing it not because he could afford to do so—he needed the money—but because he took the view that it would be inequitable to implement it earlier. My noble Friend Lord Cope of Berkeley, the then Paymaster General, told this House:

"It would be unreasonable to expect tour operators to take the theoretical possibility of new taxes into account"—[*Official Report*, 31 January 1994; Vol. 236, c. 643.]

[Mr. Chope]

For that reason, there was a very long lead-in period. The then Government knew about the position of tour operators, which has not changed under subsequent package tour regulations. Why, therefore, did this Government not take the same view this time? That is why they find themselves in the courts, and why the Financial Secretary is desperately exchanging notes with the European Commission before Friday, when he has to hand in to the High Court his submission in answer to the judicial review. I am therefore not convinced by that part of the Government's argument.

The Treasury must have known about this measure at the time of last year's pre-Budget report. It must have decided that, irrespective of the situation, it would proceed and impose a tax that will result in tour operators being charged £44 million, which they will not be able to recover from their customers. That is a windfall tax on tour operators—a point that needs to be taken into account when bearing in mind what my hon. Friend the Member for Wycombe (Mr. Goodman) said about the consequences of accepting my amendment.

I was also concerned at the Financial Secretary's saying that he was playing the situation by the book. He gave a technical, carefully worded response, saying that this duty was not retrospective because under the terms of clause 12, all the taxpayers concerned will not have to pay out any sums incurred before the Budget. He means by that not our constituents—the people who will pay these extra charges in order to travel by air—but the airlines. He implied in that careful use of language that because, technically speaking, the taxpayer in this case is the airline concerned, rather than the customer of that airline, the duty is not retrospective. That is disingenuous beyond belief. Constituents who booked before 6 December holidays and flights taking place after 1 February, and who were charged a surcharge when they got to the airport, have written to me about this issue.

If my amendment were carried, it would alleviate the burden in respect of the period between 1 February and 21 March and would provide extremely welcome relief to many passengers. It would not deal with those passengers who pre-booked their summer holidays, but it would provide relief for all those who booked in advance for their spring or half-term holidays, including most skiing holidays. As a matter of interest, I would probably be able to claim back money in respect of a foreign exchange to France by my son, who went to improve his French. That is not a significant issue; however, many other people would be in the same position if the amendment were carried.

8.15 pm

I thank my hon. Friend the Member for Wycombe for his courtesy; he powerfully reinforced the case that I was making for the amendment. My hon. Friend the Member for Gainsborough (Mr. Leigh) said that he was persuaded by his argument. It was only in the last few moments that my hon. Friend the Member for Wycombe poured cold water on the whole proposition. He suggested that it would somehow be wrong to enable airlines to enjoy a windfall gain as a result of this tax not being retrospective. Airlines such as Ryanair—I mention that one because it has spent a fortune on full-page advertisements campaigning on behalf of its customers against this awful tax—would not refuse to reimburse its passengers who travelled on flights between 1 February and 21 March; to do so is unthinkable. My hon. Friend the Member for Wycombe has not adduced any evidence to suggest that these commercial organisations would refuse to refund the money. In fairness, he does them an injustice if he thinks that they would behave in that way.

Rob Marris: I can give the hon. Gentleman some evidence, although it is an assumption so far as Ryanair is concerned. Ryanair is the kind of airline that used to charge passengers for using a wheelchair.

Mr. Chope: I know that Labour Members do not like Ryanair, which I think has been voted by its passengers the airline of the year and is one of the fastest growing, most successful airlines. My only regret is that it is not British-owned, but it is providing a very good service for its passengers. I am proud, as the Member of Parliament with Bournemouth international airport in his constituency, that Ryanair is one of its more popular operators. I hope that it will expand its number of routes next year.

Mr. Quentin Davies: In the event that my hon. Friend's amendment is passed and an airline subsequently refused to reimburse its customers for money that it had extracted from them on the basis that it needed to meet the tax liability imposed retrospectively by the Government, would it not be in a very weak position in the courts, having obtained money under entirely false pretences?

Mr. Chope: My hon. Friend is absolutely right.

The sad thing is that the argument that the airlines might not reimburse the money and might pocket it for themselves and their shareholders is the only argument on which my hon. Friend the Member for Wycombe relies in saying that he does not want the House to support the amendment. I welcome his re-stating our party's opposition to the principle of retrospection and his saying that we will table a new clause on Report, but actions speak louder than words, and the clearest message that our party could send tonight to our constituents is to vote against this example of retrospective legislation. It is very unfair and, as has been pointed out, it will be particularly damaging to those who booked their flights furthest in advance, who tend to be the weakest members of our society financially. It is time for us to give them some relief from this ghastly Government, so I hope that Members will support me in the Lobby this evening.

Question put, That the amendment be made:—

The Committee divided: Ayes 29, Noes 260.

Division No. 105] **[8.19 pm**

AYES

Breed, Mr. Colin	Campbell, rh Sir Menzies
Burstow, Mr. Paul	Carmichael, Mr. Alistair
Cable, Dr. Vincent	Donaldson, Mr. Jeffrey M.
Campbell, Mr. Gregory	George, Andrew

Goldsworthy, Julia
Hancock, Mr. Mike
Heath, Mr. David
Horwood, Martin
Howarth, David
Huhne, Chris
Kramer, Susan
Lamb, Norman
Leigh, Mr. Edward
McCrea, Dr. William
Moore, Mr. Michael
Mulholland, Greg
Paisley, rh Rev. Ian
Robinson, Mrs. Iris
Russell, Bob
Sanders, Mr. Adrian
Simpson, David
Taylor, Dr. Richard
Teather, Sarah
Walter, Mr. Robert
Williams, Mr. Roger

Tellers for the Ayes:
Mr. Christopher Chope and Mr. Quentin Davies

NOES

Abbott, Ms Diane
Ainger, Nick
Ainsworth, rh Mr. Bob
Armstrong, rh Hilary
Atkins, Charlotte
Austin, Mr. Ian
Bailey, Mr. Adrian
Balls, Ed
Barlow, Ms Celia
Barron, rh Mr. Kevin
Battle, rh John
Bayley, Hugh
Benn, rh Hilary
Benton, Mr. Joe
Berry, Roger
Blears, rh Hazel
Blunkett, rh Mr. David
Borrow, Mr. David S.
Brannan, Kevin
Brown, Lyn
Brown, rh Mr. Nicholas
Buck, Ms Karen
Burden, Richard
Burgon, Colin
Burnham, Andy
Butler, Ms Dawn
Byers, rh Mr. Stephen
Byrne, Mr. Liam
Caborn, rh Mr. Richard
Campbell, Mr. Ronnie
Caton, Mr. Martin
Challen, Colin
Chapman, Ben
Chaytor, Mr. David
Clark, Ms Katy
Clark, Paul
Clarke, rh Mr. Charles
Clarke, rh Mr. Tom
Clelland, Mr. David
Coaker, Mr. Vernon
Coffey, Ann
Cohen, Harry
Connarty, Michael
Cook, Frank
Cooper, Rosie
Cooper, Yvette
Corbyn, Jeremy
Cousins, Jim
Creagh, Mary
Cruddas, Jon
Cryer, Mrs. Ann
Cummings, John
Cunningham, Mr. Jim
Cunningham, Tony
Curtis-Thomas, Mrs. Claire
Darling, rh Mr. Alistair
Davies, Mr. Dai
Dean, Mrs. Janet
Dhanda, Mr. Parmjit
Dobbin, Jim
Dobson, rh Frank
Donohoe, Mr. Brian H.
Dowd, Jim
Drew, Mr. David
Dunwoody, Mrs. Gwyneth
Eagle, Angela
Efford, Clive
Elman, Mrs. Louise
Engel, Natascha
Farrelly, Paul
Field, rh Mr. Frank
Fisher, Mark
Fitzpatrick, Jim
Flint, Caroline
Flynn, Paul
Follett, Barbara
Foster, Mr. Michael *(Worcester)*
Foster, Michael Jabez *(Hastings and Rye)*
Francis, Dr. Hywel
Gapes, Mike
Gardiner, Barry
George, rh Mr. Bruce
Gibson, Dr. Ian
Gilroy, Linda
Godsiff, Mr. Roger
Goggins, Paul
Goodman, Helen
Grogan, Mr. John
Gwynne, Andrew
Hall, Mr. Mike
Hall, Patrick
Hamilton, Mr. Fabian
Hanson, rh Mr. David
Harman, rh Ms Harriet
Harris, Mr. Tom
Havard, Mr. Dai
Healey, John
Henderson, Mr. Doug
Hendrick, Mr. Mark
Hepburn, Mr. Stephen
Heppell, Mr. John
Hermon, Lady
Hesford, Stephen
Hewitt, rh Ms Patricia
Heyes, David
Hill, rh Keith
Hillier, Meg
Hodge, rh Margaret
Hodgson, Mrs. Sharon
Hoey, Kate
Hood, Mr. Jimmy
Hopkins, Kelvin
Howarth, rh Mr. George
Howells, Dr. Kim
Hughes, rh Beverley
Humble, Mrs. Joan
Hutton, rh Mr. John
Iddon, Dr. Brian
Ingram, rh Mr. Adam
Jackson, Glenda
James, Mrs. Siân C.
Jenkins, Mr. Brian
Johnson, rh Alan
Johnson, Ms Diana R.
Jones, Mr. Kevan
Jones, Lynne
Jones, Mr. Martyn
Jowell, rh Tessa
Kaufman, rh Sir Gerald
Keeble, Ms Sally
Keeley, Barbara
Keen, Alan
Keen, Ann
Kelly, rh Ruth
Kemp, Mr. Fraser
Khan, Mr. Sadiq
Kidney, Mr. David
Kilfoyle, Mr. Peter
Knight, Jim
Ladyman, Dr. Stephen
Lammy, Mr. David
Laxton, Mr. Bob
Lazarowicz, Mark
Levitt, Tom
Lewis, Mr. Ivan
Linton, Martin
Love, Mr. Andrew
Mackinlay, Andrew
Mahmood, Mr. Khalid
Malliaber, Judy
Mann, John
Marris, Rob
Marsden, Mr. Gordon
Marshall, Mr. David
Marshall-Andrews, Mr. Robert
McAvoy, rh Mr. Thomas
McCabe, Steve
McCafferty, Chris
McCarthy, Kerry
McCarthy-Fry, Sarah
McCartney, rh Mr. Ian
McDonagh, Siobhain
McDonnell, John
McFadden, Mr. Pat
McIsaac, Shona
McKechin, Ann
Meacher, rh Mr. Michael
Meale, Mr. Alan
Merron, Gillian
Michael, rh Alun
Milburn, rh Mr. Alan
Miliband, rh David
Miliband, Edward
Miller, Andrew
Moffat, Anne
Moffatt, Laura
Mole, Chris
Moon, Mrs. Madeleine
Morden, Jessica
Mudie, Mr. George
Mullin, Mr. Chris
Munn, Meg
Murphy, Mr. Denis
Murphy, rh Mr. Paul
Naysmith, Dr. Doug
Norris, Dan
Olner, Mr. Bill
Osborne, Sandra
Owen, Albert
Pearson, Ian
Plaskitt, Mr. James
Pound, Stephen
Prentice, Bridget
Prentice, Mr. Gordon
Prosser, Gwyn
Purchase, Mr. Ken
Raynsford, rh Mr. Nick
Reed, Mr. Andy
Reed, Mr. Jamie
Robertson, John
Robinson, Mr. Geoffrey
Rooney, Mr. Terry
Roy, Mr. Frank
Ruddock, Joan
Russell, Christine
Ryan, Joan
Seabeck, Alison
Shaw, Jonathan
Sheridan, Jim
Simon, Mr. Siôn
Simpson, Alan
Singh, Mr. Marsha
Skinner, Mr. Dennis
Slaughter, Mr. Andy
Smith, rh Mr. Andrew
Smith, Angela E. *(Basildon)*
Smith, Geraldine
Smith, rh Jacqui
Snelgrove, Anne
Soulsby, Sir Peter
Southworth, Helen
Spellar, rh Mr. John
Starkey, Dr. Phyllis
Stewart, Ian
Strang, rh Dr. Gavin
Stringer, Graham
Stuart, Ms Gisela
Sutcliffe, Mr. Gerry
Taylor, David
Thomas, Mr. Gareth
Thornberry, Emily
Timms, rh Mr. Stephen
Todd, Mr. Mark
Touhig, rh Mr. Don
Trickett, Jon
Truswell, Mr. Paul
Turner, Dr. Desmond
Turner, Mr. Neil
Twigg, Derek
Ussher, Kitty
Vis, Dr. Rudi
Waltho, Lynda
Ward, Claire
Wareing, Mr. Robert N.
Watson, Mr. Tom
Watts, Mr. Dave
Whitehead, Dr. Alan
Wicks, Malcolm
Williams, rh Mr. Alan
Williams, Mrs. Betty
Wills, Mr. Michael
Winnick, Mr. David
Winterton, rh Ms Rosie
Wood, Mike
Woodward, Mr. Shaun
Woolas, Mr. Phil

Wright, Mr. Anthony
Wright, Mr. Iain
Wright, Dr. Tony
Wyatt, Derek

Tellers for the Noes:
Mr. Alan Campbell and
Huw Irranca-Davies

Question accordingly negatived.

Dr. Cable: I beg to move amendment No. 13, page 8, line 29, at end add—

'(7) This section shall come into force on a day which the Treasury may by Order appoint.

(8) No order may be made under subsection (7) unless the Treasury has compiled and laid before the House of Commons a report containing an assessment of the impact of air passenger duty on the objective of reducing carbon emissions, and including an analysis of the comparative effectiveness in meeting that objective of the taxation of air passengers, on the one hand, and of aircraft according to their emissions levels, on the other.'.

In the debate that we have just had on retrospectivity, the discussion strayed into the environmental aspects of the tax, so some of the points that we are about to deal with have been covered already. I do not want to duplicate them, but this amendment would provide a mechanism obliging the Government to look more carefully at how environmental differentiation can be introduced into the taxation of the aviation industry.

In his reply to the previous debate, the Financial Secretary sought to justify the Government's proposals in environmental terms, and I think that he said that the air passenger duty was introduced in 1994. I have not checked on that year's Budget speech, but I should be very surprised if the word "environment" passed the then Chancellor's lips. It was an era when politicians who thought at all about the climate thought about global cooling rather than warming, so the eloquent argument about carbon emissions is something that we have discovered in retrospect.

Mr. Paul Goodman: I am grateful to the hon. Gentleman for giving way. That word did not pass the Chancellor's lips.

Dr. Cable: Indeed, and the tax being proposed at that time was not an environmental tax at all, but a revenue measure. However, the Financial Secretary was right to say that we now confront a different kind of world, where there is a legitimate and powerful concern about the environment, and particularly about global warming. As he rightly said, carbon emissions from the aviation industry are substantial and growing very rapidly. The question is whether the air passenger duty is a reasonable proxy for an environmental tax.

Can the environment be taxed in a better way? There is a strong argument that the air passenger duty is a very clumsy way to tax the environment. That point was made in a brief interjection by the right hon. Member for Suffolk, Coastal (Mr. Gummer), who was ruled out of order but whose point was nevertheless correct. The current duty penalises airlines that use their aircraft efficiently. The same aircraft travelling full pays twice as much duty as one travelling half empty, so there is no incentive to be efficient. Moreover, the duty is inequitable because it bears particularly heavily on low-cost airlines and their passengers.

That is compounded by the fact that this country has a very inefficient system for allocating slots for landing and take off. They are allocated free, and are grandfathered. No consideration of efficiency is involved, so airlines are under no pressure to use their aircraft efficiently in terms of passenger use. Very often, slots are acquired and retained so that competitors are kept out of the business but, were they auctioned in a more economically rational way, there is no doubt that aircraft would be used more efficiently. The combination of inefficient allocation of airport slots and the existing taxation system is pretty rough and ready, and an ineffective environmental measure. However, no doubt the Minister's figures are right and he is working on Treasury assumptions about the elasticity of demand. Doubling the tax will no doubt have a rough and ready impact on carbon emissions. The question is whether it could be done significantly better.

This morning, the Treasury issued a ministerial statement. When I started to read it my heart jumped because the first sentence said that "air passenger duty", as defined,

"could send inappropriate environmental signals and cause market distortions".

At last, I thought, the Treasury has got the point and it will look at different options. However, it turned out that what was produced in a long and complicated consultation paper has nothing much at all to do with the environment; it would produce simply a more equitable sharing of the burden of air passenger duty between different categories of passenger. The Government have spotted that there are such things as airlines with only one travel class and their passengers may qualify for the lowest rate of duty. The Government are concerned about the anomalies and have produced a complicated consultation paper to deal with them. I have not yet had a chance to study it, but it does not seem at first sight—the Minister may correct me—to have much to do with environmentalism.

Mr. Gummer: Has the hon. Gentleman noticed that almost all the proposals will in fact increase the Treasury take with no noticeable environmental difference? Is not that all of a piece with the legislation?

Dr. Cable: The right hon. Gentleman has the advantage over me, because he has had the chance to read the consultation paper carefully. I am sure what he says is true and that when I study the document that conclusion will emerge.

Is there a better way of taxing the aviation industry that captures more effectively the environmental impact? If we were starting from scratch and did not have to worry about legal constraints, the obvious thing would be to tax the fuel. That could be done on domestic flights, although they are only a small percentage of the total, but it would be difficult to implement internationally, partly for treaty reasons and partly because airlines would simply hop from one low-fuel jurisdiction to another and fill up where the duty was lowest. There would thus be no point in pursuing that theoretically attractive option.

We suggest a simple mechanism, whereby the tax is applied in relation to the emissions produced by different types of aircraft. The model is the environmental differentiation in vehicle excise duty; different categories of vehicle are classified according to their carbon dioxide emissions and aircraft could be similarly banded. It would be a one-off tax at the point of departure, not at all complicated and probably simpler to administer than the present system. Because it would be a tax on departure and related to the CO_2 emissions of a particular type of aircraft it would implicitly discriminate against short-haul flights. Paying the same duty whether the flight is to Edinburgh or Australia is not environmentally desirable because there are genuine alternatives to short-haul flights. There are no easier forms of public transport to Australia, but it is possible to switch to rail to travel to Edinburgh, Newcastle or even Cornwall, so a form of duty related to emissions makes more sense if it discriminates against short-haul flights. Environmentalists argue, too, that the greatest CO_2 emissions are at take-off, when the booster impact of the engines is strongest.

No doubt there are technical problems that would have to be resolved, but we tabled the amendment to invite the Government to consider that option and to make a judgment about how such a system might operate before they proceed further down the route of more increases in air passenger duty. We merely ask them to study the feasibility of the alternatives. They are embarking on consultation about different methods of taxing aviation. I am surprised that its reach is so narrow and that the Government are not willing to look at the possibilities we have suggested, which are driven by environmental considerations.

Mr. Paul Goodman: It is a pleasure to see you in the Chair, Mr. Illsley. May I encapsulate what I want to say on behalf of the official Opposition about the amendment by saying to the hon. Member for Twickenham (Dr. Cable) that if his amendment had proposed only an assessment, we would have been tempted to vote for it? However, it does not do only that, so for that reason, as I shall explain, we do not propose to support it. Indeed, I shall explain why we believe that it is irresponsible.

Let me begin to consider the alternatives that the hon. Member for Twickenham referred to by making an assessment of air passenger duty itself. Perhaps the best way to start is to see what APD's most enthusiastic supporters, including the Financial Secretary, say about it. Apparently, APD is "not an environmental tax" and is not related to "a concern about emissions" or more efficient aircraft and "not related at all" to "more efficient use" of aircraft that are flying.

Who said that? One might have thought that it would be the hon. Member for Twickenham, but it was, in fact, the Financial Secretary when he appeared before the Treasury Select Committee last year. He may have thought, in retrospect, that he was not clear enough, so he came back this year to remove any possible ambiguity. He said that APD was

> "a blunt instrument as far as the environment goes. It is not the best policy instrument to try to deal with the environmental impacts of aviation"

and

> "not even the best tax instrument to deal with the effects of aviation".

That is the unvarnished view of the Minister whose task it is to sell the doubling of this tax to the Committee tonight. As the hon. Member for Twickenham said, the Financial Secretary has placed a consultation document in the Library today, which relates to the industry's view that the way in which air passenger duty defines different classes of travel could send inappropriate signals and create market distortions.

In general terms, the Financial Secretary was very plain in his view of APD, so I think that we should return the compliment. We agree with the green critique that he set out. Indeed, we could scarcely put it better ourselves and I do not think that the hon. Member for Twickenham could put it any better either. The main points are well rehearsed: APD is not linked directly to emissions; it does not provide any incentives to use more fuel-efficient aircraft, and so forth.

The hon. Member for Twickenham referred to what my right hon. and learned Friend the Member for Rushcliffe (Mr. Clarke) said when he introduced APD. Indeed, my right hon. and learned Friend did not use the word "environment" at all. He said at the time, rather baldly, that air travel was "under-taxed" compared to other sectors of the economy. In short, APD is not a green tax, but an aviation tax.

Julia Goldsworthy: Is it not also true that the inequality that the consultation document is attempting to resolve takes us back to the point for which air passenger duty was created? As well as airlines such as Eos today, back in 1984 we also had Concorde. Such airlines benefited from exactly the same differential impact.

Mr. Goodman: I must confess that I have not yet got to the bottom of the consultation document, but if the hon. Lady is saying that APD is an aviation tax, I agree with her. Where we part company is that we are not opposed in principle to an aviation tax. I could not credibly stand at the Dispatch Box and argue that we were when my right hon. and learned Friend the Member for Rushcliffe introduced it and set out the reasons for it so clearly. We support the principle of aviation taxation. We took that view in government, we have maintained it in opposition and we certainly do not intend to resile from it tonight.

That is a vital point when considering the Liberal amendment, which is designed to assess the merits of APD against the merits of alternative means of reducing emissions, while implementing a delay—a key point—in the APD increase proposed in clause 12. In other words, if the amendment were accepted, the increase would be delayed. It simply would not happen as envisaged.

There is no timetable in the amendment for when the study that the hon. Member for Twickenham referred to would report. The Liberal Democrats want an assessment and they want a delay. We certainly agree with them that there should be an assessment. Indeed, we are already making our own assessment. Our policy consultation document "Greener skies", which quotes the Financial Secretary at length, confirms that, together with our quality of life policy group, we will consult the industry.

8.45 pm

Julia Goldsworthy: When it comes to not setting a timetable, does the hon. Gentleman agree that, if the Treasury is desperate for the money, that is all the more reason to make sure that the consultation is undertaken rapidly?

Mr. Goodman: I am worried about proposing a delay without proposing a firm alternative. I want to come to that point in due course.

Mr. Gummer: I wonder whether I can help my hon. Friend. It is certainly my view that any assessment that was going to hold water on this issue would take some time, because the Treasury has done little work on this matter. It is a great sadness that the Treasury is so Brown and not green. An assessment will take a long time. That adds weight to my hon. Friend's argument—although I am in general sympathetic to the Liberal amendment.

Mr. Goodman: That is why I would be extremely pleased—as, doubtless, would the Liberals—if the Financial Secretary said tonight that, once the clause is passed, the Government will carry out an assessment of a replacement for APD. The Financial Secretary has never ruled that out. I am interested to know whether he will do so when he responds to the debate. We believe that there should be an assessment. What I find hard to understand is why the Liberals believe that there should be an assessment. They have already announced their policy on aviation tax. The document that sets out their so-called green tax switch, to which I will return in a moment, states that their policy is

"to replace the existing airport passenger duty with an aircraft tax based on the emissions of each aircraft".

The hon. Member for Twickenham went into that. That is a perfectly sensible option. It is in our own policy document. But, for the Liberals, it is not an option; it is a firm policy commitment, as they know. A question naturally follows: if they want to replace APD with a new aircraft tax, why have they not tabled an amendment that proposes exactly that? Why do they need the Treasury to assess their own policy? *[Interruption.]* They may say that their proposals involve a tax increase and that one cannot table an amendment that is in order if it involves a tax increase. In answer to that, I would ask: why is it that last year—the hon. Member for Wolverhampton, South-West (Rob Marris) and I are veterans of these debates—they did exactly that in relation to vehicle excise duty?

Julia Goldsworthy *rose—*

Mr. Goodman: I would be grateful to the hon. Lady if she confirmed that that is exactly what happened.

Julia Goldsworthy: There is an issue about revenue-raising measures and whether they can be debated on the Floor of the House. Only the Government can propose revenue-raising measures. There is also an issue in relation to the Ways and Means resolution. The amendment has to be broadly within the scope of what is in the Finance Bill. On that basis, we were unable to introduce an alternative.

Mr. Goodman: But the hon. Lady did that last year in relation to vehicle excise duty.

Julia Goldsworthy: No. We proposed changes to vehicle excise duty; we did not propose an alternative to vehicle excise duty. The issue with air passenger duty is that we cannot change it to something entirely different, because that would be outside the scope of the Ways and Means resolution.

Mr. Goodman: They were both tax rises. The amendment that the hon. Lady tabled last year on VED was outside the scope of what was eligible to be tabled for debate. *[Interruption.]* Well, the Liberals will have to explain why they were so keen last year on tabling amendments that were not eligible for debate, but will not do so this year. I suspect that the real reason is that, according to independent commentators—I am not claiming that this analysis comes from us; it comes from the Institute for Fiscal Studies—their green tax switch figures simply do not add up. That means that their proposal is not ready to fly. According to the IFS, the Liberals would fund their £8.1 billion rise in green taxes partly by raising fuel duty in line with inflation. But according to the IFS, the Government have already pencilled that rise into their spending plans, leaving the future Liberal Government, which the Liberals presumably believe will take office after the next election, with a £3 billion annual black hole in the public finances.

That is just the start; according to the Liberals, that £8.1 billion green tax rise is actually a £20 billion green tax rise, but they will first have to produce an independent arbiter who supports their view that their new local income tax, house price tax and pensions stealth tax, which make up the remaining £11.9 billion of their £20 billion package, are somehow green taxes. I realise that the Liberals do not like to have those details ventilated in the Chamber, but it was the Institute for Fiscal Studies, and not us, that first raised those points. I would be out of order if I continued down that path, although I am certainly not out of order at the moment.

Rob Marris: Does the hon. Gentleman agree that amendment No. 13 shows the chaos of Liberal Democrat green tax policy? The Liberal Democrats want green taxes, not in order to change behaviour, but simply to enable a tax grab. They are not what most of us would think of as green taxes that change behaviour, and the amendment clearly shows that. The hon. Member for Eastleigh (Chris Huhne) has admitted to me in debate in the Chamber that the Liberal Democrats do not propose green taxes as a way of changing behaviour; they will carry on with green taxes regardless of any changes.

Mr. Goodman: I certainly agree that the proposals are pretty chaotic. Again, I note that there is no substantial amendment setting out Liberal Democrat policies in any form. However, I will not carry on down that road. I have made my point, and no one has got to their feet to say that the Institute for Fiscal Studies is wrong. We agree with the Liberals that there should be an assessment, but we do not agree that there should be a delay, because a delay would prevent the aviation tax proposal from coming into effect. For the Liberals,

different considerations apply, and I shall explain why. After the next election, there may be a Conservative majority, a Labour majority—personally, I am rather doubtful about that—or no majority at all in the House, but it is safe to say that there will not be a Liberal Democrat majority. I shall repeat that, in case anyone wants to challenge it: I do not believe that there will be a Liberal Democrat majority in the House.

Unlike the two main parties, the Liberal Democrats are not overburdened with expectations of great responsibility. I presume that if they put their amendment to the vote this evening and it is defeated, they will vote against the clause, just as they voted against the measures in it at the conclusion of the Budget debate. In other words, tonight, they can cheerfully vote against the principle of aviation taxation, although they have no workable alternative to propose, knowing that they will not have to live with the consequences in office. That is not an approach that we can take. Unhappy as we are with air passenger duty as it stands, and with the Chancellor's handling of it, we simply do not believe that we can responsibly vote not to implement an aviation tax that we were responsible for designing, either by opposing the clause or by supporting the Liberal amendment.

The House has a choice tonight on APD, however flawed the tax may be in principle, and however faulty the Chancellor may be in practice. Members can either vote with the Liberals against the principle of aviation taxation, with no workable alternative anywhere in sight, or they can take the responsible course, and take a principled stand against the short-termism and opportunism that the amendment represents.

Mr. Gummer: I would like to be able to support the content of the Liberal amendment, because the Financial Secretary to the Treasury has been disingenuous in the way in which he has tried to defend the tax that we are discussing. The two arguments that he has used are flawed and damaging to the environment. His first argument was that air passenger duty is an environmental tax—not a very good or effective one, and not one that he would have chosen if there were anything else around, but the only thing that he could scrabble together at the time. That, roughly speaking, is his view of the tax.

The Minister went on to say that it was not a bad tax in retrospective terms, and that he would fight very hard in the courts to make sure that nobody won a case against him. The problem for me is simple. We will need regulation and a shift—not an increase, but a shift—in taxation from taxes on the family and taxes on business to taxes on pollution. However, if the country believes that that is not for the purpose of the environment, but is merely another sleight of hand, another stealth tax in order to gather money for the Treasury, that undermines our ability to take the nation with us in the tough measures that we will have to adopt.

I was disappointed by the Minister's reply to the last debate, because although it was ruled out of order to talk about the environment, he did so. He mentioned that the tax was environmentally healthy. He also suggested that some minuscule amount of emissions might or might not be saved on some technical arrangement that the Treasury had gone into. Everybody knows that this is a tax to raise money.

I have a slight disagreement with the hon. Member for Twickenham (Dr. Cable), which I know he will not mind. When my right hon. and learned Friend the Member for Rushcliffe (Mr. Clarke) introduced the landfill tax, he made it clear that that was an environmental tax. Even though my noble Friend the then Prime Minister allowed me to raise the rules for the defence of the sea because climate change was a real issue—and that was in the early 1980s—back in 1994, the emissions from aircraft were significant only to a very few. There were not many aircraft, the amount of emissions was not very great, and it paled into insignificance when compared with other things. The kind of nonsense that Ryanair peddles now was true then.

Since 1994 Ryanair and others have entered the market, there has been a huge increase in emissions, and those emissions are particularly great in the United Kingdom. If they continue at the present rate, they will use up all the reductions that we can make in the immediate future in other areas of carbon emission. Of course we must be very tough about emissions from aircraft. We know that that is not easy, because many of the people who have taken advantage of cheap flights have found that that hugely improves their quality of life. Any of us trying to deal with the issue knows how difficult it is.

That is why the Minister has done the environmental movement a great disservice by pretending that this ineffective, money-raising tax has anything to do with the environment at all, and why he knows in his heart—that is why he is looking down—that it would have been credible only if he had introduced at the same time a measure resembling the amendment, and said clearly that he needed the money. Honesty is the best policy. Whereas my right hon. and learned Friend the Member for Rushcliffe was honest, I have to say, within the rules of the House, that I do not quite catch that in the present Administration.

Mr. David Heath (Somerton and Frome) (LD): The right hon. Gentleman mentioned the growth in low cost airlines. Is not one of the paradoxes of the whole issue that many of the low cost airlines are flying with relatively new planes fully laden, whereas many of the flag carriers are going round the world with virtually empty planes, causing a great deal more pollution per passenger? That is one of the problems with the Government's solution, and one of the things that our proposal would catch.

9 pm

Mr. Gummer: I agree with the hon. Gentleman. I was not attacking low cost airlines; I was merely saying that because of low cost airlines, there is a lot more flying. This tax is fundamentally a tax on the good airlines which have a proper number of people on their planes, because a full plane costs a lot more in tax than an empty plane.

The idea that it does not matter that the Government are taxing airlines retrospectively, because airlines can pay the tax out of their profits, is the most peculiar piece of logic that I have ever heard. The truth is that

[Mr. Gummer]

the Government are taxing the airlines, which will either pay the tax themselves or pass it on. The fault is the Government's, not anybody else's. My objection is that what the Government are doing with taxation is not helpful when it comes to emissions or green taxation generally.

There are, for example, 39 flights a day to Manchester from London, which is not a sensible way of using our slots, but there are also aeroplanes that can fly across the country and provide a real service to places such as, for example, Cornwall. Because such flights involve turboprops there are fewer emissions, and the flights can be very full. I am not opposed to examining that particular proposal, although it needs to be part of a whole package. We need to talk about slots. I understand that it is often cheaper to have a short-haul slot than a long-haul slot, which cannot be sensible.

There is a whole range of such issues that must be looked at. I have admiration for the Financial Secretary, who is a decent man. I am not making a party political attack, but how has he allied himself with the Treasury, which has not done any of that work, which has not produced a reasonable basis for the tax and which has not bothered? The Treasury has fiddled about with a tax that it knows does not work and pretended that the tax is environmental.

That is why I am interested in the amendment—but I must tell the Liberals that nothing would get me to vote for Liberal taxation proposals. I have got a very long memory, and I remember Liberals who supported tax on domestic fuel until there was a by-election, when they changed the policy overnight in order to win that by-election. The Liberals and taxation are about taxes that people do not think will hurt—the moment that taxes hurt, the Liberals get rid of them. The Liberal party is the party that no one can take seriously on the environment, because the Liberals resile from anything that is difficult. I would vote Labour a dozen times before ever voting Liberal, because at least you know what you are getting. As a constituent of mine said on the doorstep, "The choice in this village is between the Conservatives and the Liberals, and you never know where you are with the Liberals. If God had been a Liberal, we would have had the 10 suggestions." Homespun humour gets to the heart of the issue, so do not come telling us about your taxation policies, Liberals, because we know what they are—never do the tough thing; always talk the sweet talk.

That is why I think that my hon. Friend the Member for Wycombe (Mr. Goodman) has done the right thing, which is to say that we will vote for this tax because it is a tax to raise money, and tell the Government that we would like two things from them. Either they accept the sense of the Liberal amendment and say that they will produce some properly audited, sensible proposals so we can all see the figures and make an environmental decision in the future—or, if that is not possible, that the Government themselves will say that there needs to be a different way of looking at taxation on aircraft that is much more closely associated with the damage that aircraft do to the environment.

Finally, I am usually able to say such things on the side of the Government with a clear conscience, but I remember that our Prime Minister changed his view even on this matter from the morning to the evening, when he was pressed on the perfectly reasonable question why he felt in the circumstances of today that to take two holidays a year in the Caribbean and none at Chequers was reasonable. Between the morning and the evening, he moved from pooh-poohing aircraft taxation to coming forward with a nicely chiselled but largely irrelevant proposal.

We need to be frank about this measure—it is intended to raise money—but we need also to tell the Government that they have done a serious disservice to the environmental movement by pressing it in this form, and urge them to make up for the damage that they have done.

Rob Marris: I agree with quite a lot of what the hon. Member for Wycombe (Mr. Goodman) said in response to amendment No. 13, which I shall oppose. I do not wish the increase in air passenger duty to be delayed, and I do not think that it is right to put in statute a demand for an "assessment". We need aviation taxes to raise revenue and to cover the externalities of air travel. We also need additional, not replacement, taxes to change behaviour. If, as I hope, behaviour changes as a result of these taxes, we will have had a positive result in terms of that desired outcome and the Government will not have to worry about revenues from green taxes, in this case on aviation, dropping. The central paradox, if not contradiction, in the Liberal Democrats' position on green taxes is that they do not really want behaviour to change, because that would mean that tax revenue would drop and they would have an even bigger hole in their budget.

Nevertheless, I have a lot of sympathy with what the hon. Member for Twickenham (Dr. Cable) said about aircraft movements. In 1994, when the tax was first introduced, it had a small aircraft-related element, in that aircraft weighing less than 10 tonnes were exempt. That was to do with flights of small planes from Scottish islands, Cornwall and so on. The Liberal Democrats have a point in saying that when we try to change behaviour we should tax the right thing, which is aircraft movement rather than people. As the hon. Member for Twickenham said—this had not occurred to me and I thank him for raising it—his proposals on taxing aircraft movement rather than passengers would have a differential effect domestically as against internationally, because, as it would be calculated per take off, proportionately speaking it would hit harder domestically. He is right to say that the substitution effect is possible domestically but not for long-distance international flights, although it is possible in the case of other countries in western Europe, where one can take the train, as I do.

I urge my hon. Friend the Financial Secretary to take on board the comments that have been made about the additional green taxes on aviation that I would like in order to change behaviour, particularly domestic behaviour. Let me give an example. We could all cite the difficulties that we have in encouraging the green agenda given the cost of travel in the United Kingdom. One of my nieces, who lives in Sheffield, has just flown

to Thailand. When I asked her whether she was going from Gatwick or Heathrow, she said that she was travelling from Sheffield to Manchester, flying from Manchester to London, and then flying on to Thailand on a different flight. That is not a great green message for the next generation, but she is a young woman of modest means, to say the least, and that was the cheaper option. Additional green taxes might change things in some way in the case of domestic flights.

Julia Goldsworthy: Does the hon. Gentleman not agree that broadening the scope of the consultation would prove useful because the Financial Secretary has already said that he favours a move towards emissions trading for aviation? Would not broadening the scope help the Treasury prepare better for that?

Rob Marris: Yes, I believe that broadening the consultation is a good idea. I imagine that the amendment was tabled before the consultation document was issued, but I do not believe that primary legislation is the place to include broadened consultation or an assessment, especially given that the amendment is framed to delay the increase in air passenger duty as a nakedly, openly revenue-raising measure for the Government, which I support. I do not agree with the amendment but I hope that my hon. Friend the Financial Secretary will consider broadening the consultation on aviation taxes as a revenue-raising measure, and on additional taxes to change behaviour.

John Healey: I congratulate the hon. Member for Twickenham (Dr. Cable) on prompting a wide-ranging debate on a narrow clause. I acknowledge the consistent interest and expertise that the right hon. Member for Suffolk, Coastal (Mr. Gummer) brings to bear on such issues. That also applies to my hon. Friend the Member for Wolverhampton, South-West (Rob Marris).

Let me say to the right hon. Gentleman that, as the hon. Member for Wycombe (Mr. Goodman) acknowledged, I have always been clear about air passenger duty. The Chancellor has also always been clear about it. When he announced the doubling of air passenger duty on 6 December, he said in his pre-Budget statement:

"Currently, aircraft emissions are not part of the EU emissions trading scheme, and nor is aviation fuel taxed. While we continue to work internationally to seek a global agreement on reducing aircraft emissions, each country must take action domestically. From 1 February, we will double air passenger duty. For most journeys—over 75 per cent. of them—duty will rise from £5 to £10, securing extra resources in the coming spending round for our priorities, such as public transport and the environment."—[*Official Report*, 6 December 2006; Vol. 454, c. 310.]

There we have it.

Air passenger duty has an environmental impact but it is not an environmental tax such as landfill tax, which the right hon. Member for Suffolk, Coastal mentioned. That was designed and introduced for the policy purpose of making an environmental impact.

Julia Goldsworthy: If the proposal has no bearing on the environment, why does today's written ministerial statement refer to the "inappropriate environmental signals" that the current rates of air passenger duty convey?

John Healey: The hon. Lady did not listen to me. I shall not give way again unless she listens. I clearly said that air passenger duty has an environmental impact. The consultation that I have confirmed today is about a point that business raised with me and has an environmental impact. For example, it has been put to me that the structure of air passenger duty makes it unsuitable for business-only flights, which may offer 100 business class seats on a plane designed to carry 300 passengers. Clearly, that has an environmental impact.

However, as I explained, air passenger duty is not principally an environmental tax in the same way as the landfill tax, the aggregates levy or the climate change levy, which are designed with an environmental impact specifically in mind.

The problems with amendment No. 13 are not so much technical as legal. International laws, within which we must work, prevent taxing emissions from aviation inasmuch as they are linked to fuel consumption. Courts have successfully struck down taxes on that basis. In a Swedish case involving the Braathens Sverige airline, the European Court of Justice held that a tax that resembled a tax on fuel, such as a tax that related to carbon dioxide emissions, was incompatible with legislation predating the energy products directive. The judgment of the European Court, of course, binds the United Kingdom.

9.15 pm

I have consistently said to Select Committees and to the House that our preferred policy for tackling the impact of aviation on climate change is the European Union emissions trading scheme. That is why we have worked so hard to press the case for, and achieve progress on, the inclusion of aviation in the scheme. I have also made it consistently clear over a number of years that APD is not the most environmentally effective tax for aviation. It is, however, established, available and compatible with international law. I should also add that, unlike some of the proposals suggested by others, it is a simple tax to operate and it imposes a small compliance burden on the industry and on air passengers. APD has a role to play in recognising the environmental costs of air travel, and in ensuring that air passengers understand and acknowledge the environmental costs of their actions.

The rise in APD announced by the Chancellor will have an environmental impact. That is why, before the pre-Budget report, many of the green groups were arguing for an increase in the APD, as it is currently designed and structured. It is also why, after the Chancellor's pre-Budget report statement, groups including Transport 2000 welcomed the move.

I hope that, having been able to air some of the wider arguments in this short debate, the hon. Member for Twickenham will not seek to press his amendment to a vote. His proposal would delay the increase in air passenger duty, as my hon. Friend the Member for Wolverhampton, South-West pointed out, and that

would be undesirable. I hope that the hon. Gentleman will not press his amendment, but if he does, I shall have to ask hon. Members to resist it.

The Temporary Chairman (Mr. Eric Illsley): Order. Before I call the hon. Member for Twickenham (Dr. Cable) to respond, I inform the Committee that I do not intend to have a clause stand part debate on clause 12, given the length of time that we have spent debating it so far.

Dr. Cable: I should like briefly to respond to some of the points raised in the debate. The hon. Member for Wycombe (Mr. Goodman) is normally quite thoughtful, but he seemed to feel that he had to make some terribly tribal points tonight in order to wriggle out of his desperate embarrassment at agreeing with the Liberal Democrats. We have a proposal but, as far as I am aware, his party does not have anything at all apart from a general commitment to raising revenue from the aviation sector. I think that his points were slightly unworthy of him.

I should also like to correct something for the record. We have submitted a balanced and tax-neutral alternative budget to the Institute for Fiscal Studies. I do not think that the hon. Gentleman's colleagues got that far. We suggested a series of measures that were environmentally friendly and also fairer and more redistributive. The IFS acknowledged that our sums added up. The hon. Gentleman might not like the policies, but the sums certainly balanced. We acknowledge that, following the introduction of the Budget, which included at least some of the measures that we recommended, such as cutting the basic rate of income tax, we shall have to redo the numbers. We shall do that, and take into account the environmental tax implications.

The hon. Gentleman made a criticism that I did not fully understand. He started by asking why, since we had a workable alternative, we wanted to carry out a study on it. He finished by saying that we did not have a workable alternative, however, so I am not quite sure where his argument was leading. There are two reasons why we suggested that an evaluation was necessary. One is that any sensible party in any Government should do impact assessments even if it thinks that it has got the basic formula right. The present Government have structured that in, but not enough.

Secondly, we are trying to find a mechanism to reach common ground with the Government. We know that they are not in the same position as us, and that they have embarked on a consultation exercise. It would be helpful if they widened that exercise; I do not see a problem with that. In his response, the Minister made what might well have been a valid point about the legal difficulties involved. We have looked at this, and we were persuaded that there would not be a problem, but perhaps there would. That is all the more reason for widening his consultation to try to answer that specific question.

As always, the hon. Member for Wolverhampton, South-West (Rob Marris) made some good points, some rather quirky points and—by his standards—some rather silly ones. The argument that he and some of his colleagues keep repeating that revenue-raising environmental taxes and behaviour-changing measures are fundamentally incompatible is simply wrong. Environmental taxation produces both effects, and if he wants some proof, he should look at the history of his Government's climate change levy, which has raised more revenue and changed behaviour. That is a good model, on which our policy—and, I am sure, that of others—is based. As he normally makes very good contributions, I hope that he will not repeat that not very worthy point.

The right hon. Member for Suffolk, Coastal (Mr. Gummer), with his vast experience, started off with some good and helpful criticisms, which I took in good part. He then felt that he had to embark on a bit of tribalism too, which no doubt reflects what is happening on the doorsteps in his area at the moment. He told a good joke, however, and I will repeat it at my party's fundraising dinner.

The Minister made some good, constructive criticisms. I do not intend to press the amendment to a vote, as some useful points have been made. I accept that there is an argument against delay, and that is one of the reasons we do not intend to lose the principle behind the amendment, but will return to it in a different form that captures that criticism properly. As the Minister is opening his mind to a consultation and a review of how the tax would work, I hope that he will accept that he should look more broadly and in the direction that we have indicated. I beg to ask leave to withdraw the amendment.

Amendment, by leave, withdrawn.

Clause 12 ordered to stand part of the Bill.

Clause 81

Criminal investigations: powers of Revenue and Customs

Julia Goldsworthy: I beg to move amendment No. 19, in clause 81, page 56, line 7, leave out 'thinks' and insert

'has reasonable grounds for believing'.

I should like to incorporate the few remarks that I have to make in the clause stand part debate with my comments on the amendment, tabled by me and my hon. Friend the Member for Twickenham (Dr. Cable). Clauses 81 to 84 amend the Police and Criminal Evidence Act 1984, and I want to place it on the record that it was argued forcefully from our Benches at the time that powers should be extended beyond the police to other arresting authorities, including Customs and Excise. In relation to the 1984 Act, the Bill seeks to reflect the fact that the Inland Revenue and Customs and Excise have since merged. Having said that, we need to be clear about what powers HMRC will take on, and the context in which they will be used. The need to amend the Act must not result in some kind of mission creep in relation to its scope.

Amendment No. 19 flags up an issue that I will flag up again in clause 96 and schedule 24, which deal with penalties issued by HMRC for errors. The issue relates to the burden of proof for action that can be taken depending on what an HMRC officer "thinks". I want to query not the substance of the clause, but how we deal with the issue of objectivity. There is a range of options. We could take it that an officer just "deems"

something to be the case, whereas the use of the word "thinks" implies some element of objectivity and some grounds. There should, however, be some burden of proof, whereby the officer

"has reasonable grounds for believing"

that the previous section should not apply. If we wanted total objectivity, that reference could be taken out altogether, and the clause would read, "if an application under Schedule 1 would not succeed". I would not want to push it that far; I am simply saying that there should be "reasonable grounds for believing" that to be the case. That issue becomes even more important when we deal with penalties for errors.

I hope that the Minister will respond favourably, as I will raise those issues later, and what he says may have a bearing on the amendments that we choose to table. I hope he will give positive consideration to the need for more objectivity in the language. Although it could be argued that the present wording is easier to understand, there are other more complex drafting issues. It must be clear that there is that element of objectivity.

Mr. Mark Francois (Rayleigh) (Con): I, too, welcome you to the Chair, Mr. Illsley.

Amendment No. 19 appears to relate specifically to the production of documents under the proposed new section 14B of the Police and Criminal Evidence Act 1984. As the amendment is so specific, I propose to speak about it very briefly in order to reserve the main part of my remarks on clause 81 to our amendment No. 2.

Amendment No. 19 seeks to alter the wording relating to the conditions under which an officer of Her Majesty's Revenue and Customs may use PACE to apply for an order that documents may be produced. The change in the wording from "thinks" to

"has reasonable grounds for believing"

represents a tightening of the circumstances in which the power may be exercised, and the Conservatives do not object to it.

Rob Marris: The present wording represents a subjective test, whereas the wording proposed in the amendment represents an objective test. I urge my hon. Friend the Financial Secretary to think very carefully about the Government's response to the amendment.

Following the recent Channel 4 programme and with reference to our previous debate, let me say that a number of my constituents "think" that human activity does not contribute to global warming. Personally, I do not "think" that those individuals have "reasonable grounds" for believing that. There is a difference between the two.

John Healey: I acknowledge the broader comments made by the hon. Member for Falmouth and Camborne (Julia Goldsworthy), and the fact that the hon. Member for Rayleigh (Mr. Francois) promised to make his own broader comments on his amendment in the next group. With your permission, Mr. Illsley, I shall make my broader comments in response to him when we debate the next group of amendments.

On amendment No. 19, however, I want to be quite precise. I can tell the hon. Member for Falmouth and Camborne that it is not necessary. The phrases "the officer thinks" and "the officer has reasonable grounds for believing" have the same meaning and effect in the circumstances covered by the clause, but I consider that "think" is clearer, simpler and shorter. Under administrative law a public officer must think reasonably; otherwise, his decision would be unlawful.

I hope that the hon. Lady will reflect on another point. The word "thinks" is well established in United Kingdom law to identify cases in which a judgment must be made, and also to make clear who will make that judgment.

Mr. Heath: As a veteran of countless criminal justice Bills, I would say that it is normal for the concept of reasonable belief, rather than the word "think", to be used in them. It appears in an awful lot of criminal justice Acts. The reasonableness of an officer's thought can be challenged only through administrative court proceedings, which is a very long-winded way of arriving at the right decision. I do not think that the concepts "the officer thinks" and "the officer reasonably believes" are entirely congruent.

John Healey: As I have just explained, an officer has a duty to think reasonably, because otherwise his decision would automatically be unlawful under administrative law. I respect the hon. Gentleman's experience of criminal justice legislation, and the Government have given him plenty of opportunity to accumulate it in recent years when he has spoken on such legislation from the Front Bench. He may be interested to learn, however, that the word "thinks" is used over 3,000 times on the statute book, and I believe that its use here is appropriate.

I can tell the hon. Lady that we have received no representations suggesting that the word "think" in clauses 81 and 82 should be removed or amended since the Bill was published at the end of March—apart, of course from her amendments.

9.30 pm

The hon. Lady mentioned clause 96. She may be aware that representative bodies and tax professionals have expressed reservations to us about the phrase "HMRC thinks" in respect of the clause and the schedule on civil penalties, but the underlying concern raised on those provisions is entirely separate from the clauses on criminal investigations. I will not go into the distinction here. I am sure that we will have a chance to do so in Committee, but in recognition of the anxiety that has been expressed and in response to those representations that have been made, I intend to table an amendment in the Public Bill Committee to clause 96 and schedule 24 on civil penalties. However, it would be inappropriate to change the word "thinks" in clause 81, as her amendment suggests. I therefore hope that she will not press the amendment.

Julia Goldsworthy: I am somewhat reassured by that. I was hoping to ensure that the Bill was consistent in terms of the language used. I think that, under the amendment, there would be a change from the subjective to the objective. I would be quite happy with "reasonably thinks" if the Minister wants straightforward language. He is right, however, that the key area of concern has been around clause 96 and the

[Julia Goldsworthy]

schedule that relates to it and there have been concerns about the use of exactly that language. I and my hon. Friend the Member for Somerton and Frome (Mr. Heath) have tabled amendments on that. I hope that the Minister will accept them when we debate the measure in the Public Bill Committee. I beg to ask leave to withdraw the amendment.

Amendment, by leave, withdrawn.

Mr. Francois: I beg to move amendment No. 2, in page 56, line 47, at end insert—

'(2B) Any power or function conferred by a provision of this Act shall, so far as it is exercisable by an officer of Her Majesty's Revenue and Customs, only be exercised by an officer who has been duly authorised for that purpose by the Board of HMRC and who has been properly trained and supervised.

(2C) For the purposes of subsection (2B), what constitutes "properly trained and supervised" shall be decided by the Board of HMRC with the approval of the responsible Minister.

(2D) Subject to subsection (2E), the number of officers authorised under subsection (2B) shall not exceed 500 at any one time.

(2E) The Treasury may by order amend the number of officers mentioned in subsection (2D).

(2F) The annual report of HMRC shall include an analysis of the use made by officers of HMRC of the powers or functions conferred on them by this Act. The report shall cover the frequency of use of the relevant powers or functions and the circumstances in which they were invoked.

(2G) The report mentioned in subsection (2F) shall also include an analysis of the use made by officers of HMRC of the equivalent powers and functions in Northern Ireland and Scotland.'.

The Temporary Chairman: With this it will be convenient to discuss the following amendments: No. 18, in page 57, line 12, at end add—

'(12) This section shall come into force on a day which the Treasury may by Order appoint.

(13) No Order under subsection (12) may be made unless—

(a) the Treasury has prepared and laid before the House of Commons a code of practice relating to the exercise of the powers conferred by this section, setting out in particular the circumstances in which the relevant powers of arrest are expected to be used; and

(b) the code mentioned in sub-paragraph (a) has been approved by a resolution of the House of Commons.'.

No. 20, line 12, at end add—

'(12) Any power of arrest conferred by a provision of this Act as it amends section 114 of the Police and Criminal Evidence Act 1984 shall, so far as it is exercisable by an officer of Her Majesty's Revenue and Customs, only be exercised by an officer or officers serving in the Criminal Investigation Directorate of HMRC.'.

Mr. Francois: As the Minister mentioned it, may I say quickly that Conservative Members welcome his admission that there has been concern on clause 96? We have received representations on the matter and we look forward to seeing his amendment in due course.

On amendment No. 2, any extension of the powers of the state relative to the individual is a matter that should rightly provoke parliamentary scrutiny, particularly, as in this instance, where it potentially involves powers of arrest. Given that, my purpose this evening is to seek some specific assurances from the Minister about how the proposed new powers will operate in practice and some guarantees—I use that word deliberately—that they will not be used arbitrarily to put undue pressure on legitimate taxpayers.

The background to all this is the merger of the Inland Revenue and Customs and Excise, which was brought about by the Commissioners for Revenue and Customs Act 2005, which received Royal Assent on 7 April 2005. Before the merger which created Her Majesty's Revenue and Customs, the two heritage organisations had different roles and different powers accordingly. HM Customs and Excise has historically had relatively strong powers, including powers of arrest and seizure, which evolved from its role in fighting smugglers and more latterly drug traffickers. Before the merger, those powers were based on the Police and Criminal Evidence Act 1984, or PACE as it is more generally referred to, and specifically section 114, which conferred specialist powers on Customs and Excise officers to help to fight crime.

In contrast, the Inland Revenue was equipped with more restricted powers designed predominantly to help it to combat so-called white collar crime in areas such as financial services and the deliberate evasion of tax. Importantly, however, Inland Revenue officers did not usually have any powers of actual arrest and needed to be accompanied by a police officer if and when that became necessary.

In the spring of 2006, the Treasury initiated a consultation process on how the powers of the two heritage organisations might effectively be combined. There have now, in fairness, been three separate consultation documents relating to that process, including a second technical consultation in August 2006 and a third revised consultation in January this year. The consultation included a draft copy of the statutory instrument that the Government intend to use to initiate the powers contained in part 6 of the Bill. Therefore, we accept that the change has not come out of the blue and that the Treasury has received a considerable number of responses that have led, at least in part, to the drafting of part 6.

Given that, we are not opposed in principle to combined powers for HMRC. Our concern is the extent of such powers and how they are likely to be employed in practice. The Treasury has apparently sought to reassure the professional bodies that those powers, including that of arrest, will be used sparingly; but, importantly, few such guarantees are stated in the Bill. My party is by no means alone in being concerned. The Chartered Institute of Taxation, in a consultation response of 16 February this year, stated:

"We continue to believe that, as a matter of principle,. HMRC should have civil powers to administer tax, whereas criminal matters should be for the police. We do not see any conflict between this and the need to ensure appropriate powers are available to tackle MTIC fraud and other attempts to steal from the taxpayer."

It went on that if HMRC is given the powers,

"the issue becomes one of ensuring those powers are used only by those who need them, and are subject to proper control."

Mr. Heath: I have a great deal of sympathy with what the hon. Gentleman is saying: there is a need to identify which officers have arrestable powers. I am,

however, concerned about amendment No. 20. It appears to preclude a Customs officer at a port of entry having powers of arrest unless he is a member of the criminal investigations directorate; otherwise, he would need to be with a person in the office of constable to effect an arrest. That cannot be what the hon. Gentleman intends.

Mr. Francois: I take on board the hon. Gentleman's point, but it would be up to HMRC to decide where to deploy its CID officers. Also, there are usually police officers available at most ports.

In a more recent note produced after the publication of the Bill, the Chartered Institute of Taxation argued:

"We have had assurances that the use of the powers will be restricted to a small cadre of people, properly controlled and trained. There does not seem to be anything to give effect to that promise in the legislation—why not? It would be preferable to have such powers included in the legislation, rather introduced by 'administrative procedures'."

The Institute of Chartered Accountants in England and Wales, in its parliamentary briefing of 24 April, said:

"It is vital that HMRC make publicly clear the circumstances in which the powers of arrest will be used...In order for Parliament to properly debate these clauses, the promised statement of practice should be made available to coincide with the debate."

It added:

"Fundamentally, we question whether HMRC ought to have criminal investigation powers at all. We think that serious organised tax crime ought to be dealt with by the Serious Organised Crime Agency (SOCA) in the same way as any other organised crime."

The Law Society reflected those concerns in its parliamentary briefing of 20 April when it said:

"HMRC have made significant efforts to separate out functions so that criminal investigation activity is not confused with civil investigation activity and separate personnel are involved...There is no statutory basis, however, for this separation of functions: it may be appropriate to consider whether there should be a separation."

It was also concerned that

"In the adoption of PACE under the statutory instrument no particular grade of officer is specified to exercise the powers...There is no statutory basis for the separation of criminal from civil powers within HMRC...HMRC have taken these issues seriously but it may be appropriate for a legislative framework to exist as well."

The Professional Contractors Group, which represents many small businesses including in the IT sector, stated:

"The culture of tax inspectors is becoming increasingly aggressive and destructive, and less concerned with the law."

With regard to the proposed criminal powers, the PCG states:

"PCG calls for clarification over when new powers will apply, a guarantee that they will never be used as part of routine compliance work and for this guarantee to be enshrined in statute. This separation must be as solid as possible and not liable to be eroded either by the misapplication of powers by inspectors or by any future administrative reorganisation within HMRC."

PricewaterhouseCoopers has argued—in a response to HMRC's consultation of 14 February 2007, given by its partners John Whiting and Tom Cawdron—that

"the use of powers must be separate from procedures for civil investigations...Criminal gangs allegedly committing MTIC fraud and tax credit fraud on a vast scale need to be tackled with an appropriate degree of tax specialist support. We believe that it is a mistake for tax officials (using the word 'tax' in the widest sense) who may return to a normal tax environment at the end of their spell of duty in RCPO to investigate such organised crime."

Given all those serious concerns, can the Minister now provide Parliament with some specific on-the-record assurances about how these powers will be exercised in practice? First, who can exercise the powers and how limited will their exercise be within HMRC? Our amendment No. 20 argues that the ability to exercise them should be confined to HMRC's criminal investigations directorate, which specialises in fighting fraud and criminal activity but does not ordinarily deal with day-to-day tax affairs. That might help reassure taxpayers, including businesses, that HMRC will not use the threat of powers of arrest as leverage in ordinary tax disputes.

The regulatory impact assessment that accompanied these proposals, under the heading "Training given to HMRC officers", states:

"The structure of HMRC with a separate Criminal Investigations Directorate, ensures the same officers do not deal with both criminal and non-criminal investigations. Officers responsible for criminal investigations will receive all the relevant training and will not have any other duties such as carrying out routine compliance work".

However, the RIA is not part of the Bill, which in clause 81(9)(2)(a) states:

"A certificate of the Commissioners that an officer of Revenue and Customs had authority under subsection 2(e) to exercise a power or function conferred by a provision of this Act shall be conclusive evidence of that fact."

Given that apparent dichotomy, can the Minister assure the Committee this evening that the powers in part 6 of the Bill will be exercised only by officers of HMRC's criminal investigations directorate, and not by other, wider elements of the organisation, as well?

Secondly, in what circumstances will the powers be used? It is important to establish that such powers should be used only to fight suspected fraud or other related crime, and not as leverage in ordinary day-to-day tax disputes. What is important is not just the power of arrest but the threat of its use. It would be quite wrong for HMRC officers—a number of whom are now incentivised regarding the annual revenue that they are targeted to bring in—to use the threat of arrest by HMRC as leverage in a tax negotiation in which there is no real suspicion of fraud or other criminality. What assurances can the Minister give the Committee that that will not be allowed to happen, and that potentially overzealous tax inspectors will be kept in check if these powers are granted?

Let us consider some simple instances. Can the Minister assure us that an individual who makes a genuine mistake on their annual tax return, even if it is in their favour, will not be threatened with arrest? Similarly, can he assure us that a small business that is experiencing genuine cash flow problems, and which is therefore having difficulty meeting its tax payments, will not have its partners or directors threatened with arrest as a result? We also presume that someone who is in dispute with HMRC over an attempt to recover an alleged tax credits overpayment—there were a third of a million such people last year—will not be threatened with arrest in any circumstances, save where there are reasonable grounds to suspect that they have been

[Mr. Francois]

involved in an organised attempt to defraud the system? Conversely and for the record, we do expect such powers to be used in fighting organised fraud such as MTIC fraud, which is costing the UK taxpayer billions of pounds a year.

9.45 pm

Thirdly, when will the specific guidance that relates to the operation of the powers be issued. The RIA, under the heading "Communication of the changes", states:

"HMRC has undertaken to publish material setting out information on which officers are entitled to use criminal investigation powers, how that work is organised in HMRC and how the powers are organised."

As I have already stated, the draft order to implement part 6 of the Bill has been published, but when I checked with both the Library and HMRC this afternoon, the specific guidance about the implementation of the powers in practice, as opposed to just the powers themselves, had still not been published. It would, obviously, have been very helpful to have that information before the House before today's debate.

In addition, it should be borne in mind that even when we do have such information, it will still only be in the form of guidance, or some form of code of practice as—in fairness—has been suggested by the Liberal Democrats in amendment No. 18, and so will not be on the face of the Bill.

Similarly, the RIA, under the heading "Implementation and delivery plan", also states:

"The changes being made come into force according to an order to be made by the Treasury. The order will not be made until the training has been rolled out appropriately."

The Treasury has already published the draft order as part of the consultation, but without a potential implementation date. So assuming for a moment that the Bill receives Royal Assent before the summer recess, when is the order intended to be made, and is the Treasury confident that all the relevant training will have been completed by that time?

In summary, we can understand why the Government might want to do this, following on from the HMRC merger. We accept that they have carried out a consultation exercise in advance of seeking to codify these combined powers in part 6 of the Bill. Nevertheless, we remain concerned by the extent of these powers and, specifically, how they might be exercised in practice. The concern spreads wider than just the Opposition. It includes the Chartered Institute of Taxation, the Institute of Chartered Accountants in England and Wales, the Law Society, the Professional Contractors Group and respected members of the accounting profession, including those from PricewaterhouseCoopers.

Parliament must be reassured that the powers will not be used arbitrarily and that HMRC officials will not use them or threaten to use them simply as leverage in tax negotiations. We have already seen a significant hardening of HMRC's attitude in respect of the adjudication of tax credit overpayments and we are concerned that such a hardening in other areas could take place once the new powers have been granted to the combined organisation.

To this extent, we have proposed two amendments to limit the exercise of such powers to a finite number of specially trained officers—amendment No. 2—or to those working specifically in the criminal investigator's directorate at HMRC, which is amendment No. 20. I shall listen carefully to the Minister's reply before deciding which, if either, of the amendments to press to a vote.

Julia Goldsworthy: The full RIA outlines the necessary balance to be struck between meeting HMRC's needs and making the provisions consistent with PACE 1984, and safeguarding citizens. Amendments Nos. 2 and 20 make much sense, although amendment No. 2 makes more sense than amendment No. 20. If one is pressed to a Division, we would be more inclined to support the former.

Amendment No. 2 makes sense because it outlines clear requirements for training, supervision and numbers. I would be interested to know where the hon. Member for Rayleigh (Mr. Francois) got the number of 500 from, but it can be amended by order if it is not right, and that makes sense. It is also sensible to ensure that HMRC has to report back on the issue in its annual report. We need change, because PACE 1984 relies only on Customs and Excise and we do now have a merged organisation.

Amendment No. 18 reflects our concerns that we are debating these powers without being clear about how they will be exercised, the circumstances in which they will be exercised and who will exercise them.

With any other Bill, the Government would have other opportunities—such as before it went to the Lords, for instance—to lay the code before the House, but the fact that this is the Finance Bill means that we will not have another chance to debate the matter after tonight. Moreover, we are holding the debate blind because we do not have the code, and that is why the amendment would ensure proper time for appropriate parliamentary scrutiny of this matter.

At the very least, I hope that the Minister will be able to assure the House that appropriate parliamentary time will be set aside to debate the code, when the Treasury makes it available. Although amendment No. 2 is better than No. 20, we cannot support it because, in reality, it is possible that only one officer will be present when an arrest has to be made. PACE was supposed to make sure that an arresting officer would be available when an arrest had to be made, so I hope that the Minister will respond to the proposition in our amendment No. 18.

John Healey: I hope that my response will give the reassurances that the hon. Members for Falmouth and Camborne (Julia Goldsworthy) and for Rayleigh (Mr. Francois) are looking for. The new powers in clause 81 and those that follow it are very important, and I hope that what I say will expedite the business on those further clauses.

The Bill is designed to improve HMRC's ability to respond to serious criminal attacks on the UK's tax and tax credit systems. HMRC's criminal investigation powers will be based on the modern standard already set by Parliament for other agencies facing similar threats—that is, the Police and Criminal Evidence Act 1984. That Act is well understood by courts, lawyers

and law enforcement agencies. It has been in force for more than 20 years, and the former Lord Chief Justice, Lord Wolff, has said that it is central to the working of the criminal justice system. He said that it reflects Parliament's intention as to what should be the balance between the necessary protection of the rights of the individual citizen and the right of the public as a whole that those who commit crimes should be convicted and then punished.

That is precisely what the 1984 Act's incorporation for HMRC is designed to do. As the hon. Member for Rayleigh said, it follows the merger of Inland Revenue and Customs and Revenue in 2005, which is when my right hon. Friend the Paymaster General launched the major review of powers. That review involved wide consultation about the powers and deterrents available to HMRC, and about the safeguards available to taxpayers.

Two elements of this year's Finance Bill cover criminal investigations and civil penalties that emerge from that review of powers. The proposals are based on extensive consultation that included discussion with the review's consultative committee of independent experts. In addition, there were three public consultation exercises, and meetings with representative bodies and legal experts from across the UK.

There was a time when the tax authority was a less obvious target for organised criminal attacks, but the threat of organised financial crime is now considerable and serious in both the public and private sectors. The MTIC fraud mentioned by the hon. Member for Rayleigh, and the organised criminal attack on the tax credit system that included the theft of thousands of identities from unsuspecting employees, are just two examples of what can happen. Staff at HMRC are uncovering serious criminal activity across a range of the agency's duties, and the globalisation of trade and financial services is enabling criminals to scale up the amounts involved in complex business frauds.

As a result, HMRC must have modern and effective powers to respond to the changing nature of the criminal threat. However, many of the powers inherited from the Inland Revenue and from Customs and Excise are no longer suited to that purpose. Furthermore, misalignment between the powers leads to confusion; for example, under existing legislation, an HMRC team investigating a case of fraud that covered direct and indirect tax would need two separate warrants to search premises, two separate teams to undertake the search and, if arrests were made, the suspect might have to be arrested twice—once by an HMRC officer for the indirect tax fraud and once by the police. Clearly, that is nonsense and undermines the advantages of the alignment and modernisation that Parliament approved in the merger to create a single UK tax authority.

The majority of responses to our consultation recognised the importance of consistent powers for all tax fraud investigated by HMRC and supported adoption of the relevant parts of PACE as a sensible way to achieve that. The Law Society of England and Wales supported the adoption of PACE on the principle that

"the powers should so far as possible be consistent with powers available to other agencies dealing with criminal offences."

The hon. Member for Falmouth and Camborne expressed concern about mission creep. Not all the PACE powers will be applicable to HMRC; indeed, the provisions we are debating would give HMRC access to only about one third of PACE. Powers not appropriate to the tax authority are not included; for example, PACE stop and search provisions and the powers to take fingerprints and to charge and bail suspects would not be available to HMRC. However, bringing HMRC criminal investigations into PACE would ensure that all the safeguards enshrined in that legislation are directly applied to those investigations. PACE codes of practice would apply to HMRC; they set out important safeguards, including that the powers of entry, search and seizure must be fully justified before use and that officers must consider less intrusive means before applying for search warrants.

Some people have argued that the exercise represents a levelling up of old Customs powers to the Revenue. That is not the case. In some instances, the provisions would introduce higher thresholds and stronger safeguards; they also mean a narrowing rather than an extension of the number of HMRC officers who can exercise the powers. The power of arrest would be restricted to authorised officers with the necessary training, who needed to perform an arrest in the course of their duties. That will mean removing the power of arrest from about 18,000 ex-Customs officers who at present have the power but no operational need to use it.

Some Members expressed concern that criminal and civil matters would get mixed up. I assure them that the law makes it clear that the powers we are considering can be used only where it is reasonable to suspect that a crime has been committed and only for the purposes of a criminal investigation into that crime. None of the powers can be used for civil matters. No HMRC officer is responsible for both civil and criminal inquiries. The only guidance not yet published by HMRC is on the detail of the training courses officers must complete before they are authorised to use the powers. As promised, the guidance will be published before any powers come into effect.

Subsections (2B) and (2C) of amendment No. 2 seem to be intended to ensure that PACE powers are used only by HMRC officers who are properly trained and authorised. However, that objective is already ensured by the clause. Under subsection (8) and the draft regulations applying PACE to HMRC, which were published on 2 April, PACE powers and functions are available only to HMRC officers authorised by the commissioners. Under administrative law, the commissioners may delegate functions only to properly trained and supervised officers, and only officers who need to use those powers to carry out their duties will be authorised.

The procedures for ensuring that the rules for authorising officers are applied correctly are subject to independent inspection by Her Majesty's inspectorate of constabulary. It is correct that none of the powers will be made available to officers of HMRC who carry out more routine duties such as checking tax returns. By restricting the powers to those officers within HMRC who have a direct business need, the number of officers with the power of arrest will be reduced from a current total of about 24,500 to 6,500—a reduction of less than a third and more than a quarter. Those 6,500 include 2,000 criminal investigators and about 4,500

[John Healey]

officers working to protect the UK's borders, as mentioned by the hon. Member for Somerton and Frome (Mr. Heath). Those officers need the powers to carry out their duties.

10 pm

That brings us to subsections (2D) and (2E), which are designed to limit the number of HMRC officers able to use PACE powers to 500—a figure that could be varied by order. Frankly, that is a ridiculous proposal and a random number. HMRC currently has 1,500 officers trying to tackle MTIC fraud, about 500 of whom have access to criminal investigation powers. The amendment would mean that the 200 criminal investigation officers tackling tax credit frauds, another 160 officers working on complex business fraud, 500 combating smuggling and about 230 tackling criminal finance and money laundering would simply be prevented from exercising their duties. That would certainly apply without the constraint of the constant legal amendments required to do so. What is important for the Committee to note is that the powers are available only to trained officers who need them to carry out their duties, who work in the relevant sections of HMRC and whose work is properly supervised and inspected.

The hon. Member for Rayleigh may be aware that PACE provisions already require statistics to be kept and published. HMRC will in future continue to meet the relevant standards set by PACE as applied to all law enforcement agencies and then exceed them by continuing to publish a much wider range of statistics than it does currently.

Amendment No. 18, and the requirement to prepare codes of practice relating to the exercise of powers, is also unnecessary. PACE codes of practice have been approved by Parliament and are available to the public. Clause 81, as drafted, applies those codes directly to HMRC's criminal investigations.

Finally, on amendment No. 20, the hon. Member for Somerton and Frome was again correct that it would restrict the exercise of PACE powers of arrest to officers currently and exclusively serving in the criminal investigation directorate. Although they require the power of arrest, it is also needed at the frontiers. It is obvious that officers at the frontier need to be able to arrest smugglers, where appropriate, as they are detected entering or leaving the UK. Officers carrying out that work are based in HMRC's detection directorate rather than its criminal investigation directorate.

On that basis, I hope that the hon. Members for Rayleigh and for Falmouth and Camborne feel that they have had their reassurances and that the hon. Gentleman will not press any of his amendments. If he does, I shall have to ask my hon. Friends to resist them.

Mr. Francois: I have listened very carefully to the Minister's case with regard to these important powers. He explained the background to what Her Majesty's Treasury is seeking to achieve. Conservative Members appreciate the need to combat fraud, especially highly organised fraud against elements in our VAT and tax credit systems. I am grateful for the Minister's assurance that the powers will be used only for criminal, not civil, matters. That is an important assurance placed on the record in *Hansard* tonight.

Nevertheless, the number of officers that the Minister mentioned as having been given these powers was 6,500. I understand, however, that in the Treasury's discussions with the professional groups, the limit was originally specified as 1,000. Then when the Treasury was pressed, it conceded that the figure might, at most, be 2,000. Now the Minister comes to the House and asks for 6,500 of these officers to be so empowered to arrest our citizens. We on the Conservative Benches feel that we need to place some constraint on that. We think that it is right that the powers should be given to specialised officers within HMRC, who are specially trained to use them.

Having listened to the Minister, I am minded to withdraw amendment No. 2, but to press amendment No. 20 to a vote, so that the powers would be confined to specially trained officers in HMRC's criminal investigations directorate and HMRC could then choose to deploy some of them at the border posts if it saw fit. If the Minister thinks that he can tell the professional groups that there will be only 1,000 officers, then that there will be at most 2,000, and then come to the House and say, "Oops. I actually meant 6,500", he should know that we think that perhaps he has not behaved as well as he might.

I beg to ask leave to withdraw the amendment.

Amendment, by leave, withdrawn.

Amendment proposed: No. 20, page 57, line 12, at end add—

'(12) Any power of arrest conferred by a provision of this Act as it amends section 114 of the Police and Criminal Evidence Act 1984 shall, so far as it is exercisable by an officer of Her Majesty's Revenue and Customs, only be exercised by an officer or officers serving in the Criminal Investigation Directorate of HMRC.'.—*[Mr. Francois.]*

Question put, That the amendment be made:—

The Committee divided: Ayes 118, Noes 279.

Division No. 106] **[10.08 pm**

AYES

Ainsworth, Mr. Peter
Amess, Mr. David
Ancram, rh Mr. Michael
Arbuthnot, rh Mr. James
Atkinson, Mr. Peter
Baron, Mr. John
Bellingham, Mr. Henry
Binley, Mr. Brian
Blunt, Mr. Crispin
Bottomley, Peter
Brady, Mr. Graham
Brazier, Mr. Julian
Brokenshire, James
Burns, Mr. Simon
Burrowes, Mr. David
Campbell, Mr. Gregory
Chope, Mr. Christopher
Clappison, Mr. James
Clifton-Brown, Mr. Geoffrey
Davies, Mr. Quentin
Djanogly, Mr. Jonathan
Donaldson, Mr. Jeffrey M.
Dorrell, rh Mr. Stephen
Duddridge, James
Duncan, Alan
Duncan Smith, rh Mr. Iain
Dunne, Mr. Philip
Evennett, Mr. David
Francois, Mr. Mark
Fraser, Mr. Christopher
Garnier, Mr. Edward
Gauke, Mr. David
Gibb, Mr. Nick
Goodman, Mr. Paul
Gray, Mr. James
Green, Damian
Greening, Justine
Grieve, Mr. Dominic
Gummer, rh Mr. John
Hague, rh Mr. William
Hammond, Mr. Philip
Hammond, Stephen

Hands, Mr. Greg
Harper, Mr. Mark
Hayes, Mr. John
Heathcoat-Amory, rh Mr. David
Hendry, Charles
Herbert, Nick
Hermon, Lady
Hoban, Mr. Mark
Horam, Mr. John
Howarth, Mr. Gerald
Hunt, Mr. Jeremy
Hurd, Mr. Nick
Jack, rh Mr. Michael
Jackson, Mr. Stewart
Jenkin, Mr. Bernard
Johnson, Mr. Boris
Kawczynski, Daniel
Kirkbride, Miss Julie
Knight, rh Mr. Greg
Lansley, Mr. Andrew
Leigh, Mr. Edward
Lewis, Dr. Julian
Liddell-Grainger, Mr. Ian
Lilley, rh Mr. Peter
Loughton, Tim
Lull, Peter
Mackay, rh Mr. Andrew
Malins, Mr. Humfrey
Maples, Mr. John
May, rh Mrs. Theresa
McCrea, Dr. William
McIntosh, Miss Anne
McLoughlin, rh Mr. Patrick
Miller, Mrs. Maria
Milton, Anne
Moss, Mr. Malcolm
Murrison, Dr. Andrew
Neill, Robert
Newmark, Mr. Brooks
O'Brien, Mr. Stephen
Ottaway, Richard
Pelling, Mr. Andrew
Penning, Mike
Prisk, Mr. Mark
Randall, Mr. John
Redwood, rh Mr. John
Robertson, Hugh
Robertson, Mr. Laurence
Robinson, Mrs. Iris
Rosindell, Andrew
Ruffley, Mr. David
Scott, Mr. Lee
Simmonds, Mark
Simpson, David
Simpson, Mr. Keith
Soames, Mr. Nicholas
Spelman, Mrs. Caroline
Spink, Bob
Spring, Mr. Richard
Stanley, rh Sir John
Stuart, Mr. Graham
Swayne, Mr. Desmond
Syms, Mr. Robert
Taylor, Mr. Ian
Taylor, Dr. Richard
Tyrie, Mr. Andrew
Vara, Mr. Shailesh
Viggers, Peter
Villiers, Mrs. Theresa
Walter, Mr. Robert
Watkinson, Angela
Whittingdale, Mr. John
Wiggin, Bill
Wilshire, Mr. David
Yeo, Mr. Tim
Young, rh Sir George

Tellers for the Ayes:
Michael Fabricant and Mr. Robert Goodwill

NOES

Abbott, Ms Diane
Ainger, Nick
Ainsworth, rh Mr. Bob
Atkins, Charlotte
Austin, Mr. Ian
Bailey, Mr. Adrian
Balls, Ed
Barlow, Ms Celia
Barron, rh Mr. Kevin
Battle, rh John
Bayley, Hugh
Beckett, rh Margaret
Beith, rh Mr. Alan
Benn, rh Hilary
Benton, Mr. Joe
Berry, Roger
Blunkett, rh Mr. David
Borrow, Mr. David S.
Breed, Mr. Colin
Brennan, Kevin
Brown, Lyn
Brown, rh Mr. Nicholas
Buck, Ms Karen
Burden, Richard
Burgon, Colin
Burnham, Andy
Butler, Ms Dawn
Byers, rh Mr. Stephen
Byrne, Mr. Liam
Cable, Dr. Vincent
Caborn, rh Mr. Richard
Campbell, Mr. Alan
Carmichael, Mr. Alistair
Caton, Mr. Martin
Challen, Colin
Chapman, Ben
Chaytor, Mr. David
Clark, Ms Katy
Clark, Paul
Clarke, rh Mr. Charles
Clarke, rh Mr. Tom
Clelland, Mr. David
Cocker, Mr. Vernon
Coffey, Ann
Cohen, Harry
Connarty, Michael
Cook, Frank
Cooper, Rosie
Cooper, Yvette
Corbyn, Jeremy
Cousins, Jim
Creagh, Mary
Cruddas, Jon
Cryer, Mrs. Ann
Cummings, John
Cunningham, Mr. Jim
Cunningham, Tony
Curtis-Thomas, Mrs. Claire
Darling, rh Mr. Alistair
Davies, Mr. Dai
Dean, Mrs. Janet
Dhanda, Mr. Parmjit
Dobbin, Jim
Dobson, rh Frank
Donohoe, Mr. Brian H.
Dowd, Jim
Drew, Mr. David
Eagle, Angela
Efford, Clive
Ellman, Mrs. Louise
Engel, Natascha
Farrelly, Paul
Field, rh Mr. Frank
Fisher, Mark
Fitzpatrick, Jim
Flint, Caroline
Flynn, Paul
Follett, Barbara
Foster, Michael Jabez *(Hastings and Rye)*
Francis, Dr. Hywel
Gapes, Mike
Gardiner, Barry
George, Andrew
George, rh Mr. Bruce
Gibson, Dr. Ian
Gilroy, Linda
Godsiff, Mr. Roger
Goggins, Paul
Goldsworthy, Julia
Goodman, Helen
Griffiths, Nigel
Grogan, Mr. John
Gwynne, Andrew
Hall, Mr. Mike
Hall, Patrick
Hamilton, Mr. Fabian
Hanson, rh Mr. David
Harman, rh Ms Harriet
Harris, Mr. Tom
Havard, Mr. Dai
Healey, John
Heath, Mr. David
Henderson, Mr. Doug
Hendrick, Mr. Mark
Hepburn, Mr. Stephen
Heppell, Mr. John
Hesford, Stephen
Hewitt, rh Ms Patricia
Heyes, David
Hill, rh Keith
Hillier, Meg
Hodge, rh Margaret
Hodgson, Mrs. Sharon
Hoey, Kate
Hood, Mr. Jimmy
Hopkins, Kelvin
Horwood, Martin
Hosie, Stewart
Howarth, David
Howarth, rh Mr. George
Howells, Dr. Kim
Hughes, rh Beverley
Hughes, Simon
Hulme, Chris
Humble, Mrs. Joan
Iddon, Dr. Brian
Ingram, rh Mr. Adam
Irranca-Davies, Huw
Jackson, Glenda
James, Mrs. Siân C.
Jenkins, Mr. Brian
Johnson, Ms Diana R.
Jones, Mr. Kevan
Jones, Lynne
Jones, Mr. Martyn
Jowell, rh Tessa
Kaufman, rh Sir Gerald
Keeley, Barbara
Keen, Alan
Keen, Ann
Kelly, rh Ruth
Kemp, Mr. Fraser
Khan, Mr. Sadiq
Kidney, Mr. David
Kilfoyle, Mr. Peter
Knight, Jim
Kramer, Susan
Ladyman, Dr. Stephen
Lammy, Mr. David
Laxton, Mr. Bob
Lazarowicz, Mark
Levitt, Tom
Lewis, Mr. Ivan
Linton, Martin
Lloyd, Tony
Love, Mr. Andrew
Mackinlay, Andrew
Mahmood, Mr. Khalid
Mallaber, Judy
Mann, John
Marris, Rob
Marsden, Mr. Gordon
Marshall, Mr. David
Marshall-Andrews, Mr. Robert
Martlew, Mr. Eric
McAvoy, rh Mr. Thomas
McCabe, Steve
McCafferty, Chris
McCarthy, Kerry
McCarthy-Fry, Sarah
McCartney, rh Mr. Ian
McDonagh, Siobhain
McDonnell, John
McFadden, Mr. Pat
McFall, rh John
McIsaac, Shona
McKechin, Ann
McNulty, Mr. Tony
Meacher, rh Mr. Michael
Meale, Mr. Alan
Merron, Gillian
Michael, rh Alun
Milburn, rh Mr. Alan
Miliband, rh David
Miliband, Edward
Miller, Andrew
Moffat, Anne
Moffatt, Laura
Mole, Chris
Moon, Mrs. Madeleine
Moore, Mr. Michael
Morden, Jessica
Morley, rh Mr. Elliot
Mudie, Mr. George
Mulholland, Greg
Mullin, Mr. Chris
Munn, Meg
Murphy, Mr. Denis
Murphy, rh Mr. Paul

Naysmith, Dr. Doug
Norris, Dan
Oiner, Mr. Bill
Osborne, Sandra
Owen, Albert
Paisley, rh Rev. Ian
Pearson, Ian
Plaskitt, Mr. James
Pound, Stephen
Prentice, Bridget
Prentice, Mr. Gordon
Prosser, Gwyn
Purchase, Mr. Ken
Raynsford, rh Mr. Nick
Reed, Mr. Andy
Reed, Mr. Jamie
Robertson, John
Robinson, Mr. Geoffrey
Rooney, Mr. Terry
Roy, Mr. Frank
Ruddock, Joan
Russell, Bob
Russell, Christine
Ryan, Joan
Sanders, Mr. Adrian
Seabeck, Alison
Sheridan, Jim
Simon, Mr. Siôn
Simpson, Alan
Singh, Mr. Marsha
Skinner, Mr. Dennis
Slaughter, Mr. Andy
Smith, rh Mr. Andrew
Smith, Angela E. *(Basildon)*
Smith, Geraldine
Smith, rh Jacqui
Snelgrove, Anne
Soulsby, Sir Peter
Southworth, Helen
Spellar, rh Mr. John
Starkey, Dr. Phyllis
Stewart, Ian
Strang, rh Dr. Gavin
Stringer, Graham
Stuart, Ms Gisela
Sutcliffe, Mr. Gerry
Taylor, Ms Dari
Taylor, David
Teather, Sarah
Thomas, Mr. Gareth
Thornberry, Emily
Timms, rh Mr. Stephen
Tipping, Paddy
Todd, Mr. Mark
Touhig, rh Mr. Don
Trickett, Jon
Truswell, Mr. Paul
Turner, Dr. Desmond
Turner, Mr. Neil
Twigg, Derek
Usher, Kitty
Vis, Dr. Rudi
Waltho, Lynda
Ward, Claire
Wareing, Mr. Robert N.
Watts, Mr. Dave
Whitehead, Dr. Alan
Wicks, Malcolm
Williams, Mrs. Betty
Williams, Hywel
Wills, Mr. Michael
Winnick, Mr. David
Winterton, rh Ms Rosie
Wishart, Pete
Wood, Mike
Woodward, Mr. Shaun
Wright, Mr. Anthony
Wright, Mr. Iain
Wright, Dr. Tony
Wyatt, Derek

Tellers for the Noes:
Mr. Michael Foster and Jonathan Shaw

Question accordingly negatived.

Clauses 81 to 83 ordered to stand part of the Bill.

Schedule 22 agreed to.

Clause 84 ordered to stand part of the Bill.

Schedule 23 agreed to.

Clause 20

Income tax exemption for domestic microgeneration

Julia Goldsworthy: I beg to move amendment No. 15, in page 15, line 10, leave out sub-paragraph (b).

The Chairman of Ways and Means (Sir Alan Haselhurst): With this it will be convenient to discuss the following: clause 20 stand part.

Amendment No. 16, in clause 21, page 15, line 29, leave out sub-paragraph (c).

Amendment No. 17, page 16, line 5, leave out sub-paragraph (c).

Clause 21 stand part.

New clause 1—*Microgeneration etc.*

'(1) The Chancellor of the Exchequer must, within one year of the passing of this Act and annually thereafter, prepare and publish a report on such fiscal measures he considers appropriate to assist with—

(a) microgeneration;

(b) energy efficiency; and

(c) small scale local energy generation.

(2) In preparing the report under subsection (1), the Chancellor of the Exchequer shall take reasonable steps to consult local authorities and such persons as in his opinion have an interest in—

(a) enhancing the United Kingdom contribution to comforting climate change; and

(b) alleviating fuel poverty.

(3) In this section—

"microgeneration" has the same meaning as in section 82 of the Energy Act 2004;

"small scale local energy generation" means generation of energy—

(a) in the case of electricity, generation by plant not exceeding 20 megawatts, and

(b) in the case of heat, production by plant not exceeding 100 megawatts thermal.'.

And the following amendment thereto: (a), in subsection (2), after 'persons' insert

'including, in particular, Government Departments'.

Julia Goldsworthy: Although we are covering quite a lot in this group of amendments, I shall try to be brief.

I begin by referring the House to comments made on Second Reading by the hon. Member for Wolverhampton, South-West (Rob Marris), who is not in his place at the moment, about the need for a carrot as well as a stick in encouraging environmental behaviour. The amendments and the new clause relate to clauses 20 and 21. In the Budget, it was announced with a great fanfare that people who produce electricity on domestic property through microgeneration would be exempt from income tax and, furthermore, that that exemption would extend to the sale of renewable obligations certificates. That announcement included income tax as well as any capital gains tax that people might otherwise have been liable to pay.

Paragraph 7.43 of the Red Book states:

"as announced in the Pre-Budget report, Finance Bill 2007 will legislate so that, where an individual householder installs microgeneration technology in their home for the purpose of generating power for their personal use, any payment or credit they receive from the sale of surplus power is not subject to income tax".

The Red Book goes on to explain the freedom from income tax and capital gains tax for ROCs.

Those measures in the Budget were accompanied by another announcement in the Chancellor's speech of further investment in the low-carbon buildings programme and that grants for the installation of microgeneration technology will be increased by another £6 million. That announcement was in response to the massive popularity of the scheme, which was demonstrated by events on 1 March 2007 when the domestic grant allocation went on the first day of the month. I see that you are looking at me somewhat quizzically, Sir Alan. That point relates to our amendment (a) to new clause 1, which I will explain in due course—I promise you that I shall be

brief, Sir Alan. Rather than increasing capacity, those events led to the suspension of the low-carbon buildings scheme for April. To date, the scheme is still not up and running.

Amendment (a) would introduce into new clause 1 a requirement on the Chancellor to consult Departments. We tabled the amendment because the low-carbon buildings programme and the extension of funding to it was such a mess. Perhaps the Treasury did not inform the Department of Trade and Industry that it was planning to make such a generous offer, even though the industry itself had asked for an extra £15 million to deal with the popularity of the scheme. Because the DTI was not informed, the programme has been suspended rather than extended, and capacity has been reduced as a result, because members of staff are being laid off as a result of the suspension.

On the face of it, the provisions appear to fulfil the principle that the Chancellor outlined in his Budget speech, but there are significant limitations in terms of the qualifications placed on the exemption from income tax. Clause 20(1) says:

"No liability to income tax arises in respect of income arising to an individual from the sale of electricity generated by a microgeneration system".

Paragraph (a) says that it must be domestic microgeneration. That seems fair. However, paragraph (b) says that it must be the case that

"the individual intends that the amount of electricity generated by it will not significantly exceed the amount of electricity consumed in those premises."

The phrase about intention as to the amount of electricity generated crops up again in clause 21 in relation to obligation certificates. The exemption from income tax applies only if someone intends not to generate more electricity than is required.

The point of the amendments is to ask the Minister why he thinks it necessary to include that qualification, given that the existing definition of "microgeneration" makes clear the limits of the income tax relief. Section 26 of the Climate Change and Sustainable Energy Act 2006 says that

"'microgeneration' means the use for the generation of electricity or the production of heat of any plant".

It then lists the sources of energy and technologies that must be used through microgeneration systems: biomass, biofuels, fuel cells, photovoltaics, water, wind, solar power, geothermals and combined heat and power systems. It also defines the capacity by a microgeneration system: 50 kW for the generation of electricity and 45 kW thermal for the production of heat. Given that, why is it necessary to introduce a further qualification whereby an individual installing a domestic microgeneration system has to intend that they are not going to exceed significantly the amount of electricity consumed?

If it is blowing a gale in the middle of the night, does that mean that the energy production of someone with a wind turbine will significantly exceed their requirements and they will therefore be unable to extend their exemption from income tax to the electricity generated in that situation? Surely we should be encouraging people to maximise the capacity of their microgeneration systems so that we are not placing such great demands on the national network and on non-renewable energy sources. I do not understand why the Treasury thinks it necessary to introduce the qualification with regard to intention.

There is a practical issue as regards how the exemption from income tax will be measured and achieved. I notice that the Red Book contains no projections of the cost to the Treasury of providing it. Friends of the Earth raised a concern that it does not understand how its achievement can be physically measured. It said that, if the exemption were part of a wider scheme, with a roll-out of smart meters, it would be easier to do something. The chief executive of Scottish Power said that the policy would be meaningless without a wider roll-out of smart meters. Does the Chief Secretary intend to make the policy more meaningful?

10.30 pm

We are worried that the policy constitutes spin over substance. Organisations such as Friends of the Earth would have liked a package of measures to encourage microgeneration, not to limit it in the way in which the Bill does. I am worried that, in the case of climate change, a token gesture is worse than doing nothing because it fools people into believing that action is being taken, when it is actually limited. We do not know whether the income tax exemption will cost the Treasury anything. That shows its small scale given the few people who will benefit from it.

New clause 1 would provide for a package and extend the scheme to small-scale local energy generation. It would also create a sense of accountability by providing for the preparation of a report to show that the Government are consulting local authorities and other relevant bodies. We will support the new clause, which would provide for a wider approach.

Amendment (a) to new clause 1 would allow for consultation to include other Departments. One would believe that that was a given in any Treasury consultation, but the experience of the low-carbon buildings programme and this year's fiasco suggests that it needs to be clearly set out to ensure that it happens.

The amendments and the new clause propose comprehensive changes and signal a more strategic approach, which would significantly improve the scheme. I hope that they will help provide greater stability to schemes such as the low-carbon buildings programme and other cross-departmental work. They are reasonable proposals and I hope that the Chief Secretary will accept them.

Alan Simpson (Nottingham, South) (Lab): I wanted to speak briefly to support new clause 1, which addresses Treasury reporting on energy efficiency matters and microgeneration. I tabled the same amendment last year and I want to make it clear that it has cross-party support, which was reflected in the Climate Change and Sustainable Energy Act 2006. That had the support of the whole House.

The key weakness in our current approach to reporting is that there is a range of departmental responsibilities, involving the Department of Trade and Industry, the Department for Communities and Local Government

[Alan Simpson]

and the Department for Environment, Food and Rural Affairs, but in each case, the policies hit a brick wall in the absence of a commitment from the Treasury to be part of the reporting mechanism about fiscal measures, which promote microgeneration and energy efficiency. That is a glaring gap in the coherence of our approach to climate change policies.

In other parts of Europe, Finance Ministries have been at the heart of driving climate change programmes and commitment to the shift to microgeneration and renewable energy. They have done that by placing themselves at the centre of parliamentary and democratic accountability. Yet whenever the matter has been raised in the House, the Treasury has refused to accept the reporting responsibilities that it quite happily places on other Departments.

There is a central point for the Committee to grasp: unless our climate change policies and the accountability for them are driven by the centre, we will not get the take-off points that will shift our economy into seriously promoting microgeneration, renewable energy and energy efficiency. That will not happen if there is a gap at the centre. I put it to Treasury Ministers that it is not enough to give the lead in policy pronouncements, or to be first off the blocks with the press releases. They need to be first out of the frame when it comes to holding themselves to account in such a way that we could then expect other Departments to follow suit. I make a plea to them that this should not be done in a way that will divide the House along party lines. It can be achieved with cross-party consensus, and if we were to do that, the whole House and the whole country would welcome it.

Mr. Paul Goodman: I am looking for a sentence that will sum up the what the official Opposition feel about clauses 20 and 21, about new clause 1, about the Liberal amendments to the clauses and to new clause 1, and about what the hon. Member for Nottingham, South (Alan Simpson) has just said. That sentence is: "The Red Book only takes us so far." It takes us only so far in relation to the two clauses before us because, although they are microgeneration measures—they are welcome, and we do not intend to oppose them—page 177 of the Red Book does not tell us how effective the Treasury expects them to be. In other words, it does not say what it expects the incentive effects of them to be over what period of time, or how many extra microgeneration systems the Treasury expects to be installed by how many people over what period of time. The House would like to have that information.

The theme of the limitations of the Red Book brings me to new clause 1. Last year, this measure was proposed as new clause 9, and I pay tribute to the hon. Member for Nottingham, South for drafting it. It was voted on last year, and supported by the hon. Gentleman and other Labour Members, as well as by us and the Liberals. It was a good new clause, and it is worth returning to it this year, which is why we have re-tabled it.

I have all the quotes from the speech that the hon. Gentleman made last year, but I am not going to quote him; he is perfectly capable of speaking for himself. His argument, in essence, is that the Treasury is the powerhouse. It has been powerhousing domestic politics since the war, and it does not grow any less powerful as the years go by. Indeed, under this Chancellor, it is growing more powerful. If the microgeneration drive is to be taken seriously, we do not simply need the description of what the Government are seeking to do, as outlined on page 177 of the Red Book. We need an annual assessment of how effective their strategy is, of its framework, of the take-up of the measures and of whether that take-up is successful. When the Financial Secretary responded to the debate on the proposal last year, he did a very workmanlike job, as he always does. He referred us back to the Red Book, but there is a prevailing feeling in the House now that that simply will not do if the Treasury is to drive this strategy forward.

I agreed substantially with what the hon. Member for Falmouth and Camborne (Julia Goldsworthy) said about these proposals. She made a good case for her amendment to our new clause, and we certainly have no difficulty with it. She also asked the Minister some pertinent questions about the necessity of the subsections of the two clauses that would apparently limit the amount of energy produced by microgeneration. I shall not repeat her questions; I shall simply ask the Chief Secretary to respond to them in due course, and to give us some reason to believe that the Treasury really is going to put itself in the driving seat in relation to microgeneration, rather than leaving it to other Departments that do not have the Treasury's muscle.

The Chief Secretary to the Treasury (Mr. Stephen Timms): We have had some interesting comments on the clauses.

Clause 20 builds on incentives already introduced to encourage development and growth in the take-up of microgeneration by householders, such as the DTI low-carbon buildings programme, to which the hon. Member for Falmouth and Camborne (Julia Goldsworthy) referred, and a reduced rate of VAT on the installation of microgeneration systems. As she said, my right hon. Friend the Chancellor announced in the Budget a further £6 million for the low-carbon buildings programme for households, bringing the total to more than £18 million for the coming year. We see that as a contribution towards a transition to a more mature market—one that is not dependent on grants—for microgeneration in the future. I reassure her, however, that the programme of household grants will resume allocation in May.

Clause 20 removes a genuine barrier to the take-up of microgeneration by householders, and helps them to contribute to the reduction of carbon emissions. Let me explain how the barrier arises and how the clause addresses it. I hope that I will then be able to explain why the amendment is inappropriate.

Households that have invested in microgeneration will often produce more electricity than they require for their own use. Therefore, they have the opportunity to sell or export surplus electricity back to their energy supplier, and so earn additional income. In our discussions with the industry and environmental groups, it became clear that uncertainty about the tax treatment of that income has discouraged some householders from investing in microgeneration. I can

clarify today that the Government's view is that a tax charge will indeed arise, hence the need to rectify the position and ensure that there will be no income tax charge.

Therefore, clause 20 introduces a tax exemption for the income that individuals receive from exporting electricity back to their supplier. It ensures that where an individual installs microgeneration in their home to generate electricity for their own use, any payment or credit that they receive from the sale of surplus electricity is not subject to income tax. Therefore, it achieves clarity and certainty for householders and achieves investment in microgeneration in line with the Government's microgeneration strategy.

The clause is targeted at people whose primary intention is to consume in their home the electricity that they generate. I have suggested to the Committee that it would not be right to extend, as the amendment would, the exemption to everybody. If accepted, the amendment would provide an exemption for businesses selling electricity if they happen to be run by an individual on domestic premises. In the case of businesses, there is no uncertainty, as there is with householders, about the tax position. For businesses, therefore, there is not a barrier to the take-up of microgeneration, so I suggest that the clause does not need to be extended as the hon. Member for Falmouth and Camborne proposes

It would be rather peculiar to give incentives to electricity companies to set up power stations, albeit small ones, in people's homes. A business based on commercial microgeneration should pay tax on its profit, just like any other commercial activity. To do as the amendment proposes would be unfair, and addresses a problem—uncertainty about the tax position—that does not exist where the primary purpose is commercial.

A similar argument applies in the case of clause 21, which deals with renewables obligation certificates, the purpose of which is to certify the generation of electricity from a renewable source. The auction price of renewables obligation certificates has been remarkably stable, at around £40 to £50 per megawatt-hour, since the renewables obligation was introduced in 2002. As intended, it has proved to be an effective market-based mechanism for increasing renewable electricity generation.

10.45 pm

Those using microgeneration at home can receive ROCs in the same way as any other electricity generator. They can sell their certificates to energy companies seeking to fulfil their renewables obligations. In those circumstances, the tax consequences could be complex. Householders could find themselves liable to income tax when they received their ROCs, and to capital gains tax when they sold them. The clause avoids that complexity, and ensures that individuals will not be liable for either tax in respect of ROCs that they acquire for electricity generated through microgeneration in their homes. Together with the income tax exemption in the previous clause, it provides clarity and certainty, along with very favourable tax treatment of the income that householders receive from microgeneration of electricity.

Businesses do not face the same barriers to take-up as individuals. I do not consider it appropriate to give a tax exemption to some people pursuing a commercial activity when others competing with them do not have the same advantages. That applies equally to income from ROCs and income from sales of surplus electricity. I hope the Committee will reject that amendment as well.

I listened with interest to what was said by the hon. Member for Wycombe (Mr. Goodman) and my hon. Friend the Member for Nottingham, South (Alan Simpson) about new clause 1, which would provide a legal obligation for the Treasury to publish an annual report on fiscal measures appropriate to assist with energy efficiency, microgeneration and small-scale generation. The clause is not necessary, because there is already a requirement to produce information on those subjects. The Sustainable Energy Act 2003 requires annual reports on progress towards sustainable energy aims. Last year it was amended by the Climate Change and Sustainable Energy Act 2006 to require the annual reports to include

"things done during that period for the purpose of implementing the strategy for the promotion of microgeneration in Great Britain",

a strategy that was published last year. The

"things done during that period"

will of course include fiscal changes.

Details of the environmental impact of Budget measures are published by the Chancellor every year, not once but twice, in both the Budget and the pre-Budget report. They are in chapter 7 of the Red and Green Books, which is dedicated to measures to meet the Government's environmental objectives. The environmental chapter was first included in the 1999 pre-Budget report, and has been a standard feature of Budget and pre-Budget report documentation ever since. That reflects the high priority assigned by the Treasury to environmental matters throughout the past decade.

The Government are committed to tackling the global challenge of climate change. We have introduced a range of measures to support energy efficiency across all sectors, from heavy industry to individual householders. Energy efficiency is key not only to reducing greenhouse gas emissions, but to helping to reduce fuel poverty.

I was delighted to hear the hon. Member for Twickenham (Dr. Cable) pay tribute to the climate change levy. Along with the climate change agreements, it has encouraged energy efficiency in industry. It is estimated in this year's Red Book that the levy and agreements will deliver emissions savings of 6.3 million tonnes of carbon a year by 2010. In the domestic sector, we have reduced VAT rates to help households take the most cost-effective steps to improve energy efficiency. Fiscal measures certainly have a role to play in improving energy efficiency, and that underpins a range of steps that we have taken.

A great deal of work is already being done across Government to encourage energy efficiency, microgeneration and local energy generation. Information on progress is reported regularly. The new clause is not

necessary, and while I hope it will not be pressed to a vote, I invite the Committee to reject it if it is.

Julia Goldsworthy: I think that it was the hon. Member for Wycombe (Mr. Goodman) who described the Chancellor as being in the driving seat when it comes to such measures, but unfortunately it seems that the Treasury is trying to look like it is putting the foot on the accelerator, while at the same time it is slamming its foot on the brakes. Unlike the present Chancellor, perhaps his successor will choose to grasp the issue more firmly.

I am pleased to hear the Chief Secretary confirm that the low-carbon buildings programme allocation will begin in May, but today is 1 May and, as far as I know, the programme is still suspended. It is a matter of concern that it has been suspended for months and that we still do not have a firm date for its proper reinstatement. In the meantime, people whose job it is to increase the capacity of that programme face losing those jobs because the funding stream is not there.

The clauses provide some clarity about liability for income tax and the fact that there will be an exemption, but I remain concerned about the sub-paragraphs to which the amendments that my hon. Friend the Member for Somerton and Frome (Mr. Heath) and I tabled refer. The matter remains obscure. I am still not clear what the Chief Secretary meant when he talked about the potential for commercial gain. Surely either we want to increase take-up of microgeneration or we do not. If there is an exemption from personal income tax, surely that deals with the commercial issue. If he is concerned about the issue of exceeding the amount of electricity that the household requires, surely that should be a reason to look again at the definition of microgeneration, rather than trying to deal with it as the Bill proposes, which does not seem clear. People who take up the scheme will not know when they have significantly exceeded the amount that they were intended to generate. To what extent is the measure supposed to apply?

Mr. Paul Goodman: I just wanted to say that we do not intend to press new clause 1 to a vote tonight. None the less, does the hon. Lady agree that we did not get a full answer from the Chief Secretary and that it will be worth returning to the matter in due course?

Julia Goldsworthy: I agree. I hope that we will be able to return to the issue. I hope that, despite the particular sub-paragraphs to which we have drawn attention, it will be possible to frame the measure in a way that does not constrain the production of energy and heat through microgeneration. Surely that is the whole point of the programmes that are to be introduced. For those reasons, I will not seek to press the amendments to a vote, but I remain unconvinced. I beg to ask leave to withdraw the amendment.

Amendment, by leave, withdrawn.

Clauses 20 and 21 ordered to stand part of the Bill.

Bill reported [Clauses 1, 3, 7, 8, 12, 20, 21, 25, 67 and 81 to 84, and Schedules 1, 18, 22 and 23], as amended; to lie upon the Table.

PETITIONS

Japanese Knotweed

10.53 pm

Clive Efford (Eltham) (Lab): This petition of residents living in Chelsworth drive and Tuam road in my constituency highlights the growing problem of Japanese knotweed. Responsibility for clearing an infestation where it appears is clearly set out in statute, but that is not the case when the land is bona vacantia. No one has a legal duty to deal with the problem, despite the threat to neighbouring properties, creating a problem for people living in those properties. That problem has existed for those residents for many years. The petition declares:

The Petitioners therefore request that the House of Commons enacts legislation or statutory instruments that will identify which authority or body is responsible for the clearance of Japanese Knotweed, and provide powers for the House of Commons to enforce such clearance when necessary.

To lie upon the Table.

Kent Science Park

10.55 pm

Derek Wyatt (Sittingbourne and Sheppey) (Lab): I wish to present a petition brought by the Five Parishes Opposition Group and others in my constituency against the Kent science park proposals. I wholeheartedly support the group and its allies, and I have secured three Adjournment debates on this subject. The total number of signatures is 3,200.

The petition states:

The Petition of the members of the 5 Parishes Opposition Group and others,

Declares that the petitioners object to any planning proposal by the Kent Science Park that seeks permission for either one or all of the following: to expand the site beyond the existing security boundary; to build any number of houses on green fields; to construct an A2-M2 road link; and to undertake any other affiliated building works.

The petitioners therefore request that the House of Commons urges the Secretary of State for Communities and Local Government not to permit the extension of the Kent Science Park beyond its current footprint.

To lie upon the Table.

Canvey Island Health Care

10.56 pm

Bob Spink (Castle Point) (Con): The people of Canvey island are deeply concerned about the two linked issues that this excellent petition addresses. First, they want to ensure that the reorganisation of health care by combining all eight of the GP surgeries on Canvey island into just two centres will not restrict access to primary health care, and that that change will improve health care rather than simply save money at Canvey people's expense. Secondly, they want to retain "The Paddocks" for community use, rather than have it swallowed up in a grandiose central health care scheme. I congratulate the many hundreds of people who

signed the petition, and by doing so showed that they care about their community and want to protect vulnerable people.

The petition states:

The petition of Eddie Stacy, residents of Canvey Island, Benfleet and others, declares the petitioners' wish to formally record their objection to the PCT's plans for reorganising health care on Canvey Island and further asserts that the loss of "The Paddocks" would be totally unacceptable to the people of Canvey.

The petitioners therefore request that the House of Commons urges the Government to impress upon the PCT the importance of a public consultation, which is timely and fully informs the public, in order to facilitate the representation of views of all those who will be affected by the changes to current healthcare provisions and who have an interest in the preservation of "The Paddocks".

To lie upon the Table.

Bribery in International Business Transactions

Motion made, and Question proposed, That this House do now adjourn.—*[Kevin Brennan.]*

10.57 pm

Dr. Vincent Cable (Twickenham) (LD): I have been fortunate during my years as a Member of this House to have secured a good few Adjournment debates, and I invariably devote them to constituency issues. However, there is another legitimate role that they can perform, which is to raise a series of questions on a topical issue that is difficult to pursue through oral and written questions. I want to follow up a debate that I introduced on 7 February in response to the statement of the Attorney-General about the Serious Fraud Office's decision not to pursue the al-Yamamah investigation.

There have been several developments since, which I wish to touch on: the March meeting of the committee of the Organisation for Economic Co-operation and Development working group on bribery and what emerged from that; revelations about the American reactions to the British Government decision; and the report this weekend of the Foreign Affairs Committee, which commented on the damage to Britain's reputation. I also wish to look forward to the phase 2 inquiry that the OECD committee will undertake, and to discuss how Britain has applied the OECD anti-bribery convention.

This difficult issue cuts across several Departments—that of the Attorney-General and the Solicitor-General, the Department of Trade and Industry, the Foreign and Commonwealth Office, the Home Office, the Department for International Development, and, of course, that of the Prime Minister. The responsibilities of the Minister who is to reply to the debate cut across the Foreign Office and the DTI, which are both centrally involved. I have followed his remarks, and he has made some good, strong statements about the British Government's commitment to fighting corruption, notably in his speech in December to the United Nations convention against corruption. He said that fighting corruption was a key priority for the British Government.

The first of the issues that I want to address is the OECD working group meeting in March. The starting point is that it is the body that oversees the implementation of the anti-corruption convention. There has been an enormous change in the past decade. Some years ago, I served in the Foreign Office and in multinational business, and back then there was an assumption that corruption was part of everyday life in business. That has radically changed since the introduction of legislation that effectively makes it a criminal offence to bribe a public official overseas.

There are differing views about how Britain has performed in this respect. I have had a useful exchange of correspondence with the Minister's colleague, the Minister for the Middle East, which has brought out the two different aspects of Britain's role. The Minister for the Middle East has rightly argued that in many respects, British business has an admirable record. He has pointed out to me in correspondence that Britain is sixth on the Transparency International index—the

[Dr. Vincent Cable]

so-called bribe-payers' index. Put another way, Britain is second among the G7, just behind Canada. The United States is ninth in the index, Japan is 11th, France is 15th, and Italy is 20th. That reflects well on the ethics of British business. However, I was able to quote to the Minister for the Middle East the comments of the chairman of the working group, Mark Pieth, after the 2005 review; he singled out Britain, Japan and Italy as below standard in the implementation of the convention.

Unfortunately, this whole argument has become somewhat personalised around Mr. Pieth. The Minister for the Middle East said in his letter to me—it was a public exchange, so I am sure that he will not mind my quoting it—that

"Professor Pieth's public comments were—as they often are—made in his personal capacity rather than as a reflection of the views of the Working Group."

However, the working group is quite explicit in its criticisms. It noted after the 2005 inquiry that

"it is surprising that no company or individual has been indicted or tried for the offence of bribing a foreign public official since the ratification of the Convention by the UK".

When the working group met last month, it introduced its comments on the United Kingdom in the following terms:

"At its March 2007 meeting, the OECD Working Group...reaffirmed its serious concerns about the United Kingdom's discontinuation of the BAE Al Yamamah investigation and outlined continued shortcomings in UK Anti-Bribery legislation. It urged the UK to remedy these shortcomings as quickly as possible and decided to conduct a further examination of the UK's efforts to fight bribery."

The personalisation spilled over, as the Minister knows, into a leading newspaper article last week, in which it was alleged that the British Government had sought to remove Mr. Pieth and had attacked the reputation of the secretary-general of the OECD. I was pleased that a Minister was able to write in very forthright terms dismissing these allegations; I am sure that that is absolutely appropriate. In order to round off this point, will the Minister present make it absolutely clear that the Government have complete confidence in the OECD working group and in its chair, as a necessary background to the inquiry that is due to take place in the next year?

The second issue is the reaction of the United States, which has always taken the lead on this issue since the introduction in the mid-1970s of its own foreign corrupt practices legislation. Under President Clinton, the American Administration took the lead in trying to create a multilateral agreement—probably primarily to protect American manufacturers and to create a level playing field. The Americans have apparently been leading criticism of the UK within the OECD working party. It was revealed last week by the *Financial Times* that a formal complaint, albeit an oral one, had been made in January to the Foreign Office about the termination of the Serious Fraud Office inquiry. If that is correct—I have not heard it denied—can the Minister confirm that the Americans did protest in that way? It is important to be clear on that point. Perhaps the Minister could say how significant that was. For all I know, the Americans may have protested to the British Government about numerous issues over the years, or about very few. Perhaps he could say whether this was seen as a serious gesture by the United States.

The other development affecting the United States emerged in response to a question that I put to the Solicitor-General on 1 March. I asked him whether meetings had taken place in the past 12 months between the SFO and representatives of the US Department of Justice concerning investigations into al-Yamamah contracts, and he replied:

"The Serious Fraud Office has met with representatives of the US Department of Justice to discuss case related matters."—[*Official Report*, 1 March 2007; Vol. 457, c. 1452W.]

That implies that the British Government are co-operating with the US in what seems to be a preliminary inquiry into whether there has been a breach of US law in that matter. It would be helpful if the Government confirmed that that is indeed the case.

The third issue relates to the Foreign Affairs Committee. The debate on al-Yamamah has often taken on a party political colouration, but what was important about the report published at the weekend was that it was an all-party report. Eight Labour, four Conservative and two Liberal Democrat Members produced a consensual report that had two very important conclusions. The first, in paragraph 42, reads:

"We conclude that the Government's decision to halt the inquiry into the al Yamamah arms deal may have caused severe damage to the reputation of the United Kingdom in the fight against corruption."

That was the consensus view. I know that Lord Drayson has since contradicted it, but it was an important acknowledgement that serious damage has been caused.

That damage is of several kinds, including damage to the Government's reputation and to British business in general. In the past few months, leading institutions in the City—for example, Hermes, and the F&C Asset Management Group—have corresponded with the Prime Minister, expressing concern about the way in which their reputations and those of the City and financial markets have been damaged by this affair. Leading business people—for example, the chairman of Anglo—have commented that the reputation of their companies has been indirectly affected. The reputational damage has gone quite far.

The issue also affects the ability of the British Government to give leadership in the field of overseas development. An excellent White Paper published in 2006 by the Secretary of State for International Development commented extensively on Britain's role in leading the fight against corruption. That is clearly seriously undermined if the British Government are criticised for their performance in implementation.

The second conclusion of the Foreign Affairs Committee is worth quoting. It notes:

"There may also be an argument that it"—

the decision of the British Government in respect of al-Yamamah—

"has weakened the United Kingdom's ability to take firm action against Saudi Arabia in a range of fields, including human rights."

The Minister will of course give a considered reaction to the report, but he may wish to give some early indication of his views tonight.

My final comments relate to where we go from here. Over the next year, there will be a phase 2 inquiry by the OECD working group. It will relate, although not primarily, to one of the issues that has concerned the working group in the past—the state of British law. A view has been expressed that the law that was introduced in 2001 to comply with the convention was simply not fit for purpose. I would be interested to know whether the Minister takes that view. Are the Government satisfied with the law as it stands, or do they feel that new legislation is required to meet the requirements of the convention?

Phase 2 is not concerned so much with legislation as with implementation of the legislation. Several specific issues will be raised, and I raise them in advance tonight to establish the Government's broad reaction. The first is how seriously the Government are taking further investigations through the SFO. I have had helpful parliamentary answers suggesting that inquiries are continuing in respect of six cases. Those involve South Africa's Hawks deal with BAE Systems, Romania's fighter contracts, the Czech Republic, Tanzania air traffic control, Chilean frigates—a matter that relates to the £1 million alleged to have been paid to the late President Pinochet—and Qatar. It would be helpful if the Minister was able to say whether the British Government are receiving full co-operation from each of the different Governments that are affected. Previous attempts to pursue the investigation in relation to Saudi Arabia were frustrated by a lack of co-operation from the other Governments. If Britain is to follow through on the inquiries, it is important for us to know whether the Governments involved are co-operating.

My second set of questions relates specifically to the Department of Trade and Industry. The hon. Member for Liverpool, Walton (Mr. Kilfoyle) first brought into the public domain a description of the system of parallel contracts, a type of working relationship in which BAE Systems—and perhaps other companies as well—is involved. Under that system, an official contract is drawn up and published, but a separate and less official contract operates through a subsidiary company with an exotic name such as Red Diamond. That secondary contract arranges for funds to be paid through the British Virgin Islands, where financial disclosure is not required.

As has been reported many times, that system has been in operation with many of the contracts that have been the subject of controversy, and various individuals associated with BAE Systems have been involved. For instance, I believe that Lord Powell, an adviser to the group, has been involved in—and also been a beneficiary of—such an arrangement.

I have two questions for the Minister, in his capacity as a DTI Minister. First, is he satisfied that the arrangement involving a subsidiary company is entirely compatible with the system of company law and rules that the DTI oversees? At first sight, it seems odd that companies are able to set up subsidiaries that do not appear in their records, although I am sure that the Department has checked whether that is good practice, or even legal.

Secondly, are the Government satisfied that moneys can flow through the British Virgin Islands, and is that compatible with the Treasury's rules about money laundering? The working group will pursue those questions, but it will be useful to know the Government's broad approach in advance.

My final point about the future investigation—which may have started already—has to do with the Government's response to criticisms made in the past by the OECD working group in respect of article 5 of the convention, which specifically excludes commercial considerations when the Government make decisions about whether to proceed with a legal inquiry. The OECD has already expressed concern about the role of the Attorney-General, for the reason that it involves the possible consideration of UK interests that article 5 expressly prohibits in the context of decisions about foreign bribery cases. How such questions are answered will depend on how the working group investigates the decisions about al-Yamamah. It will want to know how the Government separated legitimate considerations of national security from commercial considerations.

One matter of some concern is that there have been reports that the key individual who communicated the Saudi Government's concerns was Prince Bandar, the former ambassador to the US. He visited this country on November 8, and I am pursuing through parliamentary questions the matter of which Ministers he met at the time to communicate his Government's concern. Unfortunately, the same individual is one of the three main people alleged to have been beneficiaries of the commercial arrangements, together with his father the Crown Prince and the Minister responsible for the air force.

Questions will be asked, and I am sure that they will be pursued, about how effectively the Government managed to separate the purely commercial aspects of their judgment from the entirely genuine national security concerns. This matter will keep coming back. I apologise to the House for running through the issues so quickly, because of the time, but I am grateful for this opportunity to raise it.

11.15 pm

The Minister for Trade (Mr. Ian McCartney): As is normal practice, I thank the hon. Member for Twickenham (Dr. Cable) and congratulate him on securing the debate.

I want to deal with the general principles relating to our position. I feel strongly that not only the hon. Gentleman but others have, in advance of the debate, sought to give the impression that the Government are soft on the issues. In fact, we are involved in a huge array of activities designed to root out corrupt behaviour and bring to justice those who perpetrate it. I shall deal with the concepts, principles and history of what we are doing and will continue to do.

The hon. Gentleman put a range of specific questions, of which I have had no notice—not that he is required to give me notice. Some of them were based on fact, but some were based merely on innuendo and supposition. I give the House and the hon. Gentleman this commitment: I will review all his questions and if they are not answered by what I say in the next moments—many will not be—I shall respond as

[Mr. Ian McCartney]

effectively as I can by sending answers not only to him but to you, Mr. Deputy Speaker, and by placing them in the Library for the consideration of any Member who is interested in the issues and has concerns.

Let us first cast our minds back to where we have come from. A decade ago, negotiation of the OECD convention was not complete: the United Nations convention against corruption was not even a glint in the eyes of its founding fathers; Transparency International was a small non-governmental organisation, developing its now world-renowned anti-corruption tools; and the subject of corruption was still almost taboo at international meetings and in aid agencies. Businesses were almost universally shy of recognising that it existed, despite the fact that in many sectors in many countries, especially oil, gas and mining, defence procurement and construction, business depended on it.

At the same time, corrupt leaders from Mobutu to Marcos and Abacha to Suharto had shown the breathtaking venality that consigned their people to abject poverty while they enjoyed lives of luxury with impunity—all because the international community was yet to take its potential mission seriously, and the world's financial system did not yet have in place the controls that today we regard as commonplace to limit the opportunities for such grand corruption. The Government have played a major part in moving from that scenario to where we are today in practice.

The House does not need to take that only from me. As the hon. Gentleman rightly and fairly pointed out, Transparency International's corruption perceptions and bribe-payers' indices ranked the UK as the highest and second-placed G7 country, respectively 11th of 160 and 6th of 30. That is many places above the United States and France, which, according to the media reports by which the hon. Gentleman seems to set such store, are our fiercest critics in the OECD. It is not just the Government's view that the UK is doing rather better than many people, including the hon. Gentleman, would have us believe. I shall give the House a few facts to show how distorted and unacceptable that picture is.

My right hon. Friend the Secretary of State for International Development accounted for much of the work in his progress report to the Prime Minister, published on 12 March. I offer a few examples. First, we continue to push the anti-corruption agenda in international forums, such as the G8, the European Union and the UN, particularly the implementation of the UN convention against corruption, whose provisions on improving international co-operation on asset recovery are particularly important.

Secondly, we are implementing the third EU money-laundering directive to make it even harder to move criminal money, including looted assets, through our financial system. Thirdly, thanks to funding of £6 million from DFID over three years, in recognition of the impact of the scourge on developing countries, we have strengthened the UK's law enforcement capacity to investigate allegations of foreign bribery and the laundering of corrupt assets by political elites. On the former, the City of London police are already supporting the Serious Fraud Office in five investigations and made arrests in January. On the latter, the UK has restrained £34.6 million of assets acquired through corruption by foreign political elites.

The Metropolitan police has established a strong operational relationship to bring specific cases to prosecution. The Met's arrest of the former Governor of Bayelsa state had a strong impact in deterring wealthy Nigerians from trying to launder money through London. The Met has also responded to requests from the Nigerian Government relating to a second former state governor. In one case, £1 million was returned and in the other, property bought in London is about to be sold so that the proceeds can be returned to the people of Nigeria from whom they were stolen.

Let me provide other examples. Following an investigation by the Ministry of Defence police, an MOD official, Michael Hale, after taking bribes from a Californian company, was convicted earlier this month on nine counts of corruption. For the OECD, that case does not count, since the conviction was of the bribe taker rather than the bribe giver, but I stress that it shows that the legal framework and the requirement for the Attorney-General's consent worked as they should. It also showed the judge's resolve to punish such crimes with a custodial sentence.

Separately, a UK citizen, Joyce Oyebanjo, was convicted earlier this year of laundering £1.4 million of stolen assets from Nigeria. She was sentenced to three years' imprisonment. The Attorney-General has secured an extra £22 million to fund Serious Fraud Office investigations arising from alleged corruption under the UN oil-for-food programme.

On top of the hundreds of millions of pounds that the Department for International Development has already spent on improving governance in dozens of countries around the world, we recently launched a new £100 million governance and transparency fund to strengthen the ability of civil society, parliamentarians, trade unions and a free media to hold their Governments to account.

As well as boosting the UK's own capacity to investigate international corruption allegations, we have taken an important role in the International Association of Anti-Corruption Authorities, set up by the Chinese to improve co-ordination and sharing of best practice among anti-corruption law enforcement authorities. Both the Director of Public Prosecutions for Northern Ireland and the director of the Serious Fraud Office will help to direct the organisation. The UK's leadership on the extractive industries transparency initiative has allowed it to become widely recognised as the international standard for the management of public revenues from oil, gas and mining.

We were also in at the beginning of the conception of the Kimberley process to boost transparency in the diamond trade and stamp out "conflict" diamonds. That is now so successful that it is estimated that more than 99 per cent. of rough diamonds are certified as conflict-free. We continue to work with partners to address outstanding issues, most recently by representing the EU on a review visit to Ghana in March.

In partnership with the private sector, the UK is now one of only a handful of countries with independent

oversight of our national contact point on the OECD guidelines on multinational enterprises. That is an important step towards boosting the credibility of this important complaints procedure. All of these are good examples of the benefits that all parties derive from co-operation between Governments, business and non-governmental organisations.

We have been praised by the OECD, particularly for the work that we have done to train front-line officials and raise awareness in the UK business community—both here in the UK and around the world. One of the ways in which we have done that is by commissioning a DVD. We are one of few Governments in the world training front-line staff to make them aware of the damage that corruption can cause and what their responsibilities are in helping to find it, bring it to court, stamp it out and bring to justice the people who are perpetrating it in the first place.

There are many positive stories about how a strong political will and courageous individuals can make a tangible difference. Several other OECD countries have asked us for more details about our activities to help inform their own efforts. That, I must say to the hon. Member for Twickenham, does not show a laggard, self-interested or irresponsible response to the key issues of the day on these matters. His comments therefore bear no resemblance to reality.

I have spoken about all the things that we are committed to doing to root out corrupt practices—and there are more, which I will set out for the hon. Gentleman in a letter tomorrow. However, I would like to ask him to do one thing for us. Will the Liberal Democrats give back the £2.4 million that they received from Michael Brown, who was jailed for perjury and obtaining a passport by deception so he could go on the run? He is accused of money laundering. I have set out all that we have done, so the hon. Member for Twickenham has a personal responsibility not just to come here and pontificate, but, where corruption arises, to deal with it. I ask him to do just that.

We are supporting the work of the Nigerian Economic and Financial Crimes Commission to tackle money laundering and corruption. That includes collecting financial forensic evidence in line with international standards and tracking suspicious transactions—a general issue that the hon. Gentleman raised. That has helped to secure 150 convictions and the recovery of about $5 billion since our activities started in 2002. Our work is making a substantial difference.

Let me leave the hon. Gentleman in no doubt about the UK's commitment to the OECD as an institution. I should say thanks to *The Guardian*, despite the inaccuracies and untruths in its front-page article. The article provided me with the opportunity—as he stated—to make it absolutely clear, without any quibble, that the allegations were untrue. They were untrue when they were made and they are untrue now.

I welcome the opportunity to share and debate policy reform and best practice. The hon. Gentleman raised genuine issues about improving our legislation. I give him a commitment that that is what I want to do, too. I will set out the details—in terms of the questions that it may take some time to answer and the general aspects of what we want to achieve—in a letter to the hon. Gentleman tomorrow.

We can all improve our performance on these matters. This is a difficult and complex area, but I want to make it absolutely clear that the Government are completely committed to doing the best by the British people and the international community. We are at the forefront of tackling corruption. In the last decade, we have made great strides. We are not squeamish about the role of the OECD. I am talking not just about our peer review, but about what happens in all international communities, whether we are thinking of the Human Rights Council or the OECD. We are very committed to peer review—and that includes ourselves. Every time that there is a peer review, there is an example of improving practice. We accept that.

We play an active part in the OECD—with the individuals and the institution. We also fund it and put in the right resources to make sure that we have an effective international legislative framework to expose and root out corruption where it exists and to repatriate the resources that corruption sucks out of states that mostly cannot afford to lose those resources in the first place. That money can then be put into education, health, transport and all the other key things that we take for granted in this country. Sadly, many countries that are victims of corruption lose out significantly in those areas.

I hope that I have reassured the hon. Gentleman on the general issues. As I said, I will deal with the specifics in correspondence.

Question put and agreed to.

Adjourned accordingly at twenty-seven minutes past Eleven o'clock.

House of Commons

Wednesday 2 May 2007

The House met at half-past Eleven o'clock

PRAYERS

[MR. SPEAKER *in the Chair*]

Oral Answers to Questions

WALES

The Secretary of State was asked—

Military Bases

1. **Albert Owen** (Ynys Môn) (Lab): What recent discussions he has had with the Secretary of State for Defence on the future of military bases in Wales; and if he will make a statement. [134258]

The Secretary of State for Northern Ireland (Mr. Peter Hain): I have regular discussions with Cabinet colleagues, including the Secretary of State for Defence. There is a strong defence presence in Wales, which will be strengthened by the St. Athan defence training project.

Albert Owen: RAF Valley is an integral part of the Anglesey community, has been so for over 60 years, and is a major contributor to the region. The recent positive announcement by the Ministry of Defence on locating the search and rescue headquarters and the new Hawk integrated operational support contract at Valley is creditable and gives confidence to both the civilian and military work force. Does he agree, however, that the academy at St. Athan offers further potential for RAF Valley to benefit and to broaden its skills base, and that a party with the aim of independence would jeopardise that?

Mr. Hain: I agree very much with my hon. Friend that RAF Valley has enormous potential, does good work and has potential linkages across Wales, including with the defence training project. That project, which is the biggest such public investment project in living memory—if not ever—will bring unparalleled investment in Wales, with over 5,000 jobs, an additional 1,500 jobs in construction and about £16 billion of investment, all of which is a result of the strong partnership between Westminster and a Welsh Assembly Government—a partnership that would be put at risk by a nationalist-Tory alliance in the Welsh Assembly Government if they won power.

Mr. Elfyn Llwyd (Meirionnydd Nant Conwy) (PC): Obviously, the Secretary of State has changed the order: it is now nationalist-Tory, not Tory-nationalist; in any event, it is nonsense, as it was last week. May I set the record straight? Plaid Cymru was fully supportive of the Defence Aviation Repair Agency bid from day one, we still are, and I fully appreciate what the hon. Member for Ynys Môn (Albert Owen) says: the development is important to Wales and we could be world leaders in that kind of technology. At no stage have I expressed a contrary view, except to say that I would have preferred the jobs to have stayed in the public sector.

Mr. Hain: As the hon. Gentleman mentions the point, I do not mind whether the alliance is nationalist-Tory or Tory-nationalist; it would still put the Tories in power in Wales, and they have not been in power at a serious level of government anywhere in the United Kingdom for a long time. In respect of the policy of defence investment, why did his party president, Dafydd Iwan, call for the disbanding—

Mr. Speaker: Order. The Secretary of State is answering the questions, not asking them.

Mr. Siôn Simon (Birmingham, Erdington) (Lab): Given the Government's massive investment in defence training, do not the armed services provide an excellent career for youngsters throughout Wales and across the United Kingdom? In that case, how does the Secretary of State answer those in Wales who call for Army recruitment to be banned in schools?

Mr. Hain: I did notice that one Plaid Cymru Assembly Member was calling for the Army to be banned from recruiting in schools, which is a crazy policy, like all Plaid Cymru's other crazy policies that are designed to separate Wales from the rest of the United Kingdom, which would be a disastrous policy if it formed part of a Welsh Assembly Government's future objectives.

Mr. David Jones (Clwyd, West) (Con): Further to the question of the hon. Member for Ynys Môn (Albert Owen), the Secretary of State will be aware that the air service to be launched next week linking Cardiff airport with RAF Valley is to be subsidised by the Welsh Assembly Government to the tune of £800,000 per annum, which equates to a subsidy of more than £170 per passenger, per return flight, if those flights are fully occupied. Does he consider that such a level of subsidy is good value for taxpayers' money? When does he anticipate that the service will be able to stand on its own feet financially?

Albert Owen: It is investment.

Mr. Hain: As my hon. Friend the Member for Ynys Môn (Albert Owen) says from a sedentary position, the project is an investment in improved north-south transport links, which I would have thought the hon. Gentleman, as a north Wales MP, would welcome. I would have thought that he would say that businesses and individuals in north Wales who need to travel to and from Cardiff, which can take as long as five hours by car and a similar amount of time by train, should have the advantage of that service, which will bring extra investment to north Wales and Anglesey. He should be backing it, not attacking it.

Regulatory Burden

2. **Mr. Henry Bellingham** (North-West Norfolk) (Con): What plans he has for encouraging a reduction in the burden of central Government legislation on Welsh business. [134260]

The Parliamentary Under-Secretary of State for Wales (Nick Ainger): The Government are wholeheartedly committed to cutting the regulatory burden on all businesses and are currently undertaking one of the most radical reform agendas in the world.

Mr. Bellingham: I am pleased to hear that, but is the Minister aware that recent surveys of Welsh business reveal overwhelming opposition to the Budget proposals to increase the rate of the small firms corporation tax? Will he pledge to do all that he can to resist those anti-business Euro-directives, particularly the working time directive, from which the UK had an opt-out, and the agency workers directive, both of which would do untold damage to Welsh tourism?

Nick Ainger: The Government have reduced the regulatory burden on business arising, for example, from Department of Trade and Industry regulations, by more than £1 billion. Some 900,000 companies are now exempt from audit requirements on their accounts. The hon. Gentleman refers to various surveys, and the CBI survey shows that manufacturers in Wales have received the highest surge in orders for more than a decade, and that Welsh firms are experiencing much stronger order and output growth than the UK as a whole. The latest figures show that new VAT registrations for businesses in Wales are up significantly. Moreover, 130,000 jobs have been created since 1997.

All those facts demonstrate that the Government are extremely successful in dealing with these matters. Small businesses are growing substantially in Wales, and are being created on a regular basis. That shows that we have the right policies, which could only be put at risk if we ended up with some sort of rag-bag coalition.

Alun Michael (Cardiff, South and Penarth) (Lab/Co-op): Will my hon. Friend remind Conservative Members that it was a Conservative Government who devastated business and industry in Wales, although siren voices suggested that measures such as the minimum wage would devastate business and industry rather than introducing fairness? Will he restate this Government's policy of introducing measures from European directives properly, not gold-plating them but ensuring that there is fairness in industry for all, including business?

Nick Ainger: I agree with everything that my right hon. Friend has said. I know from the hard work that he did in ensuring the passage of legislation to reduce the regulatory burden on businesses that he is an expert in the field. The facts are clear: businesses in Wales are growing and are being created faster than ever before, and all the surveys indicate that the Government's regime is working.

Of course, we will resist any attempts to gold-plate European regulation. We will continue with the formula—the partnership between the Welsh Assembly Government and the Labour Government here in Westminster—which has proved so successful, putting 138,000 more people in work than was the case 10 years ago.

Paul Flynn (Newport, West) (Lab): Is not the misery-mongering from Norfolk mocked by the reality of thriving private industry in Wales? In Newport alone we have benefited from a huge amount of investment, resulting in thousands of new jobs in EADS, Yellow Pages, International Rectifier and the Quinn Group. Is that not largely due to the strength of the partnership between the Labour-controlled Welsh Assembly and the Labour-controlled Government, which would be put at risk if it fell into the instability of an Assembly controlled—

Mr. Speaker: Order.

Nick Ainger: Surprisingly, I agree, yet again, with my hon. Friend. What he says is true, although that success is happening not just in Newport, but in my constituency: we now have record levels of employment where we used to have record levels of unemployment. Indeed, it is true throughout Wales. Ibsen Biopharm has announced an investment of more than £39 million in a pharmaceutical plant in Wrexham, and the Amazon investment was announced only last month.

Industry recognises that Wales is a good place in which to invest. We are seeing existing industries growing and new industries being created, because—as my hon. Friend says—of the wonderful partnership between Westminster and Cardiff.

Public Sector Employment

3. **Andrew Rosindell** (Romford) (Con): How many of the jobs created in Wales since 1997 have been in the public and publicly funded sectors. [134261]

The Secretary of State for Wales (Mr. Peter Hain): Employment in Wales is at historically high levels, with 138,000 more people in employment in Wales since 1997. The increase in private sector employment in Wales has been three and a half times the increase in public sector employment.

Andrew Rosindell: The Secretary of State will know that Wales has a much higher proportion of public sector workers than the rest of the United Kingdom, and that unemployment there is rising. How does he account for that, and what will he tell voters in Wales tomorrow? Is it not the case that Labour is not working for those who are unemployed in Wales?

Mr. Hain: Unemployment is pretty stable, and employment continues to rise. Significantly, economic inactivity levels—which have been a curse of the Welsh economy—have been falling, especially in valley areas that have received the objective 1 funding delivered not by the last Tory Government, but by a Labour Government.

The hon. Gentleman should look at the latest CBI report, which shows that manufacturers in Wales have received the highest surge in order levels for more than a decade. Entrepreneurship in Wales is at an all-time high, states a report in *The Sunday Times*. Many businesses are doing well, and many people are starting up businesses in all areas of the economy in Wales. It is a great place to do business. All of that would be put at risk if there were an unholy alliance between the nationalists and the Tories in a Welsh Assembly coalition Government.

Andrew Miller (Ellesmere Port and Neston) (Lab): The fastest growing part of the UK economy is in the Deeside hub—the axis between north-east Wales, Chester and Ellesmere Port. As my right hon. Friend knows, that has occurred only because of the partnerships that have been created across the border. The recent fantastic announcement about Vauxhall Motors has protected the jobs of hundreds of people living in north-east Wales.

Mr. Hain: My hon. Friend is right: the integration of the north-east Wales economy with nearby areas again underlines how absurd is the nationalist policy of separatism in Scotland or Wales or any part of the United Kingdom. It is a crazy policy for jobs and it would put at risk all the success—

Mr. Speaker: Order. That has nothing to do with the question.

Hywel Williams (Caernarfon) (PC): The official figures show that 48,000 manufacturing jobs in Wales have been lost in 10 years. Will the Secretary of State confirm that he will work with the Government in Cardiff, of whatever political complexion, to reverse this disastrous decline?

Mr. Hain: Obviously, as Secretary of State it is my duty to work with any Government in Wales of whatever political complexion, but it is important that I and my Labour predecessors have been able to work with a Labour Welsh Assembly Government that has provided unparalleled success in the economy, including in manufacturing—new manufacturers continue to be attracted to come to Wales and, as I have said, the CBI reports the best prospects for manufacturing for a long time. All of that would be put at risk if we were to have an unstable rag-bag coalition of the alternative parties, especially the nationalists joining with the Tories in an unholy alliance, which would put Wales' success at risk.

Mrs. Cheryl Gillan (Chesham and Amersham) (Con): If the Secretary of State has been so successful in working with the Labour Welsh Assembly Government, will he explain what Her Majesty's Revenue and Customs workers in Pembrokeshire will do when their jobs are axed, in a cynically timed decision, after these elections? Will he also explain why half the population in Wales cannot find an NHS dentist, and what NHS nurses and doctors will do when Labour closes hospitals, such as Withybush, Llandudno and Bronglais?

Mr. Hain: No hospital closures are planned of that kind. This is yet again Tory scaremongering—the Tories are joining with their friends the nationalists in doing that. What about the 8,000 more nurses that there are in Wales since the last election? What about the 500 more consultants in hospitals? What about the 1,700 extra teachers and the 5,700 extra school support staff and the 1,000 extra police officers? *[Interruption.]* The hon. Lady says, "What about waiting times?" Waiting times have plummeted since 1997, when we came to power and found the terrible Tory inheritance. The public sector in Wales is doing well and it will continue to improve. The Tory alternative is massive public spending cuts: £21 billion in total, £1 billion of which will fall on the Welsh budget.

Antisocial Behaviour

4. **Mr. Don Touhig** (Islwyn) (Lab/Co-op): What discussions he has had with the Home Secretary on tackling antisocial behaviour in Wales. [134262]

The Secretary of State for Wales (Mr. Peter Hain): I have regular discussions with Cabinet colleagues on issues affecting Wales. We have introduced tougher antisocial behaviour measures than any previous Administration, which are designed to stamp out this blight on our communities.

Mr. Touhig: The Penllwyn community partnership in my constituency has worked well with councillors and the police to combat the menace of antisocial behaviour. Far from being short term, costly and counter-productive, as suggested by the Leader of the Opposition, using legislation passed by this Government we have ensured that communities are empowered to tackle this nuisance. What measures are planned to ensure that people living in communities such as the Penllwyn will continue to be given help and support in order to improve the quality of life in their neighbourhoods?

Mr. Hain: I applaud what has been taking place in my right hon. Friend's constituency and I know that he has taken a close interest in that. I assure him that if Labour is returned to power at Cardiff bay in the Assembly elections, we will introduce antisocial behaviour units in every local authority area, increase investment in the safer and stronger communities fund and increase fines for littering, graffiti and fly-tipping, because all of those activities are a blight on a our local neighbourhoods. As my right hon. Friend has pointed out, such measures are often opposed by the Conservatives, the nationalists and the Liberal Democrats. Therefore, they should, perhaps, join together and form a Government if they get the chance, as they have been continuously working together in opposition to undercut and undermine our Welsh Labour Government's achievements.

Mr. Simon Burns (West Chelmsford) (Con): When the Secretary of State has discussed with the Home Secretary the difficult issue of antisocial behaviour, has he raised a problem in Wales that is equally a problem in England? Families that suffer antisocial behaviour from neighbours feel that the time scale for resolving the problem and the note-keeping and incident recording that they have to do is so extensive that it makes their lives unacceptably awful for too long. Can something be done to speed up the process, while maintaining a sense of justice in the system?

Mr. Hain: The hon. Gentleman makes a very serious point, and we must make sure that we monitor this issue and chase up on it. He is right: a neighbour from hell is a hellish experience. I saw that for myself at Llandudno Junction, for example, a few months ago, where a particular household literally terrorised the local community to the point where people did not want to live in their own homes. Through tough antisocial behaviour legislation and the local council working with the police, action was taken, the family was moved and the neighbourhood has returned to stability.

Mr. Martyn Jones (Clwyd, South) (Lab): Does my right hon. Friend agree that the behaviour of the chief constable of north Wales in displaying pictures of a motorcyclist killed on a north Wales road, without the permission of the relatives of that person, could be considered extremely antisocial? Will my right hon. Friend join me in calling for the resignation of the chief constable?

Mr. Hain: I agree with my hon. Friend that this episode has caused enormous distress to the relatives of the victim, who were not even consulted in advance about this behaviour by the North Wales police chief constable. It is completely unacceptable, and I know that the Independent Police Complaints Commission is looking into it very seriously.

Mrs. Madeleine Moon (Bridgend) (Lab): Grant Gronow, Jonathan Smith, Nathan John, Jessica Littleford, Stacey Hughes and Hannah Jones—the "Bryntirion six"—are young people who helped a woman who was being assaulted and robbed. They went to her aid while adults stood by, and they have been given a respect award. Will the Secretary of State join me in commending these young people, who demonstrate that not all young people are thugs? Many are decent law-abiding examples to adults of good behaviour.

Mr. Hain: I certainly join my hon. Friend in congratulating these young people from her constituency; they are an example to everybody and a model to others. This allows us to state, as she has, that only a tiny minority of youngsters behave in the yobbish fashion that gives rise to the need for antisocial behaviour legislation. The vast majority of young people are a good example to their community—as, indeed, are her constituents.

Environmental Issues

5. **Mr. Andrew Robathan** (Blaby) (Con): What discussions he has had with the First Minister on environmental issues affecting Wales which are negotiated in Europe. [134263]

The Parliamentary Under-Secretary of State for Wales (Nick Ainger): My right hon. Friend the Secretary of State and I regularly meet Welsh Assembly Government colleagues to discuss issues affecting Wales, including environmental issues negotiated in Europe.

Mr. Robathan: The EU, the United Kingdom and, indeed, the Welsh Administration all share a concern about the collapse of some species in Wales. There was a target—[Hon. Members: "Tories!"] I am sure that some are also concerned about the resurgence of the Tories in Wales. I am particularly concerned about the 81 per cent. decline in the number of curlew, for instance, since 1993, and the water vole has also declined by some four fifths in the past 20 years or so. I do not blame the Government for this, but what can the Minister and the Welsh Administration do to reverse this decline in biodiversity in Wales and to establish better wildlife conditions for the benefit of all the people in Wales?

Nick Ainger: The hon. Gentleman asks an interesting question. It is true that certain species have been recorded as being in decline, whereas others are improving. Species such as the otter are now returning to many Welsh rivers in which they have not been seen for decades, so the picture is mixed. However, it is important that factors such as climate change be addressed as well, because they may well have an effect on biodiversity not just in Wales, but throughout the world. I suggest that the hon. Gentleman read the Climate Change Bill, which will put in legislation clear targets to try to address the threat that we all face from climate change.

Mr. Martin Caton (Gower) (Lab): Does my hon. Friend agree that the National Assembly for Wales has a central role to play in protecting our environment and combating climate change? Will he support proposals for new law-making powers for the Assembly to tackle environmental pollution in all its forms?

Nick Ainger: Yes, indeed, my hon. Friend raises an important point. Issues relating to climate change and how we tackle it are now the responsibility of the Welsh Assembly Government. For example, I know their commitment to trying to achieve, by 2011, the target of all new buildings in Wales being carbon neutral. That is the sort of policy needed to tackle climate change, and we will also address it through technology and encouraging people and institutions to act more responsibly.

Lembit Öpik (Montgomeryshire) (LD): Is the Minister aware that ground-level ozone and summer smog caused mainly by traffic emissions has killed an estimated 1,500 people in Wales since 1997? I am probably the first Member of Parliament to ride a Vectrix electric bike, launched yesterday, a zero carbon vehicle with a range of 68 miles for a 20p charge. Does the Minister agree that such technology will reduce health risks and will he join me and the Welsh Liberal Democrats in promoting the use and manufacture of such vehicles in Wales?

Nick Ainger: The hon. Gentleman is right that emissions are not only about climate change, but about health and the quality of the atmosphere. My official cars in London and Cardiff are electric hybrids. The Government have produced a list of top tips for smarter drivers which, if all motorists followed them, would reduce emissions by 5.5 million tonnes of CO_2 a year and save more than £2 billion in fuel costs. As I

said to my hon. Friend the Member for Gower (Mr. Caton), it is important that individuals take the decision to address climate change in their habits, including the way in which they drive and the type of vehicles they use. That is part of the way in which we will tackle climate change.

Mrs. Cheryl Gillan (Chesham and Amersham) (Con): When the Secretary of State has not been repeating election slogans like a parrot, he has forcibly and repeatedly supported the proposed 200 turbine wind farm at Gwynt y Môr, to the extent that he has even attacked my hon. Friend the Member for Clwyd, West (Mr. Jones) for raising his constituents' concerns about the massive impact of that environmental project. In the past 48 hours, the First Minister has surprisingly and cynically taken the Conservative line and joined us in calling for a public inquiry. Will the Minister now condemn the First Minister for dumping official Labour policy on that wind farm for the sake of a few votes?

Nick Ainger: That policy has certainly not been dumped. The fact is that last year the right hon. Member for Witney (Mr. Cameron) came to north Wales, shortly before announcing that he was going to put a wind turbine on his house, and described the Gwynt y Môr development as a massive bird blender. He may have changed his view, but I can assure the hon. Lady that the First Minister has not changed his view on his support for renewable energy. Yet again, the Conservatives claim to have a grand policy in favour of renewable energy, but when it comes to hard decisions, they fluff them.

6. **Mr. David Evennett** (Bexleyheath and Crayford) (Con): What recent discussions he has had with the First Minister on environmental issues in Wales. [134264]

The Secretary of State for Wales (Mr. Peter Hain): My right hon. Friend and I regularly meet Welsh Assembly Government colleagues to discuss issues affecting Wales, including the environment.

Mr. Evennett: Can the Secretary of State confirm that Wales is on target to meet its national target to increase recycling and composting rates to 40 per cent. by 2009-10? What discussions has he had with the First Minister about that?

Mr. Hain: The recycling and waste disposal schemes being pursued by the Welsh Assembly Government are on track and we have discussed these matters. Wales has a big and ambitious recycling and waste disposal programme at all levels, and encourages households to do the same.

PRIME MINISTER

The Prime Minister was asked—

Engagements

Q1. [135075] **Andrew Selous** (South-West Bedfordshire) (Con): If he will list his official engagements for Wednesday 2 May.

The Prime Minister (Mr. Tony Blair): Before I list my engagements for today, I again have the sad duty of asking the House to join me in sending our profound condolences to the family and friends of Rifleman Paul Donnachie of the 2nd Battalion the Rifles, who was killed in Iraq at the weekend. We pay tribute to him for his dedication and sacrifice. This has been a difficult month for our forces in Iraq, and more so for their families. We send them our thoughts, prayers and sympathy at this time.

This morning, I had meetings with ministerial colleagues and others. In addition to my duties in the House, I will have further such meetings later today.

Andrew Selous: The whole House will wish to join the Prime Minister in his expression of condolence.

If the Prime Minister had a quote for an extension on his house 18 months ago, which was resubmitted today for more than two and half times the original amount, I suspect that he might get a few more quotes. Could I ask him to do exactly the same on behalf of my constituents, all of whom will benefit from the A5-M1 link, and very kindly meet me and Highways Agency officials to find out why costs have escalated so astronomically, and to see what can be done about it?

The Prime Minister: Although the costs of the particular scheme to which the hon. Gentleman refers have escalated, it is only because the Government are making money available for investment that it can go ahead at all. I am perfectly happy to meet him to discuss the scheme, but the business case for the link has to be made good on the basis of the funding available from the Department for Transport.

Mr. David Blunkett (Sheffield, Brightside) (Lab): May I congratulate my right hon. Friend on the 10th anniversary of his premiership, and on the tremendous vision and leadership that he has shown in this country? What is the balance that must be achieved between understanding the hurt and concern of those bereaved or injured on 7 July 2005, and the need for maintaining absolute focus on the work of the Security Service and the police? We owe them congratulations and a debt of gratitude for the work done in Operation Crevice which, in early 2004, saved us from the most devastating terrorist attack that would have involved the most enormous loss of life.

The Prime Minister: My right hon. Friend is absolutely right to draw attention to the magnificent work that our security services and police do in protecting this country from terrorism. It is worth reminding ourselves that Operation Crevice was an enormous success for those services, focusing as it did on one of the many different plots against which they protect our country, day in and day out. I entirely understand the concerns of the families of the 7/7 victims, but I believe that the Intelligence and Security Committee report is the right one, and that at this stage it would be wrong, as my right hon. Friend indicated, to divert resources, attention and energy into anything other than fighting terrorism on all fronts.

Mr. David Cameron (Witney) (Con): I join the Prime Minister in paying tribute to Paul Donnachie and the

soldier from the Royal Signals Regiment who were killed in Basra in the past week. As the right hon. Member for Sheffield, Brightside (Mr. Blunkett) said, the conviction of five British-born men for planning terrorist attacks on a massive scale reminds us of the risks that we face. However, the links between them and those responsible for the 7/7 bombings that killed 52 people in London raise a number of important questions. Given the need to enhance public confidence in the fight against terrorism and to answer those questions, will the Prime Minister clarify whether he has ruled out, once and for all, holding a proper independent inquiry?

The Prime Minister: I have ruled out having another "proper independent" inquiry. The fact is that the Intelligence and Security Committee went into all the issues in immense detail. It had to be somewhat cryptic in its report, because the case in Operation Crevice was sub judice at that point, but it received the vast bulk of the information and is now perfectly entitled to call for anything else it needs. The Committee went into immense detail, so I believe that it would be a mistake for us to have another inquiry as if their inquiry were somehow either not proper or not independent—it was both those things.

Mr. Cameron: The Prime Minister says that the ISC report will be equivalent—as it were—to a full independent inquiry, but I have to say that I really do not think that is right. For all the good work the ISC does, it has limitations; it has no investigative powers, it has no investigator and it did not hear evidence from the West Yorkshire special branch. Are not those good reasons for an independent inquiry—not a public inquiry, but a full independent inquiry?

The Prime Minister: Let me make one thing clear. The ISC was perfectly entitled to ask for any information it wanted. As far as I am aware, everyone gave the maximum co-operation throughout so it would be wrong to say that in some way or other the Committee did not have the information it wanted. Any information the Committee wants it can have. The ISC is headed by my right hon. Friend the Member for Torfaen (Mr. Murphy), who is a former Secretary of State for Northern Ireland, and its members have experience in the intelligence and security field—many of them as former Ministers. We have to be clear about the reason why people want another inquiry. I totally understand both the grief of the victims of 7/7 and their anxiety to have another inquiry, but the reason why people want another inquiry is for it to reach a different conclusion. That is understandable, but in circumstances where the ISC has had access to everything it needed, and could have access to anything else it needs, it would not be responsible for us to have a further full independent inquiry that would simply divert the Security Service, the police and others from their task of fighting terrorism.

Mr. Cameron: I have to disagree with the Prime Minister. The reason why people want an independent inquiry is the scale of what happened in London on 7 July, when 52 people were murdered and 700 were injured. The reason why people want a full inquiry is to get to the truth—*[Interruption.]* It is important. In the case of the intelligence failures before the Iraq war, yes, there was an ISC inquiry but the Prime Minister ordered the Butler inquiry as well. Is it not equally important to get to the truth in this case, too?

The Prime Minister: I am afraid that what I object to is the idea that somehow there has been an attempt not to provide the truth up to now. I do not believe for a single instant that the ISC did not get to the truth; indeed, it had the information revealed in Operation Crevice before it and looked into it in immense detail. Some of what has appeared in the media is, frankly, misleading and wrong; what the shadow Home Secretary has been saying is also wrong—I think that he said in a newspaper article the other day that MI5 and the security services had been starved of resources after 9/11. That is simply not correct. The budget has been doubled and we have dramatically increased the number of people working for our security services.

The whole point is that those people do an immensely difficult task. They went along to the ISC; the then head of MI5 gave evidence three times and special branch gave evidence—again contrary to what the shadow Home Secretary has said. The Committee was able to call for whatever information it wanted. If we now say, effectively, that the ISC inquiry was not adequate and if we hold another inquiry, I have to tell the right hon. Gentleman that we shall simply cause great anxiety and difficulty in the service and we shall not get any more truth—because the truth is there in the ISC; what we shall do is undermine support for our security services and I am not prepared to do that.

Colin Burgon (Elmet) (Lab): The Prime Minister will be aware that Labour has delivered on its commitment to build a new cancer unit in Leeds and that Leeds people know that only a Labour Government will deliver on a children's hospital. A powerful campaign is being developed by parents and the *Yorkshire Evening Post*, so will my right hon. Friend use his energy and commitment to urge the NHS trust in Leeds to get its act together and submit a realistic plan to build a children's hospital?

The Prime Minister: I shall certainly do exactly as my hon. Friend says. He is completely right: a huge multi-million pound investment has been set aside for Leeds. We want to see the best of services there and he will know, from experience in his constituency, that waiting lists have come down significantly and that there are extra doctors, extra nurses and, of course, a massive capital investment in the NHS.

Sir Menzies Campbell (North-East Fife) (LD): Once again, I join the Prime Minister in his expressions of sympathy and condolence at the end of what he rightly describes as a most difficult month. Now that the former Secretary of State for Defence has admitted that there were serious errors in the planning for post-war Iraq, who takes responsibility for those errors?

The Prime Minister: The responsibility for everything to do with the conduct of the Iraq war is, of course, taken by the Government. The points that my right hon. Friend the Member for Ashfield (Mr. Hoon) made about deba'athification and the disbandment of the army are points that I have made before. However, let

me just say to the right hon. and learned Gentleman that the reason why things are so challenging and difficult in Iraq is that we have al-Qaeda on the one hand—an outside terrorist organisation committing appalling acts of carnage in Iraq—and Iranian-backed Shi'a extremists on the other. Our job, in my view, is to stand up to both of those elements, as they are precisely the elements that we face in Iraq and Afghanistan and the world over.

Sir Menzies Campbell: But is it not clear where responsibility for Iraq lies? The President made the decisions, the Prime Minister argued the case, the Chancellor signed the cheques and the Tories voted it through. That is where the responsibility for Iraq is to be found.

The Prime Minister: If the right hon. and learned Gentleman's policy had been implemented, Saddam Hussein and his two sons would still be running Iraq. *[Interruption.]* Yes they would. Hundreds of thousands of people died in Iraq under Saddam Hussein. We removed Saddam. We are fighting terrorism now in Iraq. Our troops are there with the United Nations mandate and the full support of the Iraqi Government. It is not British soldiers or indeed American soldiers that are committing acts of terrorism in Iraq; it is people who are going there specifically to stop that country's democracy working. I believe that our job is to stand up for Iraq and its democracy against terrorism.

Mr. Dennis Skinner (Bolsover) (Lab): If my right hon. Friend is not having an inquiry into the matters affecting 7 July, will he have another inquiry into Black Wednesday, on 16 September 1992? It is now apparent that new information has emerged. It appears that the Leader of the Opposition is in a photograph and he was not trailed at the time. I believe that that demands a new inquiry. It would suit this side of the House and it might even drive another man to drugs.

The Prime Minister: Actually, an inquiry is one way of dealing with that. The other way is to make sure that the right hon. Member for Witney (Mr. Cameron) never gets his hands on the British economy again.

Q2. [135076] **Mr. John Baron** (Billericay) (Con): On 24 September 2002, the Prime Minister told the House that if Saddam Hussein was able to purchase fissile material illegally, it would be only one to two years before he had acquired a usable nuclear weapon. Given that a recent letter that I have from the Cabinet Office can find no basis for that claim—a claim that was not attributed to the Joint Intelligence Committee and which did not reflect the standing JIC assessment, as the Prime Minister knew very well—on what basis did the Prime Minister make that claim, both in a statement to the House and in the Iraq dossier?

The Prime Minister: I do not accept what the hon. Gentleman says at all. The fact is that if Saddam Hussein had been able to acquire fissile material, it would have allowed him to develop nuclear weapons. That is correct. The one thing that we know is that he was somebody who used, not nuclear, but chemical and biological weapons against his own people. So, let me just say to the hon. Gentleman, some people may take the view that Saddam was not a threat; that is not my view. He was a threat and we dealt with him.

Ms Gisela Stuart (Birmingham, Edgbaston) (Lab): On 20 May, a constituent of mine, Sir Richard Knowles, will celebrate his 90th birthday. Dick Knowles became the leader of Birmingham city council in 1984. Despite a Tory Government who did not believe in investing in our cities, he changed the face of that city. Will the Prime Minister join me in congratulating Dick Knowles on his birthday, and will he share my hope that the weak and indecisive leadership that we are currently experiencing in Birmingham will soon come to an end?

The Prime Minister: I agree with my hon. Friend entirely. Let me join her in wishing Dick Knowles all the best on his 90th birthday. He did an immense amount for Birmingham. The work that he did is one of the reasons why Birmingham is such a thriving and successful European city today.

Mr. Cameron: Two years ago, the Prime Minister told us that he would serve a full third term. Yesterday, he said that he would be off in weeks. He has told us who is going to wear the crown; can he tell us who wielded the knife?

The Prime Minister: If the right hon. Gentleman wants to talk about leadership and candidates, I certainly will not be following his example regarding the Mayor of London. I can assure him that the person I will be backing for the leadership of the Labour party will at least be a member of the Labour party.

Mr. Cameron: Why is the Prime Minister so coy? Why will he not tell us a bit about the man who will be our Prime Minister and how that man managed to get the better of him? Given that the Prime Minister said that he would serve a full third term, does that mean that when he walks out of No. 10 Downing street, this Parliament is at an end, or was that the last of his broken promises?

The Prime Minister: As the right hon. Gentleman asks me to tell him something about my right hon. Friend, I will tell him about what we have achieved together over these past 10 years: economic stability through the independence of the Bank of England; record investment in public services; better maternity leave and maternity pay; more support for pensioners; the repeal of section 28; a ban on tobacco advertising; the climate change levy; and, of course, the minimum wage. What do they all have in common? The right hon. Gentleman's party voted against them.

Anne Moffat (East Lothian) (Lab): Does my right hon. Friend share my growing concern about the seeming acceptability of taking cannabis and the fact that it can lead to mental health problems? Does he know how to grow one's own dope—plant a Scottish nationalist?

The Prime Minister: My hon. Friend makes her point very well, which is why I hope that people vote tomorrow for the Union and for Scotland and England staying together, not for separation.

Q3. [135077] **Richard Younger-Ross** (Teignbridge) (LD): One part of the Government's—*[Interruption.]*

Mr. Speaker: Order. Let the hon. Gentleman speak.

Richard Younger-Ross: I seem to have upset some Members again, Mr. Speaker.

One part of the Government's modernisation programme that is proving very popular with older people is bus passes for the over-60s. Is the Prime Minister aware that Lib Dem authorities such as Teignbridge are meeting that command, while the Tory mayor of Torbay and the Tory council of East Devon are denying older people the freedom to travel across Devon? Will the Prime Minister tell us which is right, and will he ask his successor to ensure that funding is available so that the scheme can continue—

Mr. Speaker: Order.

The Prime Minister: First, I should thank the hon. Gentleman for paying tribute to what we are doing for pensioners. I have some other things to add that the Liberal Democrats have posted on their website about the Government's record over the past 10 years. They have given the

"Blair/Brown years...4 out of 10"—

[Interruption.] The six I kind of accepted, but what are the four things that we have got right, according to the Liberal Democrats? They are:

"stability for the economy. A Foreign Policy with an ethical dimension"—

[Interruption.] Wait for it. There is also the

"historic modernisation of our political system"

beginning

"with the creation of a Scottish Parliament and a Welsh Assembly".

Fourthly:

"After initially sticking to Tory spending limits, investment in Britain's dilapidated public services started. The fruits of that investment can now be seen. In the NHS"—

this is from the Lib Dems—

"more staff, reduced waiting lists, better care in...areas such as cancer. In Education a schools building programme, better paid teachers, more books, and better equipment."

[**Hon. Members:** "Hooray".] People should not be voting Tory or Lib Dem; they should be voting Labour.

Mr. Adrian Bailey (West Bromwich, West) (Lab/Co-op): I know that my right hon. Friend is an enthusiast of both education and football, so may I draw his attention to the Aces scheme in my constituency, which is a partnership between West Bromwich Albion football club, local schools and the local authority that has raised academic standards by an estimated 9 per cent. over the past two years and is funded by the neighbourhood renewal fund? Will he make an undertaking to monitor that scheme and see what potential it has to be rolled out in other historically deprived educational areas?

The Prime Minister: I echo the congratulations that my hon. Friend gave to the scheme, and I thank West Bromwich Albion and all those other partners for the work that they are doing. It is important to recognise—and I have seen this for myself, for example, in the new facilities that are very close to West Bromwich Albion itself—that there has been a massive increase in regeneration in our inner-city areas, which is why it is important that we keep that funding going. Good use has been made of it, and it is producing better facilities and it has reduced levels of deprivation. I entirely support his congratulations to those involved in that scheme.

Q4. [135078] **Greg Mulholland** (Leeds, North-West) (LD): In 1997, the Prime Minister said that one of the reasons why people elected a Labour Government was their concern that the NHS was failing them and their families. *[Laughter.]*

Mr. Speaker: Order. Let the hon. Gentleman speak.

Greg Mulholland: And in 2007, consultants said that

"the present state of children's services in Leeds is not fit for purpose and we are anxious about the continuing safety of children in hospital."

May I ask the Prime Minister in the dying days of his premiership whether that is his NHS legacy in Leeds, or will he, before he goes, promise the people of Leeds that they will at last get the much needed children's hospital that was approved in 2004 and shelved in 2007?

The Prime Minister: I wonder whether that was a planted question, because the NHS legacy is more staff. In the hon. Gentleman's area, there have been 31,000 more NHS staff, including 7,000 more nurses, and there are reduced waiting lists—the number of people waiting over six months has fallen dramatically. In relation to the children's hospital, yes, we are committed to that extra investment in the health service, but he should know that, for example, in "Making it Better", there was a request for Leeds MPs to come along to a meeting, but he did not attend, which does not say a great deal for him.

Greg Mulholland: On a point of order, Mr. Speaker.

Mr. Speaker: Order. We cannot have points of order, and I am not responsible for the Prime Minister's answers.

The Prime Minister: If it is not correct, I apologise entirely, but I am also told that the hon. Gentleman had two meetings arranged with the chief executive of the strategic health authority which he has cancelled, too.

Rev. Ian Paisley (North Antrim) (DUP): The Prime Minister will be aware that yesterday—*[Interruption.]*

Mr. Speaker: Order.

Rev. Ian Paisley: The Prime Minister will be aware that yesterday, we had a visit in Northern Ireland from the President of the European Commission. At that meeting, the President made an announcement that he

was instituting a taskforce to look into Northern Ireland's position regarding the money that comes from Europe, and also to help new industry. Will the Prime Minister join me and the people of Northern Ireland in welcoming that announcement, and will he give us a promise today, before he leaves office, that he will back it all the way?

The Prime Minister: I understand the importance of the visit by the President of the European Commission, which was made partly in direct response to a request from the right hon. Gentleman. I can assure him that I will fully back whatever the Commission does to support investment and industry in Northern Ireland.

Jim Dobbin (Heywood and Middleton) (Lab/Co-op): A company called Whipp and Bourne, which is one of the country's largest manufacturers and exporters of switchgear, announced this week that it is to close, with the loss of 200 exceptionally well skilled jobs. The rumour is that the company may be intending to move to China or India. How can the Government encourage companies like Whipp and Bourne, first, to remain in my constituency, and, secondly to remain in the UK? I am meeting the trade unions on Friday, and I would like to give them some hope.

The Prime Minister: First, we should extend our sympathy to those who have lost their jobs and been made redundant as a result of the decision that the company has taken. It is difficult for us to prevent companies from deciding to relocate. The best thing that we can do for business and industry is to keep our economy strong, improve the levels of investment in skills, and make sure, as we now do, that where major redundancies are announced, we provide proper structured help for those who are made redundant. Where we can, of course, we also encourage companies to keep their location here in this country. I am sure that my hon. Friend will have an opportunity to discuss those possibilities with the Department of Trade and Industry. It is an unfortunate fact here and round the world that companies are highly mobile. The most important thing, however, is to keep the economy sufficiently strong so that we are always generating new jobs.

Q5. [135079] **Mr. Lee Scott** (Ilford, North) (Con): Yes, it is me again, Prime Minister. Will the Prime Minister please use his final weeks in office to secure the release of the hostages Alan Johnston and Corporal Gilad Shalit, working together with the Palestinian Authority? I believe that that will secure a way forward for peace in the middle east.

The Prime Minister: I am sorry that Alan Johnston and, in a different context, Corporal Shalit are still kept as hostages. I fully agree with the hon. Gentleman that their release would make a big difference in the middle east. In respect of Alan Johnston, there is no conceivable reason for him to be kept. He was a journalist doing his job out there. There have also been many calls from Palestinian leaders and Palestinian journalists for his release, and we continue to do everything we can to facilitate that. The hon. Gentleman is also right to say, in respect of Corporal Shalit, that his release would allow a whole series of things to happen, not least releases of Palestinian prisoners, and other things that would allow us to move the situation forward. There continues to be nothing more urgent than the middle east.

Alun Michael (Cardiff, South and Penarth) (Lab/Co-op): Is my right hon. Friend aware of the efforts being made by the Welsh Assembly under Labour to promote social enterprise and co-operative initiatives? Does he agree that economic and social development in Wales depends on a continuation of the strong partnership between the House of Commons and the Assembly, both under Labour? Will he encourage people to fear the dangers of a negative nexus of nationalists and Conservatives?

The Prime Minister: When we look at the large investment in Wales and the tremendous strength of the Welsh economy—the action that has been taken by the Welsh Executive under the leadership of Rhodri Morgan has been essential in that— I should have thought that that is infinitely preferable to the ragbag strange coalition between the Conservative party and nationalists.

Q6. [135080] **Sir Robert Smith** (West Aberdeenshire and Kincardine) (LD): Today, Mrs. Ogg retires as sub-postmistress after 30 years' service in the post office in Laurencekirk. Will the Prime Minister join me in congratulating her on her retirement, and ensure that when the Department of Trade and Industry announces the future of the Post Office, her successor enjoys the same success as he hopes his successor will?

The Prime Minister: Of course I join the hon. Gentleman in congratulating Mrs. Ogg on her service and the work that she has done over the years. I point out that it is a result of this Government that we have managed to invest about £2 billion in the post office network. We know that for all the reasons that are understandable it is still subject to intense pressure, but I hope very much that the successor in that post office is able to continue and make sure that the post office has a viable future, but it must be viable within the subsidy that we are able to give.

Richard Burden (Birmingham, Northfield) (Lab): I thank my right hon. Friend for visiting my constituency a few weeks ago—*[Interruption.]* Opposition Members might consider this to be important. My right hon. Friend visited my constituency to review projects for local people who are suffering major change following the collapse of MG Rover a couple of years ago. Will he assure me that that support, particularly for community infrastructure, will continue? Does he agree that ongoing support from Government year in, year out for local communities facing change is vital, rather unlike what we experienced in the 1980s and early 1990s?

The Prime Minister: There has been a big change in the way in which we deal with situations in which there are large numbers of redundancies. I pay tribute to the work that my hon. Friend has done in respect of the collapse of Rover, as that was an important part of our bringing together all the different partners. We made a

big investment from Government and, as I saw for myself when I visited his constituency, a large proportion of those people have now found alternative work and employment. An immense amount of effort has gone in, and I think that that is what a modern welfare state is about—not trying to pretend that we can stop companies closing if they are not profitable or a decision is made to relocate them, but getting underneath the work force and supporting them in their desire to achieve new work and be able to cope with the process of that redundancy. That has been immensely successful in relation to MG Rover, and I pay tribute to everyone engaged in it.

Q7. [135081] **Mr. John Maples** (Stratford-on-Avon) (Con): Recent court decisions have left us in the extraordinary position that the Government can neither deport nor detain dangerous foreign terrorists. These decisions flow directly from the Human Rights Act 1998. As it is within the power of this House to amend the Act and within the power of the Government to file a derogation from the European convention, why does the Prime Minister not introduce amending legislation so that this situation can be remedied?

The Prime Minister: Because it is not the problem. The problem is the European convention on human rights. The reason why there is a problem is the court case, I think in 1996, in relation to—I think I am right in saying this—those who were alleged to be engaged in terrorism in respect of India at the time. As a result of that case—I think it is called the Chahal case—this difficulty has been created. We are trying to get that decision overturned in respect of the European Court of Human Rights, and it is essential that we do so, because where I completely agree with the hon. Gentleman is that we cannot have a situation in which people come to this country and engage in acts of terrorism, inciting terrorism or encouraging terrorism, and then we are told that we cannot deport them back to their own country, even with a memorandum of understanding with that country, when they simply say, "We may be mistreated when we go back there", despite what they are doing here. *[Interruption.]* The hon. Gentleman asks what we are doing about it. What we are doing is trying to get that decision overturned. It is not correct, however, that it comes about as a result of domestic legislation. It comes about as a result of that case, decided under the last Government and under the European convention on human rights.

Points of Order

12.32 pm

Greg Mulholland (Leeds, North-West) (LD): On a point of order, Mr. Speaker. I should like to seek your advice on how to correct the parliamentary record. This is not the first time that we have heard misleading things from the Dispatch Box, but—

Mr. Speaker: Order. The hon. Gentleman is a new Member and he must be given some—*[Interruption.]* Order. Some hon. Members have been here more than two years and do not know too much either. I am trying to say to him, in order to give him a chance to put his case, that "inadvertently misleading" is the best way to put it, after which we can move on.

Greg Mulholland: This is not the first time that inadvertently misleading comments have been made from the Dispatch Box. The simple reality is that I did not receive an invitation to the ministerial meeting, and, as with the announcement on the children's hospital, the first that I heard of the matter was in the newspaper, which is how the NHS is being run in Leeds. I seek your advice, Mr. Speaker, on how to change the parliamentary record, and I hope that the Prime Minister will see fit to issue an apology, although we know that he is not very good at that.

Mr. Speaker: I say to the hon. Gentleman and the rest of the House that I am not responsible for what Ministers—Prime Ministers or any other Ministers—say from the Dispatch Box. However, the hon. Gentleman has managed to put the record straight. He has put the matter on the record, and if he says that he was not invited, that is good enough for me.

Mr. Crispin Blunt (Reigate) (Con): On a point of order, Mr. Speaker. When the right hon. Member for Ashfield (Mr. Hoon) was Secretary of State for Defence, on 3 November 2003, he told me in the House, speaking on the Iraqi army:

> "It was not a mistake to disband the army".—[*Official Report*, 3 November 2003; Vol. 412, c. 526.]

In an interview featured in today's edition of *The Guardian*, he is reported to have said, "We certainly argued against". His assessment was that it had been catastrophic, allowing Saddam—

Mr. Speaker: Order. That is a point of debate. The hon. Gentleman has been here long enough to know that there are ways of putting the matter on the record—perhaps through an Adjournment debate—but I am not going to allow a point of order on it.

Mr. Julian Brazier (Canterbury) (Con): On a point of order, Mr. Speaker. May I ask for your ruling on the matter of sub judice? Both yesterday and today there have been references to the appalling judgment whereby two Libyan terror suspects are not being deported. Is it possible to ask on the Floor of the House why France, Germany and Holland are able to deport their terror suspects, but our courts do not allow us to do so?

Mr. Speaker: My understanding is that perhaps a Minister did say that it was sub judice, but my ruling is that it is not sub judice, and the hon. Gentleman is therefore free to ask parliamentary questions, either written or oral, or to raise the matter on an Adjournment.

James Duddridge (Rochford and Southend, East) (Con): On a point of order, Mr. Speaker. May I ask your advice about a matter of which I have given you notice? Exactly a year ago today, I tabled a written parliamentary question about foreign nationals released from UK prisons who should have been considered for deportation. I received two holding replies and my office has chased the matter several times. I let the Immigration Minister know that I was going to raise this point of order and received some form of reply saying that it was not really a matter for the Minister but for the permanent secretary. A year on, what advice can you give me about ensuring that the Home Office responds more quickly? Specifically, can I bring the permanent secretary to this House to answer, or is it still the tradition of this House that Ministers should reply?

Mr. Speaker: Ministers are responsible for giving answers to this House. I know it is hard, but the hon. Gentleman must be persistent and get to the Table Office. I also put it on the record that, as I have said before, I understand that the Home Office, in particular, has been inundated with hundreds of questions. It is my view that these questions are being put down by researchers who have nothing better to do with their day. If people in Members' offices inundate Departments with questions—I am not suggesting that the hon. Gentleman does that—that puts the hon. Gentleman's questions on to the back burner. I ask hon. Members to be careful about inundating the Home Office with questions. The hon. Gentleman must be persistent and keep putting these matters forward on behalf of his constituents. I hope that that is helpful.

Town and Country Planning Acts (Amendment) Bill

12.37 pm

John Mann (Bassetlaw) (Lab): I beg to move,

That leave be given to bring in a Bill to broaden the remit of the Local Government Ombudsman to include certain disputes arising from planning permission granted by local government authorities to cover below-ground utilities; and to require development plans submitted to relevant local authorities to include provision for below-ground utilities.

Unadopted roads are highways that are not maintained at the public expense—responsibility for their upkeep rests on those whose properties face on to them—and they include many older streets.

The welcome growth of new house building since 1997 has significantly increased the number of unadopted roads. As in my constituency, developers often cut costs when building roads, forcing future residents, who may end up liable, to pick up the bill years after they have purchased their property. Although councils can provide moneys to assist residents with maintenance assistance, there is no statutory obligation on them to do so. Many of my constituents live on roads that the council refuses to maintain and for which they cannot afford to pay the upkeep costs.

Under the Highways Act 1980, most roads are maintained at public expense. Usually, roads are adopted by local councils when the building standard meets the required level of quality; roads are usually unadopted when that standard is not met. Although it is obvious that the developer is at fault in many cases, no legislation deals with causation. The Sale of Goods Act 1979 exempts the sale of land from its provisions, so if residents want to prove that responsibility lies with the developer, they must pursue that course through private litigation. My constituents cannot afford to do that.

Unadopted roads therefore remain the responsibility of those who cannot afford them. The highways authority can, under the Highways Act, force residents to make repairs that are needed to "obviate danger to traffic" and, if they will not, carry out repairs itself and claw back money from residents at a later date.

In addition, water companies are responsible for all water leakages above and under the ground, but only on adopted land. That is a further expense that residents must bear if they find that their road is not adopted by the council.

The fact that the position is allowed to exist means that developers can cut costs and leave new home owners to foot the bill. The previous official Government estimate, which is now significantly out of date, shows 4,000 miles of unadopted roads in this country.

The Bill requires greater scrutiny by local authorities at the planning permission stage to ensure that proposed roads through developments are constructed to a standard that allows councils to adopt them. It requires developers to provide for below-ground utilities such as water and drainage. It also extends the remit of the local government ombudsman to cover disputes over the adoption of roads, allowing residents a tribunal for their complaints, without having to fall back on expensive private litigation.

The problem in my area is highlighted by the new Gateford estate, which has more than 2,000 houses. It is difficult to work out against whom to litigate even if one has the resources. There is a triangulation involving the water authorities, the developer and the highways authority, and identifying against whom to litigate is impossible. Unless the local authority chooses to take pre-emptive action or the developer chooses to ensure that the roads and utilities are up to standard, there is a loop.

In many modern developments, a plethora of developers works on the same site. Six separate developers are working on the Gateford estate in Worksop. Until I intervened in January, the electricity was not up to the national standard. It required the Member of Parliament to put together a protest to negotiate and get a national electricity standard. Again, that is not covered by statute.

The problems that we experience in my area—flooding, street lights that do not work and dangerous footpaths—apply to every part of the country. We found it especially astonishing that there was no requirement to have a plan for what is underground in the Gateford estate. There is an above-ground plan, but, for a huge new estate built by a plethora of developers, there was no intention—until many hundreds of hours of painstaking work by me, residents associations and the county council had passed—to create such a plan for what is underground.

There are unseen problems—for example, where purchasers were unaware that utilities such as water and sewerage pipes were running under their corner properties but are resistant to remedial action and have a right to block it. My Bill would begin to deal with such problems.

Those problems affect not only the quality of life but house prices. In my area, the price difference between a house that is 15 or 20 years old on an unadopted road and one that is on an adopted road can be £20,000 to £25,000 because of the liability of the householders.

I am delighted that all the pressure from Councillor Fielding, the Gateford residents association and me, ably assisted by my staff, means that Nottinghamshire county council agreed this week to adopt the 50-odd roads on the Gateford estate at its own risk this year. It will adopt the vast majority in the next few weeks and within the next three months to ensure that residents on the estate live as council tax payers with the same rights as everyone else. That local authority is a well managed and well run leading council, which is clearly also forward thinking, but residents should not have to rely on the council taking the risk. That is why we need a statutory change.

Although I commend Nottinghamshire county council and the residents for their work, I call on the Government to consider the Bill, which would improve the position for residents throughout the country. The existing law has almost enticed developers to cut costs and forced future residents, who are largely ignorant of the position until problems occur, to foot the bill. In an era of high house prices, that is often a hidden cost that is not budgeted for on purchase and could lead to severe financial problems for those who try to remedy the situation on their own.

It is unacceptable, in my view, that a council, having approved a sub-standard development, can turn a blind eye to the problem and force residents to pay for its lack of scrutiny. By introducing new measures that require councils to scrutinise plans more carefully and ensure that roads and drainage are to the correct standard, my Bill will give some protection to residents before they buy. After they buy, it will help them by extending the powers of the local government ombudsman to deal with disputes of this nature. I commend my Bill to the House.

Question put and agreed to.

Bill ordered to be brought in by John Mann, Jessica Morden, Natascha Engel, Helen Southworth, Stephen Pound, Clive Efford, Ms Diana R. Johnson, Mr. Kevan Jones, Christine Russell and Bob Spink.

TOWN AND COUNTRY PLANNING ACTS (AMENDMENT)

John Mann accordingly presented a Bill to broaden the remit of the Local Government Ombudsman to include certain disputes arising from planning permission granted by local government authorities to cover below-ground utilities; and to require development plans submitted to relevant local authorities to include provision for below-ground utilities: And the same was read the First time; and ordered to be read a Second time on Friday 19 October, and to be printed [Bill 99].

Protection of Critical Infrastructure

[Relevant documents: The Tenth Report, HC 41-x (paragraph 8), and the Fifteenth Report, HC 41-xv (paragraph 2), of the European Scrutiny Committee, Session 2006-07.]

12.47 pm

The Minister for Policing, Security and Community Safety (Mr. Tony McNulty): I beg to move,

That this House takes note of European Union Documents No. 16932/06, Commission Communication on a European Programme for Critical Infrastructure Protection, and No. 16933/06 and ADDs 1-2, Draft Council Directive on the identification and designation of European Critical Infrastructure and the assessment of the need to improve their protection; and supports the Government's intention to secure adoption of these documents in Council, subject to a satisfactory resolution of outstanding concerns.

It is right and proper, I think, that there is a European dimension to these matters, but only some of them. I shall dwell in a moment on what the concerns are. Our critical national infrastructure consists clearly of the key components and assets without which essential services cannot be delivered to the UK. It includes energy, food, water, health, emergency services, finance, transport, government and public services and telecommunications.

The Government rightly place great importance on ensuring that our critical national infrastructure is highly protected. The formation in February this year of the Centre for the Protection of National Infrastructure, which resulted from a merger of the National Security Advice Centre and the National Infrastructure Security Co-ordination Centre, demonstrated our commitment. Being more than simply the sum of its parts, the CPNI provides professional protection advice on all forms of threat to our critical national infrastructure owners and operators.

It is becoming increasingly clear that there exists an extensive network of interdependencies among not just the UK's critical national infrastructure, but that of our international partners. The loss of critical infrastructure in one country has the potential to have severe effects in another. The loss of power supply can hinder emergency services or transport, for example, and these knock-on effects are able to continue across borders. Following human error, an overload of the electricity transmission system in Germany in November 2006 resulted in some 50 million EU citizens losing power in Germany, Austria, France, Belgium, Italy, Spain and Portugal.

The Commission's European programme for critical infrastructure protection, known as EPCIP, partly responds to a political call to improve the protection of critical infrastructure across Europe, following the terrorist attacks in Madrid and London. It was agreed at the June 2004 European Council that measures needed to be taken to protect critical infrastructure in the EU.

Kelvin Hopkins (Luton, North) (Lab): Does my hon. Friend accept that there is a significant difference between national matters such as water and sewerage and those that have international significance, such as the transport of energy across borders? The latter might involve nuclear power stations, on which events in neighbouring states could have an impact. Should

[Kelvin Hopkins]

not we focus on matters that are genuinely international, rather than on those that have merely national significance?

Mr. McNulty: If my hon. Friend will bear with me, I will come to that point in a moment. First, however, it is important to explain the contextual background that brings us to where we are today.

The EPCIP communication sets out a voluntary framework, including an EU action plan, support for the national protection programmes, and extensive research funded from the €137 million financial perspective. The draft directive provides the one binding aspect of the programme, establishing a uniform approach to identifying and designating European critical infrastructure and assessing the need to improve protection standards. For this process, the directive considers critical infrastructures to be essential service providers and certain hazardous sites with the potential for cross-border impact. The programme as a whole offers EU-wide benefits, and will therefore also benefit the UK. I will come to the point raised by my hon. Friend the Member for Luton, North (Kelvin Hopkins) in a moment.

Events such as the power failure in Germany demonstrate that any country could be significantly affected by incidents in other member states. We need to understand that, with more than 1.6 million UK citizens living in other EU countries and relying on the critical infrastructures of those member states, we have a vested interest in ensuring that there are high standards of protection in those countries as well as our own. We must also bear in mind the broader point about the activities of British business interests in the European Union.

As the motion implies, however, while the Government note the documents, our support for their adoption is subject to the satisfactory resolution of outstanding concerns with certain elements of the directive, which we are trying to resolve through negotiations in the civil protection working group in Brussels. Our concerns include the criteria for defining European critical infrastructure, the absence of the consent clause that appeared in earlier drafts, the security of information provided as part of the protection of national infrastructure, and the imposition of legal requirements for owners and operators to produce operator security plans and appoint security liaison officers.

Our concern about the designation of European critical infrastructure is to ensure, as my hon. Friend has suggested, that only infrastructures that are truly European and critical are designated. Given that this is all about European critical infrastructure, it is entirely reasonable that the infrastructures should be critical and European, but we are having some difficulties with where the documents are at in that regard at the moment. In order to achieve a satisfactory outcome, the Government would like to tighten the criteria for defining European critical infrastructure. For example, we are seeking a definition based on a significant level of impact to Europe that would result from the destruction or disruption of the infrastructure.

Early drafts of the proposed directive included references to member states providing their consent to infrastructures on their territory being designated as European critical infrastructure, but the consent clause does not appear in the present draft. The Government would prefer to see the inclusion of such a clause, to prevent the identification of European critical infrastructure in the United Kingdom that we do not believe is appropriate. This relates to the point raised by my hon. Friend. Such a move could allay some of our concerns arising from the proposed definition of European critical infrastructure and ensure that only truly critical infrastructure is covered, and that it would be truly European in the sense that its disruption would impact on three or more countries, which we think is the appropriate number.

Simon Hughes (North Southwark and Bermondsey) (LD): The Minister highlights the area of greatest concern. Could the Government give us a list of the bilateral or multilateral arrangements relating to these matters—for example, a French-UK energy interconnector, or certain Irish-UK links? Obviously, where existing national agreements between European Union countries are sufficient, we will not need a new European structure to cover them. Do Ministers have some sort of base list of these arrangements?

Mr. McNulty: I suspect that we do not. Such bilateral or multilateral arrangements might exist across government in a range of Departments, but I have not seen any, save for those that are of concern to the Home Office regarding national security and critical infrastructure protection. I am not going to pass on those lists, because I would argue strongly that they do not belong in this domain. I will certainly pursue the hon. Gentleman's inquiry, however. There might be lists of such arrangements relating to the gas, electricity and other energy sectors, which might be dealt with by the Department of Trade and Industry, of which I am unaware. If there are, and if I can have them produced for the House, I will do so.

John Bercow (Buckingham) (Con): In seeking to ensure that only projects that are critical and that can genuinely be classified as transnational in character are subject to this provision, is the Minister relying on the subsidiarity and proportionality provisions in existing European treaties the better to aid and abet his case? I hope that he will correct me if I am wrong , but is the corollary that, if he is unsuccessful, the danger exists that a new item will be lumped into the acquis communautaire against our wishes and in violation of our interests?

Mr. McNulty: As with most of these matters, this goes in part towards the whole debate about subsidiarity. I am sure that this will be part of our deliberations this afternoon. The root of the binding elements of these documents is article 308—which is of itself a matter for debate—which requires unanimity. So this is not just about subsidiarity and all that that entails; it is about the fact that this provision has to be agreed unanimously, given its legal root in the compulsory and binding element.

Michael Connarty (Linlithgow and East Falkirk) (Lab) *rose—*

Mr. David Heathcoat-Amory (Wells) (Con) *rose—*

Mr. McNulty: I will give way first to my hon. Friend, just in the interest of the to and fro.

Michael Connarty: The Minister mentioned article 308, and I am sure that other people will do so. Under paragraph 2 of article 3, the Commission wishes to identify the sectors to which the provision will apply. The Government want the matter to go through commitology, which would then pass it through the Council under qualified majority voting. If there was a dispute, the European Court of Justice, rather than the democratic or political process, would then decide on the matter. So we would be passing the decision on the sectors in which the provision will apply out of our hands and to the European Court of Justice.

Mr. McNulty: Yes, but only at the point at which there was a dispute about what sectors and specific sites should be included. That naturally follows from securing in the early stages the definition we want about the binding and non-binding elements of the directive. I do not think that I am mistaken in saying that going down the route that leads ultimately to the European Court would be a natural follow-through from the binding elements, if they are secured. We say clearly in the motion that we will not support those elements unless our outstanding concerns are addressed. That sounds terribly complicated, but I am sure that my hon. Friend fully understands, given his expertise in these matters.

Mr. Heathcoat-Amory: The Minister mentioned article 308, which, as he will know, is used to introduce exceptional measures when no other treaty provision is available. He will also know that it contains a requirement that the measures be undertaken

"in the course of the operation of the common market".

What possible connection can there be between national security measures and the common market? Is not this another example of the Commission trying to expand its powers and of the Government yet again giving way and going along with them? As the Minister has already conceded, the Government have a veto.

Mr. McNulty: I agree with the right hon. Gentleman, save for his rather churlish points at the end, which I entirely expect from him but do not accept. As I said to the European Scrutiny Committee, and as will emerge from our deliberations, we are perfectly comfortable with the use of article 308. In the first instance, the matter is not one of national security, although it has national security dimensions, but the functioning and protection of critical elements of the infrastructure throughout the European Union to sustain markets must be a valid part of the pursuance of the integrity and cohesion of the common market, which is why the article 308 route is appropriate. I take his point, which is not just made by those who detract from all that is great and glorious in the European Union, that article 308 is used constantly as the thin end of a rather fat wedge to get more and more into either competence generally or the acquis communautaire, as the hon. Member for Buckingham (John Bercow) suggested. The argument is perfectly valid, but not one that we accept in these circumstances.

In relation to the point of my hon. Friend the Member for Luton, North about the definition, and the hope that a directive and binding agreement on European critical infrastructure was concerned mostly with, first, infrastructure, secondly, infrastructure that was critical and, thirdly, infrastructure that was European—however that is defined, and we defined it as impacting on three or more countries—the consent clause that was in the earlier draft is not in the current one. With regard to the crucial point about the meeting of national security and wider infrastructure concerns and the security of information passed on in that regard, while article 296 of the treaty enables us to withhold information that could be detrimental to national security, the security of information that we do provide must be guaranteed. Various methods are already used for the provision of operator security plans and the appointment of security liaison officers, and the Government believe that the directive should reflect the existing situation, to minimise the burden of the measures on industry, regulators and government.

As the motion states, we support the principle of raising protection standards of critical infrastructure in Europe. It is in our interests to see such protection increased and, through the EPCIP framework, to support member states in establishing and improving their critical national infrastructure protection programmes. None the less, it is recognised by all that the provision of protective security for critical infrastructure is a national responsibility and must remain so. That is our starting point. As my hon. Friend the Member for Luton, North said, that is why the definition is so important, as are the other concerns that I have outlined.

John Bercow: In so far as it is possible, it would greatly assist our deliberations to move from the realm of metaphysical abstraction to that of concrete example. That is not entirely straightforward, but if the Minister, in pursuance of his argument, gave the House examples of what the Commission might envisage as falling within its remit, with which the Government disagree, our deliberations would be invested with a much greater sense of realism and practicality. In short, will he give some examples of what the Commission wants and we do not?

Mr. McNulty: In relation to matters European, I have learned that woe betide the Minister who seeks to mind-read the Commission. If we believe the right hon. Member for Wells (Mr. Heathcoat-Amory), anything that could remotely be described as infrastructure would be included. In some circumstances, the interconnectivity of the energy network on continental Europe is by definition much more pronounced than that of ours. The oft-quoted example of the accident that led to the German power system failing, and the implications for a huge element of the European power network, is a good one. But whether that should lead to an enthusiasm for telling each member state to get its act together in order better to protect its national infrastructure, or to elements being defined as critical and European, is exactly the point that the debate has reached. I will not even begin to pretend that I have a list of examples that I think that the Commission is considering. That is why the definition is so important.

Mr. Heathcoat-Amory: The Minister mentioned national responsibilities. Does the directive extend to

[Mr. Heathcoat-Amory]

international negotiations? He will know that once a directive is implemented domestically, it gives the Commission and the EU sole—or, in Euro-speak, exclusive—competence in negotiations between member states and countries outside the European Union. Can he specifically assure us that, after the directive is implemented, our ability to negotiate and conclude agreements about security and infrastructure assets with third parties will not be inhibited?

Mr. McNulty: As I understand the matter, the hon. Gentleman's description of a directive is valid in relation to the binding elements. Much of the directive and the documents behind it, however, are entirely voluntary. That is why—I was going to say "unusually", but I will not say that—the hon. Member for North Southwark and Bermondsey (Simon Hughes) made a clear point in relation to what my hon. Friend the Member for Luton, North said about the definition. Where the protection of such infrastructure can be achieved bilaterally, multilaterally or on a sectoral basis, in areas that are not, as we would define them, either European, critical or infrastructure, that is where the competence is and should remain. That is why the definition is so important. I think that the right hon. Member for Wells made a good point about the binding elements—people will tell me if it is otherwise—and that is why we have concerns, which remain concerns and which we hope will be resolved. In relation to the timetable, there was enthusiasm to deal with the matter at the June Council. Given all the to-ing and fro-ing of negotiations, however, that is unlikely to be the case. I also take the right hon. Gentleman's wider point that there are ways in which a nation state can make multilateral and bilateral agreements, below the European level, to protect its national infrastructure.

Simon Hughes: To follow up my earlier intervention and that of the hon. Member for Buckingham (John Bercow), given that the documents that we have seen include a section that, it says, sets out the EU justification for the programme, including the growing number of member states preparing their own approaches to critical infrastructure, the need to eliminate weak links, and the additional costs implied, I hope that the Minister will go back to the Commission and say, "You think this is justified. Now give us the examples that show that we need this now." Without examples, the argument is theoretical, and the case is not strongly made.

Mr. McNulty: In part, I make no apology for being theoretical, as, with the best will in the world, I cannot and will not debate or show entirely the UK's negotiating hand on the Floor of the House. I have tried to articulate as much as possible our concerns, which remain. That is why, although we welcome the document, we do not want it adopted unless or until those concerns are recognised. I take the hon. Gentleman's general point, however.

Kelvin Hopkins: May I be helpful in following what the hon. Member for Buckingham (John Bercow) said about examples? Can we have something between the hard examples, in our practical, pragmatic British way, and the Euro-speak metaphysics at the other extreme, and consider a hierarchy of risks? Nuclear power stations pose a serious risk to life, and disruption of energy supply might pose a serious risk to an economy, at least for a period. When the toilets do not work in a locality, however, that is not a serious risk. Even in Euro-speak, there is what might be recognised as a hierarchy of risks.

Mr. McNulty: I hope that I can safely assure the House that toilets—or lavatories, as we are supposed to call them, if we do not want to be at the wrong end of a class war, or inverse class war—will not figure in critical European structure. The lavatories would have to be quite important to be critical, European—as we would define it—and, more widely, infrastructure.

While we are in the land of the abstract and the metaphysical, that is not just because of the binding elements, but at least partly because, while I do not agree with my hon. Friend the Member for Linlithgow and East Falkirk (Michael Connarty) that all this is about national security rather than markets—I think my point about infrastructure was well made—the supporting documents, partly covered by what was said by the hon. Member for North Southwark and Bermondsey, contain exhortations about what nation states need to do to develop their own infrastructure, on their own terms, to the level of public protection that we would all desire.

Michael Connarty: Will my hon. Friend give way?

Mr. McNulty: I was just deprecating my hon. Friend's extrapolation from article 308 in connection with national security. There are elements of national security relating to our infrastructure—although I hasten to add that they would not necessarily cover toilets—that are a matter for the United Kingdom, and have a heavy red line around them.

Michael Connarty: As I think will be clear to anyone who has read the original Commission proposal, the Green Paper and indeed the directive, although the Commission's list of elements on which it wants a common European position includes postal services—which are not obviously critical to security—it also includes armed forces. I know that the proposal by the Commission was rebuffed by the Government, and I hope that it will not appear again, because it was over-ambitious; but what about the channel tunnel? It is a critical piece of infrastructure linking two countries, and only two countries. Would the Government draw a red line around that, and say that they would not allow it to be ruled on by the Commission or the European Court of Justice?

Mr. McNulty: As I have said, our starting definition of the European element of European critical infrastructure is a critical piece of infrastructure that would have an immediate impact on three or more European countries. Let me return to what was said by the hon. Member for North Southwark and Bermondsey. There is plenty that the United Kingdom and France can do, should do and are doing bilaterally to protect the channel tunnel that, in my view at least, falls outside a directive of this kind and the definition of European critical infrastructure within it.

With that, I commend the motion to the House.

1.12 pm

Mr. Edward Garnier (Harborough) (Con): The Minister has commended the motion to the House, but with a degree of scepticism and lack of enthusiasm that I find refreshing. I hope that he will be as sceptical and as questioning when he comes to negotiate with his European counterparts over the further deliberations on this set of instruments.

I am grateful to the Chairman of the European Scrutiny Committee, the hon. Member for Linlithgow and East Falkirk (Michael Connarty), for initiating the debate. Although not many of his Committee colleagues are here, I think it important for the Government to experience head-on the feeling of the House as a whole about this issue.

Something that has already emerged in the debate—partly from the remarks of the hon. Member for Luton, North (Kelvin Hopkins) and those of the hon. Member for North Southwark and Bermondsey (Simon Hughes), but also from those of my right hon. Friend the Member for Wells (Mr. Heathcoat-Amory) and my hon. Friend the Member for Buckingham (John Bercow)—is the cultural difference between the Westminster and the European systems for creating legislation. What we see in this great volume before us is a set of fairly vague proposals which, although no doubt benignly motivated, lack the detail that we commonly expect in a piece of British parliamentary legislation. It is important for the Government to remember that when they negotiate with the Commission.

The timing of today's debate may be fortuitous or it may be deliberate, but it coincides with the conclusion of what has become known as the Crevice trial at the Old Bailey, at which a number of dangerous conspirators were convicted of involvement in acts relating to and preparatory for terrorism. It is possible that had those men succeeded in their endeavours, hundreds or even more people would have been killed and the institutions and infrastructures of our country placed under huge strain. Let us hope, although I fear it will be a forlorn hope, that the long sentences given to the defendants will deter others of similar mind and intention, and that the measures we are discussing will—in one form or another, but not necessarily as set out in the documents—be implemented and placed in a state of readiness, but never activated in response to a threat to the critical infrastructure of a number of European Union member states.

The Crevice trial provides us with some useful lessons about threats to our national security and our national infrastructure. The definition of critical infrastructure in the documents before us is:

> "Those facilities and networks, services and property the destruction of which would have a serious impact on the health, safety, security or economic well-being of citizens or the effective functioning of government in the member states. Such infrastructure includes systems for electricity and gas production and distribution, telephone exchanges and other communications systems, sewage plants, food distribution and key government services."

It is surely the duty of the Government in every member state to identify all facilities and services which come within that wide definition, and I trust that our Government—irrespective of the events made public through the recent trial, and regardless of the outrages of 7 July 2005 and what might have happened on 21 July—have done exactly that.

It is clear that the House does not need a list comprising the infrastructure. However, given what we now know about the information relating to the Crevice defendants which was known in advance of 7 July 2005 by our security services and the police, we need to be assured that the Home Office and its Ministers—especially the Home Secretary—will ensure that the fullest possible inquiry is undertaken by an independent figure of some standing into the events, failures and mishaps that have now been revealed.

We know, for example, that there were six good-quality photos of Sidique Khan, although the Intelligence and Security Committee was told that there was just one poor-quality photograph. First we were told by the ISC that identities were unknown—

Mr. Speaker: Order. The hon. and learned Gentleman knows better than to talk about the Crevice trial in the context of these documents. He must not stray too far.

Mr. Garnier: You may have been temporarily distracted, Mr. Speaker. What I am suggesting is that the Crevice trial dealt with infrastructure. It dealt with an attack, or a threatened attack, on our infrastructure.

Mr. Speaker: Order. The hon. and learned Gentleman is really pushing the boat out now. We know that the trial related to infrastructure, but his speech must relate to what we are discussing, which is more specific than that. According to the case that he has made, we could discuss practically anything, but we cannot do that today.

Mr. Garnier: Well, there we are. I am sure that you are entirely right, Mr. Speaker. I shall endeavour to resist the urge to talk about parts of the infrastructure of this country, although we are a European member state and are affected by what is in the documents.

The European Scrutiny Committee found the Minister's written official response to the documents "less than wholly reassuring". It stated:

> "In this connection, we recall that the European Council on 17 and 18 June 2004 called on the Council to prepare an overall strategy to enhance the protection of critical infrastructures 'on the basis of a coordinated approach by the SG/HR5 and the Commission'. In circumstances where the role of the Council's Counter-Terrorism Coordinator is not even mentioned in the Commission's proposals, we find it open to question how far there has been any 'coordinated' approach of the kind referred to by the European Council.... As such, the measure is concerned essentially with national security and any internal market effects are, in our view, merely incidental. In our view, these incidental economic effects cannot be relied on to justify Community involvement in the maintenance of national security."

It seems to all of us, I suspect, that attacks on our infrastructure do not simply constitute natural disasters such as floods and storms, or the pollution of main freshwater or sea water channels. We are talking about attacks on infrastructure in its widest sense—the definition given in the documents. I will not pursue my discussion of the lessons that the House could learn from the 2005 terrorist attacks, because that would fall outside your ruling, Mr. Speaker, but I ask Members—and particularly the Minister when he goes to Europe

[Mr. Garnier]

to have further discussions—to keep in the back of their minds when addressing this matter what I would have said.

I had intended to say that the matters that I may not discuss are of relevance to the matters before us today, as no discussion of critical infrastructure in the European context can avoid the real and present threat to our own infrastructure and the imperative for this Government to take all necessary steps to maintain it, to protect it, to repair it and, in so far as its degradation will affect our EU neighbours, to ensure that we liaise and co-operate effectively with them to plan for that contingency.

Not all EU states have been attacked by terrorists, but several have. Not all EU states have a growing number of immigrants from countries, societies and traditions that find our institutions, societal norms and national characteristics strange and even inimical, but several do. Not all EU states play a world, extra-European or extra-regional role in trading, diplomatic and military terms to the extent that our country does, but all of them, no matter how large or small, are potentially vulnerable to attacks on their infrastructures, and both individually and collectively we must pay heed to the attacks that we have endured over the past 40 years, in order to prepare for yet further attacks and be in a position to deal with them. In respect of such attacks, it is not a question of if, but of when. We would be foolish not to have contingency plans in place.

However, the documents imply a yet further increase in EU competence over the affairs of member states. The hon. Member for Linlithgow and East Falkirk and his Committee have done us a signal service by introducing this debate. In an intervention on the Minister, the hon. Gentleman referred pointedly—and with relevance and accuracy, which the Government should acknowledge—to crucial issues relating to qualified majority voting and absolute majorities in respect of the subject we are discussing. My right hon. Friend the Member for Wells, who was one of the two negotiators on behalf of this Parliament on the future of the EU, is only too well aware of such issues.

European critical infrastructure—ECI—degradation is covered by the proposals; the EU should govern matters if at least two members are affected, it is said. It is suggested that a European plan for critical infrastructure protection—EPCIP—should be drawn up which will identify, among other things, critical infrastructure and produce a common approach to its protection and information sharing.

Mr. Heathcoat-Amory: My hon. and learned Friend has referred to a voluntary approach. He will know—this follows from his earlier remarks—that there are security assets and facilities both in this country and in other countries that we would prefer not to declare, for security reasons. Is he aware that under the draft directive we would have to declare not only those assets, but draw up and operate a security plan and appoint a security liaison officer, all of which would presumably be public? Would it not be a grave threat to our internal security if all of that were known as provided for under a directive, and if the final arbiter of that were the European Court of Justice?

Mr. Garnier: My right hon. Friend points to a matter that I hope will be thoroughly negotiated out of these documents by the Minister. *[Interruption.]* The Minister says from a sedentary position that my right hon. Friend is wrong. Well, my right hon. Friend has referred directly to the document in question. *[Interruption.]* He is now holding it up for the Minister's edification. I shall allow my right hon. Friend and the Minister to have private discussions behind the Speaker's Chair, but the point that my right hon. Friend makes is entirely valid. There are assets and infrastructures that we own nationally and there are assets and infrastructures that we jointly own or in respect of which we are tenants in common through, for example, NATO and certain aspects of the EU, and which should not become the subject of open-air discussion. It alarms me to think that our foreign policy and our counter-terrorism policy might be subjected to debate or decision of the ECJ, and I trust that that also alarms the Minister.

As I have said, it is suggested in the documents that a European plan for critical infrastructure protection should be drawn up and that it should identify, among other things, critical infrastructure and produce a common approach to its protection and information sharing. That is of relevance to the point my right hon. Friend made a moment ago. I might have misunderstood the nature of EU critical infrastructure while at the same time having a clear understanding of the delicate nature of our own national infrastructure, but it seems to me—I do not mean to sound complacent, as no one could be so given the attacks on our country over the past 40 years—that as we are an island we might have some geographical protection from attacks on other EU states' water systems, electricity grids, telephone and communications systems and key Government services.

That point is not a case of relying on the sentiment behind the pre-war London newspaper headline, "Fog over channel: Europe cut off", but I understand that in continental Europe other factors might apply. The Benelux countries, France and Germany, France and Italy, France and Spain and the Baltic countries—to give just a few obvious examples—will have integrated infrastructures that far outstretch the examples that apply to the United Kingdom, such as the channel tunnel, the shipping traffic between the UK and Europe, and the services shared by Northern Ireland and the Republic of Ireland.

The hon. Member for Linlithgow and East Falkirk mentioned the channel tunnel. It is a subject that will cause some debate. From one point of view the channel tunnel looks like a bilateral infrastructure between France and the UK, but the manufacturers of, for example, Belgium, Italy or Spain who wish to export goods from their country to ours via road or rail might say that it affects more than two countries within the EU, and that therefore it is an EU infrastructure asset which ought to come under the control of the directives. I foresee endless discussion in dark committee rooms in Europe of such matters.

Of course, we know that attacks on food supplies, or attacks on, or interference with, the internet and electronic communication systems or the banking and financial sectors at a strategic level can have a cross-border effect, regardless of whether they are the result of terrorist

activity or natural causes such as storms and floods. To destroy the London stock exchange is to damage the global trade in financial instruments; to poison the Rhine is to damage the natural environment—river, sea and land based—in many countries; and to corrupt the immigration authorities of one member state will have a knock-on effect on other EU states. However, I question whether we need to raise the need for sensible, thoughtful, well planned international co-operation at a multilateral or bilateral level to the level of having an EU institution with all the expenditure, directives, regulations and bureaucracy—and infrastructure—that these documents urge upon us.

How, for example, do we define whether a particular piece of infrastructure is critical to the EU as a whole, or to at least two states, or only to one? We cannot do that without creating endless directives following endless committee meetings in several locations, at which the representatives of member state Governments and the Commission argue about whether country A's sewerage system is of European significance whereas country B's telephone system is only of national significance.

The documents tell us that EPCIP

"will be an ongoing process".

We need have no doubt of that. We are also told that its action plan will have three work streams, that there will be a critical infrastructure warning information network or CIWIN, and that there will be expert groups. There will be a CIP—critical infrastructure protection—information-sharing process and an identification of interdependencies. There will be national critical infrastructures, contingency planning and an external dimension, and there will be an "all hazard" approach—which would be a fitting description of the present jostling for the leadership and deputy leadership of the Labour party.

There is no doubt that those matters, when stripped of the jargon, are sensible things to think about and deal with, but I am concerned that we should not as a country or a Government allow ourselves to be distracted with yet further EU navel gazing when we have plenty to do at home to provide better national security of all types and when there is so much that we can do bilaterally and multilaterally in discrete areas to protect our vital infrastructures.

Terrorism, even outside the confines of the Crevice trial, is universally to be condemned and all of us, in and out of the EU, must take steps to prevent it and to create conditions that do not allow it to thrive or to take hold. However, we should not allow these documents and the policies that lie behind them to dilute our resources and efforts, no matter that we are acutely aware that an approach that goes beyond terrorism is in other jurisdictions appropriate, and more immediately so.

Our primary, if not our total, focus must be on counter-terrorism and on protecting our constitutional framework, national institutions and liberties, as citizens of this parliamentary democracy. We must have the confidence to realise and understand that, despite the attacks we have seen from the IRA, al-Qaeda and so-called animal rights activists, the systems of Government, Parliament and local authorities and our emergency and public services are resilient and robust and, more importantly, democratically accountable. I do not denigrate the motives behind the policies outlined in these documents, but I do question their utility.

I urge the Government to be strong in their EU discussions, and to ensure that we arrive at a scheme that is relevant, proportionate and cost-effective. The concerns outlined by the Minister, which we share, should be taken on board by his counterparts when he travels to Europe to meet them.

1.31 pm

Michael Connarty (Linlithgow and East Falkirk) (Lab): I have to tell the Minister that my one disappointment with the motion is that, at a time when there is so much to be negotiated and so much is left unanswered in our correspondence—and will remain unanswered even after today's debate—it does not simply say that we "take note" of the documents and of the Government's position. Rather, it says that this House

"supports the Government's intention to secure adoption of these documents in Council, subject to a satisfactory resolution of outstanding concerns."

Despite the work of my European Scrutiny Committee, which took this issue very seriously, and the Minister's original, very detailed explanatory memorandum of 12 February, there remain many unknowns regarding what the Government will cede. They have certainly moved from their original position when we first looked at the directive, having, of course, considered the Green Paper for almost two years. In the explanatory memorandum of 19 February, they seemed to be adopting a firm position. However, a letter of 9 March to the Committee in response to our further inquiries appeared to indicate what I define as Government slide—a phenomenon that I have noticed repeatedly through my work on the Committee. That is in contrast to the original directive, which was an example of Commission creep. The Commission wants to creep into power; meanwhile, between 19 February and 9 March the Government appear to have shifted position, and to now be willing in their negotiations to slide out of power.

I come to the reasons why the Committee wanted this issue to be debated on the Floor of the House. Our main concern was that what is proposed is the adoption of a legally binding European Council directive in what we consider a sensitive field. We felt that this was legally doubtful and questionable in principle. Our second concern was the extensive role that the Commission has allocated to itself. As has been said, neither the so-called counter-terrorism co-ordinator's name nor his position was included in the Commission's proposal. It intends that it shall put together a committee of the Commission to oversee this process. That concerned us greatly.

The third problem is that there is not just a possibility but a probability of the extension of Community competence into the field of national security. There is no doubt that if that proposal goes ahead, it will affect bilateral agreements and infrastructures; in fact, it is Commission creep into the field of national security. We felt that that proposal should not be agreed to before being debated in the House.

[Michael Connarty]

In the February explanatory memorandum, the Minister discussed the European Programme for Critical Infrastructure Protection, which will probably be referred to for ever by Eurocrats as EPCIP; as a result, no one will know what it means. The memorandum recognised that bilateral co-operation between states was to be encouraged, but we shared the Government's concern, which they expressed strongly, that EPCIP should not cover bilateral arrangements. In that regard, the Government referred to the channel tunnel and to cross-border co-operation between the UK and Ireland, as the hon. Member for North Southwark and Bermondsey (Simon Hughes) said.

Our Committee felt that there was no reason for the Commission to be involved in these matters. However, its starting point was that bilateral agreements were not outwith EPCIP. The Government are resisting that view, but they are asking us today to approve their signing up to the document, subject to negotiations. However, the Minister has said nothing today that would satisfy my Committee that lines in the sand have been drawn that we will not allow the Commission to cross. That is very worrying, given that we have been asked not just to note that the Government are negotiating, but to support them.

We have debated this issue and we have given the House its best chance to influence the Government. The Government will then be left to negotiate whatever they wish to negotiate at the final stage in the European Council.

Mr. Garnier: Does the hon. Gentleman find this situation perhaps a little disappointing? Assuming that his Committee had reached a completely different conclusion from the content of the documents and had advised the House to vote against the "take note" motion, it would have made little difference. The Government are independently able to carry on doing what they think best, irrespective of the advice of his Committee.

Michael Connarty: I hope that we do not get to the point of voting. I hope that the Government will take on board the fact that when we say we support them, we support them. Hopefully, the House will support them too, on the basis that the motion includes the phrase

"subject to a satisfactory resolution of outstanding concerns."

Those concerns are those expressed in February's explanatory memorandum, and not the weaker position that, sadly, seemed to be indicated by the Government's strong support for proceeding with the directive, as expressed in the letter of 9 March. As I said, we sensed Government slide, of which the explanatory memorandum gave no indication. I hope that the Government will vigorously defend their position as outlined in the February explanatory memorandum, and that they will not perform an about-turn on any of these issues when they enter into negotiations.

The Committee also asked whether the adoption of the directive is necessary or justified. The arguments for a legally binding directive under the terms of article 308 of the European Community treaty are unconvincing. We studied that article extensively and we will publish a report on it shortly. We are clear that in our view, there is no need for legally binding rules in the sensitive area of designating infrastructure; however, and as I pointed out, that is what will happen. The Government said that they want the proposal to be dealt with through commitology, and in such a way that it is passed by qualified majority voting in the Council. If there was a dispute, the matter would then be ruled on by the European Court of Justice. Our Government would be unable to go against that ruling, and they could be forced into positions that they did not originally wish to adopt, and to which they did not originally think that they had ceded.

We believe that it is wrong for the Commission to be allowed to use infraction procedures in respect of any European country, and particularly this one, which has a highly developed national security policy. However, the Commission would go to the European Court of Justice if there were any dispute. Why could the objective of creating a common procedure for designating critical infrastructure not have been achieved by voluntary co-operation between member states? That is how we have advanced in the past. It is a good idea to have guidelines, benchmarks and some form of sanctions or penalties. It is also a good idea to have incentives throughout the EU. We may have reservations about some of the countries in the EU and their ability to meet the standards, but we should be aiding and abetting them, not giving power to the Commission to rule over our standards in the future.

We will always dispute with the Government, the Commission and the Council the legal basis of article 308, because on many issues it has nothing to do with the common market. Our Committee was certainly concerned by the throw-away lines about competitiveness and cost at the end of certain sections, so that it could be argued that it was a competition question: it is not. It is a justification for using an original clause that was entirely about the common market to force through several items so that the Commission gets its way.

We questioned the consequences of adopting a legally binding European directive on this issue in our report on 21 March. We were worried that it would lead to unpredictable legal obligations being imposed on the UK. The Minister questioned the definition of European critical infrastructure, the disclosure of information, and the legal obligations imposed to produce operator security plans and appoint security liaison officers. In the explanatory memorandum, the Government appeared to take a firm stand against all of those issues, but each would fall to be determined and interpreted by the European Court of Justice. In other words, every objection that the Government have put up could be overruled by the ECJ. That could happen if the Commission took infraction proceedings against a Government who are resisting the imposition of the Commission's will, which could lead to very unpredictable results. We question whether the Government should make any concessions that would take risks in that area. In security terms, we need to be firm, to be sure of our ground, to know where our authority lies, to know that we can call on that authority at any time and that it has not been given to another party. That is another reason why we wanted the debate.

The Minister confirmed that the adoption of the European directive would affect the UK's ability to conclude agreements with third-party countries—the question asked in this debate today—for example, with the United States. It is clear that giving competence to the Commission means ceding competence from one's own Government to make agreements without the permission of the Commission. We have always thought that that was an unnecessary downside to any agreement to give power on issues on which we should retain it. Unless the Minister is telling us that that is a clear red line and he will not sign up to the directive unless there is clear agreement that the UK can conclude agreements with non-EU countries on a bilateral basis, we would be taking a grave risk.

The Minister has told the Committee that "it is not considered" that the directive would affect the UK's ability to make agreements with third-party countries on the exchange of information and techniques for protecting infrastructure, but he did not provide the authority for that conclusion in any correspondence. A matter that would fall to be determined by the ECJ is one of the imponderables. We do not know whether the ECJ would rule that we still had that power or did not have that power. The question for my Committee was: why put the present freedom and power of the UK to make agreements with third parties at risk by adopting the directive?

After eight years as a member of the Committee, and five years as a member of a Standing Committee before that, I know that entering into such legal obligations may have unpredictable results in the future. Why should Britain risk our present freedom to make bilateral security arrangements and decide what sensitive information we choose to share? I have not heard any argument as to why we should give up either of those two vital powers. I cannot see what the UK can possibly gain by accepting the directive, and that was the unanimous view of the Committee across all parties.

Mr. William Cash (Stone) (Con): I am a member of the Committee and I endorse everything that the hon. Gentleman says. However, does he accept that sometimes the Government have a tendency, when they know that something has a European character to it, to be too relaxed about allowing things that they would do better to resist?

Michael Connarty: On this occasion, I fundamentally agree with the hon. Gentleman. The Government do not need to do this. It would strengthen the European Union as a body if it resisted it and renegotiated a different arrangement under which countries that had problems with their infrastructure, and questionable security and capacity, entered into agreements guided, aided and controlled by the Commission. Those countries that have the competence, as the UK and many others already have, to look after their own security, could agree a set of guidelines, standards and aspirations that they could try to match, but it would not need to be binding. That would be a much stronger EU agreement. It would focus on where assistance is required and stop the Commission interfering where it is not needed. I can assure the Minister that the Commission will use its power whenever it can, just to show that it is in charge. It wants to be in charge of, not assisting on, many issues on which it would be better not to be involved.

Why do we need legally binding rules designating what infrastructure is critical to a member state? It was an expressed concern of the Minister in the explanatory memorandum, but I have heard no indication that their imposition will be resisted to the point at which we will not sign the directive. The Minister asks us to support him signing the directive, but we are not sure what negotiating points could stall that signature. I hope that he will tell us that much more clearly and leave the House, and those who read the report of this debate, with some security. Why could the objective of creating a common procedure for designating critical infrastructure not have been achieved by voluntary co-operation between the member states? I have heard no answer to that question.

My conclusion is that the legislation might lead to an extension of European community competence into the field of national security. That should not be agreed until the House has had a chance to debate it and is convinced that vital safeguards for the UK's sovereign national security would not be ceded to the Commission. I would like the Minister to assure us that when he goes to the negotiations, he will not sign up to the directive until he can convince the House that he did not cede too much on the issue of our national security.

1.48 pm

Simon Hughes (North Southwark and Bermondsey) (LD): The House certainly has highs and lows. We have had the high drama, intensity and complete transparency of Prime Minister's questions, and then we come to this debate, which is—unless one has engaged with the subject matter—probably miles from the immediate thoughts of most people. I came to the subject fresh, because it would normally fall to my hon. Friend the Member for Sheffield, Hallam (Mr. Clegg) to participate in this debate, but he cannot be here today. I looked at the issue from first principles and have ended up with a huge amount of reading over the last week. Thanks to my keen and enthusiastic assistant, I understand the issues at least to some degree.

I am glad that we are having this debate. I agree with the hon. Member for Linlithgow and East Falkirk (Michael Connarty) that it is right that we should have a European Scrutiny Committee and that it is able to say, as it did on this issue, when something is legally and politically important and should be debated on the Floor of the House. The numbers present may be small, but that is related more to other factors in the British political firmament than to the importance of the issue.

This is an important issue because we are talking about what used to be called emergency planning. Everyone realises now that local government needs to undertake emergency planning, for all the sad but familiar reasons. When the Greater London authority was set up, there was a long debate about the arrangements in London. Similar debates about how to

[Simon Hughes]

keep the capital and the country safe took place after 9/11, and such questions are back on the agenda after the events of July a couple of years ago.

Emergency planning is the Government's rightful responsibility, and the Home Office has traditionally taken the lead in its work with other Departments. I understand the Minister when he says that he is not at liberty to share some information to do with planning in respect of terrorist threats to our infrastructure.

Some threats have been evident for years. For example, the IRA attacked Canary Wharf as it was being built, and we have heard about the plans to attack the Ministry of Sound night club in my constituency. However, I am talking about something different—that is, threats to the sewerage system, or to the water or gas supply. Those are important matters, and I am glad that the House has an opportunity to express its views.

Mr. Cash: In our report, we state:

"We have considerable misgivings over the adoption of an EC directive in this area".

Our function is to judge whether something is of legal or political importance. We go on to say that we believe the directive to be

"of doubtful legality and questionable in principle. We note that the proposal is made under Article 308 EC, but it does not appear to us that a measure which is concerned essentially with the national security of Member States is a matter falling within the EC treaty at all, and still less under article 308".

I hope to make a few remarks later on about article 308. However, even though he has come to the job rather late in the day, does the hon. Gentleman accept that the matter is very serious? There is no need for hysteria, but does he agree that it has implications for national security?

Simon Hughes: I do agree about that, and I want to deal next with article 308. It states:

"If action by the Community should prove necessary to attain, in the course of the operation of the common market, one of the objectives of the Community, and this Treaty has not provided the necessary powers, the Council shall, acting unanimously on a proposal from the Commission and after consulting the European Parliament, take the appropriate measures."

In June 2004, the Council of Ministers asked the Commission to come up with a proposal in respect of EU infrastructure. In other words, the bureaucrats did not initiate this, the politicians did. The Council of Ministers is free to say that it is not going to agree the Commission proposal, with the result that the whole thing has come round full circle and the matter is up for negotiation. The Government will "take note" of this debate, in the way that our procedures allow, but they also have the right under article 8 to veto the outcome. If the UK decides that the proposal should be taken no further, it can act alone to prevent that from happening.

Does article 308 justify the motion before us? The House of Lords Committee that looked at this matter said that we should not get fixated by article 308 and that we should look at the substance of the motion. The advice that I have been given is that Parliament has accepted similar measures proposed under article 308, and I look forward to the forthcoming report from the European Scrutiny Committee.

These are serious matters. Article 308 is the EU's instrument to cover "anything else extra", and we must be careful to ensure that what it is used to introduce is justified. I am not going to argue that the proposals before us cannot work under article 308, although I notice that the European Scrutiny Committee believes that the Government have not made their case about that.

I come now to the substance of the motion. The Minister was helpful in his responses to interventions, and I want to pick up on a couple of matters that he mentioned. He made it clear that the proposal is justified only if we are talking about matters that are European, critical and to do with infrastructure. That may be a tautology, but it is true. However, I want to put it on record that I share what I believe is the common view of the House about last December's draft directive definition of EU "critical infrastructures". It states:

"'European Critical Infrastructure' means critical infrastructures the disruption or destruction of which would significantly affect two or more Member States, or a single Member State if the critical infrastructure is located in another Member State."

We believe that that provision is too generous, as it is not sufficient that only two member states are affected. Earlier, I gave the example of the UK and Ireland. We have a common interest in some matters, especially in respect of Northern Ireland, and other bilateral agreements cover energy, transport and so on.

The hon. Member for Linlithgow and East Falkirk mentioned the much more interesting debate to be had about whether the Eurotunnel involves two member states or more than two. I believe that disruption to the Eurotunnel would significantly affect more than two member states. For instance, the tunnel goes to Belgium as well as to France, but disruption would have onward consequences for the transport of goods throughout the EU. That would mean that more than three countries would have an interest, and that is why we need a higher threshold than just two member states.

I also agree that the UK occupies a position that is entirely different from the one occupied by many other countries. For instance, the Benelux countries share many aspects of infrastructure, and a new member state such as Poland may well get some power from the Czech Republic, or vice versa. Countries that are adjacent territorially, with no water between them, are much more likely to share elements of infrastructure, transport and so on. Indeed, that is likely to be common, and the situation between the UK and Ireland, or Cyprus and Malta, is likely to be much less common. I therefore hope that Ministers will negotiate a higher threshold.

The motion asks us to support

"the Government's intention to secure adoption of these documents in Council, subject to a satisfactory resolution of outstanding concerns."

That is rather a catch-all wording—and I am being generous to the Minister by saying so. It more or less says that the Government have made a request, the Commission has made a proposal, and this is how far we have got. The motion then asks the House to give

the nod to further negotiations to secure a satisfactory outcome. To be blunt, a lot of work remains to be done, and the Minister is right to suggest that it is unlikely to be completed in June, especially as we are already in May.

I want to make a couple of final points. Earlier, we had an interesting discussion about the fact that the motion deals with something theoretical, but it was clear that the House was also interested in the specifics. It is important to realise that much work has been done in some sectors, as listed in the supporting papers provided by the European Commission. For instance, work has been done in the IT sector on public electronic communications networks, and in the health sector on epidemiological surveillance and control of communicable diseases.

Work has also been done in the financial sector on euro retail payment systems. Such matters can be seen as part of the infrastructure, as the sudden collapse of the ability to perform bank transactions across Europe would have implications for the financial sector, in which London has a huge interest. Work has been done in the transport sector on ship and port facility security, maritime security and civil aviation security. It is not as though nothing has been done.

There are many bilateral aspects already, and clearly the Government have thought about them. The Home Office is in the lead, but the issues are cross-governmental; the critical infrastructure sectors listed in the annexe show how broad they are—energy, nuclear industry, ICT, water, food, health, financial matters, transport, chemical industry, space and research facilities. That substantive list shows that the matter is at a slightly higher macro-level than the provision of public toilets across the EU—although I realise that the Minister was joking. Like him, I have been involved in London politics for many years. We have not yet got the provision of public facilities in London sorted, so we can hardly teach anybody else how to do it. There is work to be done much nearer home.

The proposal is that if there were a directive it would include non-binding and binding measures. That mix is probably right if we can reach agreement about the binding measures—by definition, it would then be up to us to opt into the others rather than being committed to them. Colleagues in the Lords who have studied the proposal from their perspective as Members of the European Parliament warn us that we must not get into an over-bureaucratic system. The current proposal seems far too extensive, complex and bureaucratic. To take one example, there may be a need for participation in

"critical information protection expert groups at EU level"—

but that simply means that it would be good to have somebody from each country who knows what they are talking about and can work out what we need to do. That is sensible and civil servants should be working on that aspect. Information-sharing is good, but we must do it in the least bureaucratic and most practical way possible.

I end with the conclusion we have already reached. Most of the specific proposals appear perfectly feasible through co-operation, information exchange and best practice. That seems to cover most of the needs and expectations. Subsidiarity and proportionality mean that we should not try to give the EU more functions and responsibility than it needs. We must do what we can in this country. The UK, as a group of islands, is more likely to resolve these matters nationally than on a cross-EU basis, but if there is a need for legislation—after all, a directive is EU legislation, with which we have to comply—people have to make a case for it.

If the measure is on the agenda, it is because Governments have asked for it to be there because they were worried about terrorism or the risk to European energy supplies. As the Minister said in his intervention, this is not only about our people in this country; Britons are working, living and studying all over the EU, as are people from all the other EU countries. We have a collective responsibility to look after the European Union countries properly, but only inasmuch as it needs to be done on a more than national or more than bilateral level should it be a matter for the EU. I hope that Ministers will proceed accordingly and negotiate only a measure that is simple, straightforward and the minimum required to deliver the perfectly reasonable objectives that they asked the Commission to consider a few years ago.

2.3 pm

Kelvin Hopkins (Luton, North) (Lab): First, I make a small apology. I have only recently been appointed to the European Scrutiny Committee and was not party to its discussions. However, I have read the paper prepared for the debate and I have listened carefully to the speeches of other Members. They very much reflect my own feelings; there seems to be consensus that we must take a much firmer line with the Commission and the Council of Ministers, so I hope that my hon. Friend the Minister, in his typically robust way, will do so. I hope that he will take particular note of what my hon. Friend the Member for Linlithgow and East Falkirk (Michael Connarty) said, because he went to the nub of the issue.

The Minister's first response to the communication was robust. He stated that

"responsibility for national critical infrastructure is a national responsibility and, secondly, that protection of European Critical Infrastructure is the responsibility of the Member State within which the infrastructure is located".

That strong statement seemed to have the Committee's support, but when a series of questions was put to the Minister in writing, his response was less robust. I thought that perhaps someone had toned down his replies, because they did not want them to be too non-communautaire.

I have had some experience of European committees in Brussels—although not at the elevated level of the Council of Ministers—so I know about the style; one does not raise issues strongly. One listens to the reports and then goes away—possibly for a splendid Brussels lunch. However, in my time I was one of the awkward squad, who always asked the difficult questions in what seemed to be regarded as the British way; we say, "Excuse me, Mr. Chairman, but isn't there a problem?" and other people look round in surprise that anybody should have raised an issue.

I am confident that my hon. Friend the Minister will be one of the awkward squad and that he will raise the

[Kelvin Hopkins]

issues that have been set out in the debate and speak robustly not just for Britain's interests but for common sense, which suggests that many of the areas covered by the phrase "critical infrastructure" are not that critical—at least to Europe as a whole, although they might be critical for the interests of a particular nation state. Some things are critical and of serious interest; for example, nuclear power generation poses appalling risks to life if things go wrong, so there is clearly an international interest in it. We are heavily dependent on the supply of gas from Russia via a pipeline going through Germany, so we should take a great interest in that. With other Members, I recently attended a meeting in the House at which a German academic read a paper that suggested that Germany was working closely with Russia to make sure that gas went through Germany, because the Germans wanted to maintain a strong interest in the control of the gas supply. As we saw, Russia made life uncomfortable for Ukraine over gas supplies, so those aspects of critical infrastructure give rise to serious issues in which we and our European colleagues have an interest.

The key is to make sure that there is a hierarchy of risk and interests, but we should not get into deep water over—shall we say?—water, which is much more of a national provision. By and large, water is not transported between nation states, certainly not to Britain. Although the Welsh might complain that they are supplying water to us in England, we are still—I think—the same nation state. Some aspects can be put to one side, because they should not be covered. I have mentioned the areas of interest.

The proposals make a powerful case for nation states such as Britain to generate as much of their own energy as possible and to become less dependent on supplies from other parts of the world that are sometimes unstable and may not be friendly towards us in future. There is a powerful case for generating electricity safely and securely through tidal barrages, especially across the Severn and Thames estuaries, offshore wind farms, microgeneration and combined heat and power. Locally supplied generation and microgeneration is much less vulnerable to the risks we have been debating. Europe-wide structures for energy are much more vulnerable than local, domestic and microgeneration. My hon. Friend the Member for Nottingham, South (Alan Simpson) speaks on the subject frequently and he is absolutely right to emphasise the importance of looking to renewable sources, and I urge Ministers especially to consider those that are local, micro, national and less vulnerable. Perhaps that goes rather wider of the debate than you might wish, Mr. Deputy Speaker, but it is an important issue.

I look forward to my hon. Friend the Minister coming back from Europe having secured a common-sense agreement, having got positive answers to all the issues raised here and by the European Scrutiny Committee, and having spoken for the British national interest and for common sense.

2.10 pm

Mr. William Cash (Stone) (Con): As I indicated in an intervention on the Chairman of the Committee earlier, to a certain extent my concern turns on the manner in which these decisions tend to get taken by Government. I am not going to engage in a hostile confrontation with the Minister over this matter. As much as anything, it is a matter of attitude. The problem is as follows. Albeit that in 2004 the Council of Ministers asked for these questions to be considered, the reality is that in terms of the critical mass of the institutional changes, the attitude of mind—which is that everything should be Europeanised because that is the nature of the underlying concept of the European constitution, which has by no means been given up—means that all matters and questions of legal capacity have to be decided against the background of an assumption. That assumption is that if a choice has to be made, it would be better made at a European level than otherwise.

There is also the issue of terrorism, which the Committee has stressed in this context, noting the fact that it had not been dealt with properly in relation to the role of the European Union counter-terrorism co-ordinator, Mr. de Vries, who was brought into the issue somewhat late in the day. The fact is that there are often decisions—particularly in relation to matters of national security—where the question of why something is being done is in lower case. It is something that emerges only in the course of a debate of this kind. Of course, it is precisely because the European Scrutiny Committee is so diligent and accurate in its analysis—given our expert advisers and legal advisers—that we are in a position to be able to challenge the assumptions on which things otherwise would simply roll forward. For example, in some other countries—the Minister might take note of this—*[Interruption.]* The Minister is wandering around the House like a caged lion. I do not know whether he is a lion or a mouse.

Mr. McNulty: I was speaking to the Deputy Speaker. I was not prowling about like any sort of lion.

Mr. Cash: The Minister might find it quite useful to hear some of the arguments—

Mr. McNulty: Will the hon. Gentleman give way?

Mr. Cash: No. The Minister might find it quite useful to listen to some of the arguments of those of us who have a little more experience than he does of some of these matters and the way in which the European Union has functioned. The plain fact is that the question of creeping competence, of which this matter is a good example, is the reason why not I by myself as the Member for Stone on his own, but the whole of the European Scrutiny Committee—the majority whose members come from the Minister's own party—has come to the conclusion that it is important that this matter should be debated on the Floor of the House. The Committee has come to that conclusion responsibly and on the basis of considered advice.

I understand the restlessness of the Minister, but it would not do him much harm to listen to what is being said. Wandering around in that way clearly indicated that he was not interested in a word that was being uttered. He might just bear in mind that we are talking about national security and about the failure of the Government to be completely transparent about the connection between the proposals and terrorism. The

bottom line is that the use of article 308—in relation to which the Minister says that protecting critical infrastructure

"will further a number of Community objectives"—

is an example of the very point that I am making. A gap is being filled in order to enhance the Europeanisation of this issue, which is of direct importance, as the Committee says in its report, to the fundamental question of national security. If we do not control our own national security, the Government are betraying this country in the context of what the Committee recommended. We on the Committee said:

"We consider that these issues are of such importance to the fundamental duty of any government to ensure national security that they ought to be debated on the Floor of the House and we so recommend."

We are debating the issues. The Minister knows in advance that there will not be a Division on this question, so, as I said before, he might just as well have given us a better explanation of the basis on which a satisfactory resolution of the outstanding concerns will be delivered. Time is running out, so I want to get on the record—*[Interruption.]* I was unable to be here then, but I know enough about the subject matter—and I am on the Committee—to know that the issue is of great importance, which is why we are debating it.

When we are talking about things such as the channel tunnel and other things that are susceptible to terrorist attacks, it does not matter what the Government may wish to put forward by way of an argument that the issues should be dealt with at the European level. Those issues are essentially a matter of national security. As we say in our report, it is a fundamental necessity that we retain control over these matters. That is why we want them to be debated. There is no need for me to go into all the detail. I am sure that the civil servants and the members of the European Commission will look at that. The important and simple point is that the Government, as usual—

It being one and a half hours after the commencement of proceedings on the motion, MR. DEPUTY SPEAKER *put the Question already proposed from the Chair, pursuant to Standing Order No. 16(1).*

Question agreed to.

Resolved,

That this House takes note of European Union Documents No. 16932/06, Commission Communication on a European Programme for Critical Infrastructure Protection, and No. 16933/06 and ADDs 1-2, Draft Council Directive on the identification and designation of European Critical Infrastructure and the assessment of the need to improve their protection; and supports the Government's intention to secure adoption of these documents in Council, subject to a satisfactory resolution of outstanding concerns.

WELFARE REFORM BILL (PROGRAMME) (No. 4)

Motion made, and Question put forthwith, pursuant to Standing Order No. 83A(7),

That the following provisions shall apply to the Welfare Reform Bill for the purpose of supplementing the Orders of 24th July 2006, in the last Session of Parliament, 12th October 2006 and 9th January 2007 (Welfare Reform Bill (Programme), Welfare Reform Bill (Programme) (No. 2) and Welfare Reform Bill (Programme) (No. 3)):

Consideration of Lords Amendments

1. Proceedings on consideration of Lords Amendments shall (so far as not previously concluded) be brought to a conclusion three hours after their commencement at this day's sitting.

Subsequent stages

2. Any further message from the Lords may be considered forthwith without any Question being put.

3. The proceedings on any further Message from the Lords shall (so far as not previously concluded) be brought to a conclusion one hour after their commencement.—*[Mr. Roy.]*

Question agreed to.

Orders of the Day

Welfare Reform Bill

Lords amendments considered

New Clause

Lords amendment: No. 1.

2.17 pm

The Minister for Employment and Welfare Reform (Mr. Jim Murphy): I beg to move, That this House agrees with the Lords in the said amendment.

Mr. Deputy Speaker (Sir Michael Lord): With this we may discuss Lords amendments Nos. 2 to 55.

Mr. Murphy: I am pleased to report to the House that just as the Bill left this place in a good condition, with a strong consensus, that approach was maintained in the other place, where all of those with a keen interest in this important issue played an important part in helping to maintain that consensus. There has been continued engagement with stakeholders, disability organisations and others. It is fair to say at the outset that that has been assisted by the consensus approach across political parties in this and the other place. The one exception is the Scottish National party, which played no role whatsoever in our proceedings at any part of the process. Indeed, today SNP Members have not shown up to their work.

There are five areas of the Bill and its policy aims that are the subject of amendment. I would like to talk about each briefly in turn. First, I will talk about the issue of the annual report on the operation of the revised personal capability assessment. Amendment No. 1 concerns the operation of the new benefit, the employment and support allowance. The amendment introduces a requirement for the Secretary of State to lay an annual independent report before Parliament on the operation of the revised personal capability assessment.

As I previously confirmed, it has always been our intention that there should be ongoing monitoring of the effectiveness of the revised PCA. I gave an undertaking on Report that there would be ongoing independent monitoring by the technical working groups for the first two years following implementation of the revised assessment. My noble Friend Lord McKenzie of Luton gave a similar undertaking in the other place and made a further commitment that monitoring would continue for the first five years following implementation and report to Parliament. That is reflected by the duration of reporting required by the amendment.

Lords amendments Nos. 2, 13, 15, 16 and 55 relate to health care professionals other than doctors carrying out a medical examination to provide information used in making a decision on entitlement to benefits. From the outset, the Bill provided for the use of heath care professionals in assessments for ESA. However, shortly after the Bill left the Commons, it became clear that the current legislation did not include the power to make full use of health care professionals in the provision of medical services for customers claiming other benefits, such as disability living allowance, attendance allowance and industrial injuries benefits. Lords amendment No. 13 will enable us to take full advantage of the skills that health care professionals offer in the delivery of medical services for purposes involving social security benefits.

Lords amendment No. 2 will commit us to using only health care professionals who are members of regulated professions. It gives a consistent definition of a health care professional across the benefit system. All health care professionals will, of course, be given full training. They will need to be approved by the Secretary of State before they are able to carry out assessments. Lords amendment No. 55 will ensure that all health care professionals carrying out medical examinations will be bound by the same duties of confidentiality as departmental staff with respect to information about individual customers.

Lords amendments Nos. 3 to 7 relate to the contracting out of welfare to work services. They will ensure that the Secretary of State cannot authorise a contractor to undertake decision making that could lead to sanctions under the ESA conditionality regime. The Government made such amendments to the Bill in response to concerns expressed about the possible problems associated with the contracting out of sanctions decision making. While, of course, there are potential advantages in moving decision making closer to front-line services, we accept that there is more to be done before we will be aware of how that will work in practice. We will thus not take such a power in the Bill.

The fourth group of amendments covers sanctioning following an eviction for antisocial behaviour. Lords amendment No. 9 relates to the housing benefit sanction following an eviction for antisocial behaviour and a refusal to accept support. We believe that the sanction will be an important power for local authorities to use in tackling antisocial behaviour in our communities. The amendment provides for a limit to the piloting period. The Government will thus be allowed to press ahead with piloting the scheme, but if there is to be a scheme in place after 31 December 2010, further primary legislation will be required.

We have made a commitment that piloting will be a key element of our plans. If the measure works as we intend and the threat of sanctions encourages antisocial households and families to engage in support programmes, the end date of 31 December 2010 that is specified in the amendment will mean that we will have sufficient time to learn lessons that could inform national design and possible implementation.

The fifth group is, by necessity, made up of technical drafting amendments. The Joint Committee on Human Rights and the Delegated Powers and Regulatory Reform Committee reported on the Bill and we tabled appropriate amendments following those reports. Lords amendments Nos. 8, 22 and 23 will mean that the regulations that will be made under the identified powers relating to entitlement to components and the loss of benefit will be subject to the affirmative procedure. Lords amendments Nos. 10 and 11 make it explicit that the powers in clause 40 relating to the use of social security information are to be used solely to encourage people to claim the benefits to which they may be entitled.

Lords amendment No. 17 to schedule 3 will ensure that the Secretary of State will have an obligation to review the relevant ESA amounts in each tax year to determine whether they have retained their value. Lords amendments Nos. 21 to 54 will amend schedule 4 to provide a power to migrate those with an existing award of a benefit relating to incapacity or disability to ESA. The amendments do not affect the policy position that we have taken previously on the migration of existing customers.

I urge the House to agree to the Lords amendments to this important Bill. During the Bill's passage, we have managed to maintain a remarkable degree of well-considered consensus between both sides of the House. Together we can be confident that the Bill will make a real and lasting change to the lives of many people who were written off for so long in the past.

Mr. David Ruffley (Bury St. Edmunds) (Con): I welcome the Minister's remarks. The modern Conservative party supported the principles of the Bill, the details of which required non-partisan, thorough and vigilant scrutiny in Committee here and in another place. I believe that it has been given such scrutiny. It has been hugely assisted by the advice, wisdom and insight of many groups and bodies that work hard and tirelessly to help those who need the support of a modern welfare state. I pay tribute to them as the passage of the Bill draws to its close.

The key purpose of Lords amendment No. 1 is to ensure that the scrutiny of the Bill's operation continues long after it has been passed. The requirement for annual reports will put Ministers to the test when they explain how the new ESA is benefiting—as we hope and trust that it will—many claimants who are able to work, but need support to get back into work. We know that many such people want to work. A welcome improvement was made to the Bill in the other place—Lord McKenzie was the Minister—through the insertion of a provision requiring the Secretary of State to lay before Parliament an annual independent report on the operation of the limited capability for work test and the limited capability for work-related activity assessment for the first five years after they came into effect.

I welcome the Minister for Employment and Welfare Reform's decision not to disagree with that proposition of the Lords. However, it is important that we underscore concerns that are being expressed by outside bodies about the new PCA. There is worry that the early stages of the design of the PCA have, albeit in a well-meaning way, been subject to dummy runs. It is clear we must get right something as important as a gateway to a new incapacity benefit—ESA—because it will affect millions of people. The Government have promised that the PCA will be rigorously evaluated. The Minister has explained that a two-part evaluation is being carried out to ensure that the revised PCA constitutes a fair, robust and evidence-based assessment of limited capability for work. However, we must be vigilant. We believe that the annual reporting requirement will deliver rigorous scrutiny.

Mr. Jim Murphy: I thank the hon. Gentleman for his comments. Even at this stage, it is important to reassure him and others who consider our proceedings carefully. The revised PCA test seems to be working as expected. However, to clarify intentions, there has been a need to refine some of the wording of physical function descriptors and mental health function descriptors. Some of the scores also have to be refined, so it is clear that we are learning as we go on. In the spirit of co-operation that has existed throughout the passage of the Bill, I will be happy to continue to share such information with the hon. Gentleman, as will the Under-Secretary, my hon. Friend the Member for Stirling (Mrs. McGuire), the Minister for disabled people, who has played a remarkable role in the formulation of the policy over the past few months.

Mr. Ruffley: I thank the Minister for that. I associate myself with his charitable and generous comments about the work of the Under-Secretary. It was a delight to debate matters with her in Committee, and I think that our debates generated a lot of light. It is important to remind ourselves as proceedings on the Bill draw to a close of the critical importance of the PCA and the vital need to ensure that its operation is not just looked at over a long period of five years but is evaluated annually. The disability benefits consortium has made the point that genuine evaluation must include examination of whether the assessment of capability to work was accurate, as it does not believe that there is a check to achieve that objective under the current arrangements. It suggests that health or social care providers who know the claimant could be asked whether they believe the new score to be a fair assessment, and it asks whether that could be designed into the new PCA. It says that claimants themselves could be asked whether they agree with their new score, and that members of the PCA could be asked to convene technical groups to interview people who are disqualified by the new PCA, but who qualified under the old PCA, to gain a fuller sense of whether they should, or should not, be considered to have limited capability for work.

2.30 pm

Ministers may find it difficult to accept those propositions, but they are an example of the way in which an iterative process must be used when officials and practitioners at the sharp end implement the new test. We must always have an eagle eye and constantly evaluate the impact of the measures on claimants. The Minister, and Ministers generally, do not regard the new PCA as a draconian measure to choke off the flow of future employment and support allowance claimants, and I congratulate the Government on the fact that they have not used the macho rhetoric of the stick. Ministers, no more than the rest of us, want claimants, past, present and future, to be intimidated by the language that the welfare state uses about their future. I do not doubt the Minister's good intentions or those of future Ministers. The Minister might—who knows?—be moved onward and upward in the impending summer Government reshuffle in recognition of his great work on welfare reform. Whoever occupies his seat will want sensitive application and implementation of the new PCA, but annual, independent evaluation is required. A key reason is that problems may be discovered in the first year, new problems may be discovered in the second year, and yet more problems may be discovered in the third year, so in their lordships' view—and in my view, too—it is essential that a rigorous, independent annual evaluation is conducted.

We accept that the Government have listened to those entreaties in another place, and that they are going to undertake qualitative evaluations. Research studies are undertaken anyway by the Department for Work and Pensions, the rollout of pathways to work is being evaluated, and academic research is accessed on top of that. We accept that all those things were going to be done anyway—Lord McKenzie made that point—but the amendment makes provision to pull everything together in a single annual report, and stops a piecemeal analysis with bits and pieces all over the shop. It ensures rigorous, regular scrutiny of that important test.

The Minister referred to Lords amendment No. 2, which clarifies the Bill's wording to ensure that it includes a tighter, more specific definition of a health care professional. There were concerns that the original definition was too broad and that less than qualified people would fall into the category of health care professionals and be allowed to carry out medical examinations. It was thought that that would affect only a small minority of individuals. Nevertheless, the disability benefits consortium was surely right to welcome the amendment, which specifies the staff who may carry out a work-focused health-related assessment of a disabled person's ability to engage in work-related activity and the kinds of adaptation and support they may need to enable them to undertake such activity. It went on to say that concern had been expressed by disabled people and those who represent them that unsuitably trained staff with relatively little experience of disability and health-related issues might be used. However, the amendment specifies the professionals qualified to undertake interviews, and that will provide important reassurance to disabled people who go through that gateway in future and who are assessed under the new process.

We support, too, Lords amendments Nos. 3, 4, 5, 6 and 7 to clause 15. They remove from the Bill the ability to contract out decision making leading to sanctions. The category of excluded decisions includes all the decisions that can lead to sanctions, as well as decisions about the sanction itself. As a result of the amendments, decisions on sanctions will be made by Jobcentre Plus staff. The Secretary of State cannot, at this stage, authorise contracted-out providers either to deliver the sanction or to make decisions leading to sanctions. Again, it is important to reflect the non-ideological nature of the conversation that we have been having for several months. Contracting out is not an across-the-board, ideological fix. It depends on how it is used and what it is used for. It was the judgment of shadow Ministers that it was not appropriate for contracted-out providers to make those decisions. Conflict of interest could obviously arise, particularly when contracted-out providers are paid according to outcomes, and are given a fee for success, as it were. The implication is that they might be seen by claimants as having an interest in wielding the stick, applying sanctions so that people are more likely to work and the provider can earn more fees as a result.

I was never one for thinking that the private sector would be so crass as to go down that route. Most of the private sector contractors to whom I have spoken overthe past year have a genuine caring mission in taking people from welfare into work. Yes, there is a commercial advantage in their doing so, and they have to make a profit but, by and large, they do so with great skill, compassion and concern for the customer. I never thought that the possibility that Ministers would want to contract out sanctioning to the private sector would be a major problem, but insofar as it worried outside lobby and support groups that help disabled people and claimants, it was likely to worry claimants. We made it clear that we wanted the state, not a private outsourced contractor, to make those potentially sensitive decisions on sanctioning. It was interesting to read in the report, "Reducing dependency, increasing opportunity: options for the future of welfare to work", which was published in March, David Freud's recommendation that sanctions be administered though Jobcentre Plus.

The outside groups that expressed concern to me and to others—Mencap, the disability benefits consortium, Leonard Cheshire and many others—should be pleased with the outcome of their lobbying efforts and persuasion throughout the Bill, including on this point. They can say that Parliament and Ministers have been listening and have made the decision that they wanted. If Ministers want to give a power of sanction to the outsourced contractors, they will again have to argue the case in Parliament. We shall see whether that is necessary in future.

We had an interesting debate in Committee about sanctions attaching to housing benefit. Some of us thought that there were sufficient sanctions in the system already. For totally unacceptable behaviour by tenants, the sanction is eviction. The provisions in the Bill suggested that in addition, after evictions proceedings had gone through, there would be a further benefit sanction if the recalcitrant tenant causing misery for neighbours did not mend their ways.

We then moved on to the topic of piloting. In fairness, Ministers always envisaged that the new housing benefit sanction after evictions proceedings had kicked in needed to be tested. We were concerned that the piloting would be open ended. We argued for a two-year sunset clause, in effect enabling Parliament to monitor the pilots for up to two years. I am delighted that the amendment, which the Minister supports, means that if the Government want a scheme to run after December 2010, further primary legislation will be required, as the hon. Gentleman indicated.

I conclude by endorsing the Minister's remarks about the generally bipartisan cross-party consensus on the principles of the Bill. That does not mean to say that the job is done. Pursuant to the Bill, detailed future regulations will be produced, and as we all know, the devil is always in the detail. Those regulations will not be subject to substantive amendment, but with the provisions that we have discussed today, particularly the annual report, I am confident that the Government of the day, whoever they are, will be put under scrutiny to make real the possibility of those on welfare getting a better deal in Britain in the 21st century, a better chance to get out of welfare and into work, out of dependency and living more fulfilling lives.

I am grateful to the Minister for listening to what was said in the other place on these important groups of amendments, and for contributing so well to our

deliberations in this place. I hope, like him, that the Bill is at least a starting point in making Britain a better place for those who want to get out of dependency.

Dr. Vincent Cable (Twickenham) (LD): I am new to the deliberations on the Bill. I do not claim to know as much about the Bill or the arguments behind it as the Minister or his Conservative shadow, but my colleagues who do and who have been involved with it have asked me to convey their appreciation of the fact that a consensus approach has evolved and that many of their concerns have been dealt with. As is often the case, the other place has significantly improved the Bill.

There were several specific areas of controversy that concerned my colleagues, each of which has now reached a reasonable end point. The first is Lords amendment No. 1, which relates to the evaluation of the new personal capability assessments. As we all know from our constituency work, the process of assessment is stressful and difficult. We all have numerous cases of constituents often with complex and variable conditions who, on the basis of a perfunctory interview with medical staff from the Department for Work and Pensions, have lost their benefits and begun a long and difficult process of appeal. It is a stressful business.

Under the new system there will be two basic changes, one of which is the shift from incapability to capability, which is in one sense progressive, but in many respects is more difficult to test. Also, as we know from the statistics, the number of people involved in invalidity benefits of one kind or another is increasingly people suffering from mental conditions, rather than physical disabilities. Those, as we know, are often very difficult to capture, vary from time to time and are complex and difficult to measure. The processes that will have to evolve will therefore have to be more sophisticated and more robust than has been the case in the past.

2.45 pm

I am aware that the Department has been evaluating the new PCAs and trying to get them right, both with its internal medical staff and with the external software consultants. I believe that disability groups have expressed some concern about the outcome. As the Minister said, the DWP is constantly trying to improve the assessments. The missing element was a genuinely independent and regular evaluation. My colleagues tabled amendments about that, and I am delighted to see that the Government have accepted the principle and we have achieved a good result.

The second issue was less fundamental, but my colleague Lord Oakeshott was among those who tried to achieve a more precise definition of "medical practitioner". Again, the Government have produced their own amendment, which largely meets the case.

The third area of concern related to clause 15 and the potential that appeared to exist initially, because of ambiguity, for private contractors to make judgments on benefits and sanctions. We see no problem in principle with the private sector playing a role in the work of the Department, but it must clearly be circumscribed. This was not an appropriate area. We are glad that the role has been much more clearly defined. Again, that is a satisfactory outcome.

Finally, Lords amendment No. 9 to clause 30 relates to the linkage between housing benefit and antisocial behaviour. This is clearly a controversial subject on which people have very different views. It is right that that is proceeding through pilot studies. Our view from the outset was that the pilots should be time-limited and that a sunset clause was needed. Again, there seems to have a sensible compromise on the duration of the sunset clause. Overall, we are content with the way in which the other place has developed the Bill. I express my appreciation to all those concerned with that process.

Lords amendment agreed to.

Lords amendments Nos. 2 to 55 agreed to.

Sri Lanka

2.48 pm

The Minister for the Middle East (Dr. Kim Howells): I beg to move, That this House do now adjourn.

I am pleased to have this opportunity today to debate the situation in Sri Lanka, and I am grateful to the right hon. and hon. Members present for their interest in this important issue. There has been mounting concern about the continuing violence and tragic displacement of people from their homes on that beautiful island. I want the House to know that this debate is the result of expressions of concern from right hon. and hon. Members. It is not, as some propagandists and partisan elements have claimed, a debate generated by any faction of Sri Lankan politics or by any lobbying organisations claiming to represent any part of the large Sri Lankan diaspora residing in Britain, pro or anti-LTTE.

I participated in a debate on Sri Lanka a year ago, when I expressed the hope that its Government and the LTTE—the Liberation Tigers of Tamil Eelam—would fulfil the commitments that they made at talks in Geneva in February 2006, which were the first talks for three years. The Government had pledged that no armed group or person other than Government security forces would carry arms or conduct operations. For its part, the LTTE had pledged to ensure that there would be no acts of violence against the security forces and the police.

Sadly, those commitments remain unfulfilled. We have over the past year seen worsening violence. Extra-judicial killings, disappearances, intimidation and violence by paramilitary groups are all too common. The violence has fuelled an atmosphere of extreme mistrust and polarisation, which has fuelled further antagonism and violence. Innocent civilians have borne the brunt. There are now more than 100,000 displaced persons in the eastern district of Batticaloa and hundreds more arrive every day. There have been more than 700 cases of missing persons in the Jaffna peninsular, and nearly 500 are still unresolved. There have been more than 50 abductions in Colombo in the past year, and nine media workers have lost their lives in recent months. In the past few weeks, bus bombings have killed dozens of people simply going about their daily business. These are despicable terrorist acts that are totally without justification.

The responsibility of the LTTE for violent acts over the years is well documented. It is a proscribed organisation under the Terrorism Act 2000. The EU listed the LTTE as a terrorist organisation in May 2006. We have repeatedly urged the LTTE to move away from the path of violence. In the absence of a full renunciation of terrorism in deed and word, there can be no question of reconsidering its proscribed status. LTTE involvement in killings, torture, detention of civilians and denial of freedom of speech is a reality. The LTTE does not tolerate any expression of opposition and its continuing recruitment of child soldiers is a matter of great concern.

The ability of the LTTE to raise funds overseas helps to sustain its ability to carry out violent acts and reduces the incentive to move way from the path of violence. LTTE fundraising activity in the United Kingdom encourages war, not peace. It will not be tolerated, and I have recently met our security authorities to discuss how we can counter the bullying, threats and acts of fraud that are used regularly to extract money from the Tamil population and others in the country.

The LTTE is not the only source of violence in Sri Lanka, however. Civilians in Government-controlled areas regularly fall victim to brutal attacks by paramilitary groups, often acting with apparent immunity. Reports of the Government's links with the faction led by Karuna, a former LTTE commander, concern us a great deal. We believe Karuna and his faction to be responsible for extra-judicial killings, abductions, intimidation of displaced persons and child recruitment. Karuna's record is appalling, and we will be watching very closely whether he acts on his commitment to the United Nations to address the child recruitment issue. We will want to see clear evidence that he has delivered against his welcome promises. Karuna needs to go further and cease all acts of violence and intimidation against civilians.

There must be no question of the Government of Sri Lanka allowing Karuna to perpetrate those crimes. If they are serious in their desire to find paths to an inclusive, peaceful Sri Lanka that embraces all its peoples and cultures, they must disassociate themselves completely from all acts of abuse, terrorism, intimidation or torture, no matter who commits them or what agency encourages them.

Mr. Geoffrey Clifton-Brown (Cotswold) (Con): Is the Minister aware of the comment by the FBI assistant director in charge, who said

"Karuna hasn't merely supported the LTTE cause, he has orchestrated support in the US"?

Before the Minister concludes his speech, will he answer two questions? First, what international co-ordination is there on intelligence to stop fundraising for the LTTE? Secondly, is there similar co-ordination to ensure that people such as Karuna, who have committed acts of terrorism, are brought to justice?

Dr. Howells: The hon. Gentleman is right: the list of crimes by this faction is long. We have been exchanging intelligence with a number of agencies in other countries. He will know that I cannot go into detail about that matter, although I can say that lately intelligence has indicated that there may be widespread fraud scams in the country. We are not certain about that, but they may be one of the sources of funding, at least part of which finds its way back to the LTTE and acts of terrorism.

Achieving peace is not going to be an easy task, and of course it is primarily for the Sri Lankan people to find a way forward. However, the international community can help. The Norwegians have had a central role in facilitating the 2002 ceasefire agreement, and the British Government applaud their efforts. It is obvious from recent events that the ceasefire is in trouble, if not shot to pieces. If it is adhered to and underpinned by the right conditions, however, it can still be a good base from which to launch a new peace initiative. The Norwegians have worked tirelessly and

in difficult conditions to advance the cause of peace. As I said, they have our support. We value our regular consultations with them. The Norwegians tell us our commitment is valuable at this time. We support the work of the co-chairs—the US, the EU, Japan and Norway.

Mr. Chris Mullin (Sunderland, South) (Lab): Would I be right in thinking that the Norwegian general who was based in Sri Lanka advised the EU against declaring the LTTE a terrorist organisation and said that that would lead to the breakdown of the ceasefire?

Dr. Howells: I cannot tell my hon. Friend whether that is true. I do not know; this is the first that I have heard of it, if it is the case. I will try to find out for him, and if I can find anything constructive, I shall write to him.

What is Britain doing to help with the search for peace? First and foremost, we are offering the benefit of our Northern Ireland experience. Sri Lanka is not Northern Ireland. It has a population of 20 million, which is more than 10 times that of Northern Ireland, and it is five times larger in area, but we think there are lessons from Northern Ireland that can be applied in a Sri Lankan context. For example, we learned the hard way that a focus on security can get us only so far. A lasting peace can come only if the underlying causes of conflict are addressed. In Sri Lanka, that means focusing on a credible framework for a negotiated settlement. An all-party conference will shortly present its findings on a constitutional way forward. I look forward to the publication of proposals for a framework for peace that satisfies the legitimate aspirations of all Sri Lankans, and to a constructive response to such proposals from the Sri Lankan Government.

Our Northern Ireland experience told us that peace will not happen until the parties to the conflict understand that nothing can be gained by continuing violence. A military victory for one side is very unlikely to produce a lasting political solution. Our experience tells us that an emphasis on the military inevitably means more war, rather than peace. A military victory is rarely winnable in the long run. Violence comes with too high a price. In Sri Lanka, we can see that such an approach brings suffering to the people, as human rights are eroded, the humanitarian situation deteriorates, a culture of impunity develops among the killers, extortionists and torturers, and mistrust between communities increases. That, in turn, damages Sri Lanka's image in the eyes of the world. We are doing all we can to get that message across.

Mr. Andrew Love (Edmonton) (Lab/Co-op): I thank my hon. Friend for giving way, and I apologise for arriving too late to hear the start of his speech. Unfortunately, the previous business ended rather suddenly and the debate began before I could get here.

My hon. Friend mentioned human rights. There is considerable concern in Sri Lanka and internationally about the human rights situation at the present time. Several international organisations have suggested that the only real solution is to set up a UN-sponsored human rights monitoring commission. How would the Government view such a body?

Dr. Howells: That suggestion is well worth considering. I will come to the question of a monitoring organisation in a minute. Of course, we already have one, and perhaps the best thing is to make that work rather than search for another one. However, it is certainly something that we could discuss.

High-level engagement is an essential part of our efforts to help with the search for peace in Sri Lanka. Last August, my right hon. Friend the Prime Minister offered to share our experience of Northern Ireland with the Sri Lankan President, and he retains a close interest in events in Sri Lanka. I was particularly grateful that my right hon. Friend the Member for Torfaen (Mr. Murphy) visited Sri Lanka in November to convey his invaluable experience as Secretary of State for Northern Ireland. Accompanied by another expert in these matters from the Northern Ireland Office, Mr. Chris McCabe, he met the President, Ministers and members of civil society. He also met representatives of the LTTE; the lessons of peace can only work if conveyed to all parties to the conflict. We remain ready to talk to the LTTE if such contacts can help the cause of peace. The response in Sri Lanka to my right hon. Friend's visit was very positive. I know that the President shares my wish that he and Mr. McCabe will pay a return visit to the island, and I understand that preparations are already under way for that.

I was pleased to visit Sri Lanka for a second time in February this year. In my meetings with the President, the Foreign Minister and the Defence Secretary, I underlined the British Government's wish to help in the search for peace. I stressed that a military solution was not the way forward—a message that I repeated to an MP from the Tamil National Alliance. The President told me that he thought that our contact with the LTTE would be helpful. I visited Ampara in the east of the island and was pleased to meet representatives of local communities—not only Sinhalese and Tamil but Muslims. It will be important to take into account the views of the Muslim community in any final negotiated settlement. I heard from UNICEF about the reality of child abductions and the threats and intimidations suffered by other non-governmental organisations in the east of the island.

My right hon. Friend the Foreign Secretary met the Sri Lankan Foreign Minister in London in March. She reiterated Britain's commitment to peace and our willingness to get involved in that whole process. She spoke of the terrible humanitarian impact of the conflict on the civilian population and the need for both sides to do more to protect that population. She repeated the message that there can be no military solution to conflict. The Minister assured her that a credible framework for negotiated settlement would issue very soon.

Keith Vaz (Leicester, East) (Lab): I, too, apologise for arriving late, having been caught out by the business moving so swiftly.

I thank my hon. Friend for his focus on these issues; whenever we have asked to meet to discuss them, he has been ready to do so. One of the bars to a proper solution to this problem is the ban that remains on the LTTE. Has he had any further discussions with the Home Secretary about whether the Government would

[Keith Vaz]

be prepared to lift that ban, so ensuring that all parties could be part of a discussion to bring peace to the island?

Dr. Howells: My right hon. Friend, through no fault of his own, missed that part of my speech. If he will forgive me, I will not go back over it but simply say that, for reasons that I tried to explain a little earlier, I have not met my right hon. Friend the Home Secretary to discuss this matter; if I thought that it was a good idea I would certainly do so. As I said, my right hon. Friend the Member for Torfaen met LTTE representatives in the north of the island, and we are prepared to meet LTTE representatives in Sri Lanka if it is considered that that will help the peace process. I hope that that is clear enough.

John McDonnell (Hayes and Harlington) (Lab): We are all apologising for lateness, but I was not as late as the others.

As we learned from Northern Ireland, individual issues can build up to create a sense of grievance. That is the case with regard to the proscription and non-recognition of the LTTE. Although there can be informal dialogue, nothing can substitute for more formal dialogue and recognition. Removing the ban would undermine one of the elements of the sense of grievance that contributes towards the conflict.

Dr. Howells: I take my hon. Friend's point, which is something that we have to consider. However, I have to tell him that, of all Members in this House, I am very much averse to recognising the legitimacy, if I could put it like that, of suicide bombers, murderers, torturers and rapists. I have been there twice and I have heard these stories myself many times, from NGOs and from Tamils themselves, as well as from Sinhalese and the Sinhalese Government. This has to be considered very carefully. As I tried to explain earlier, there is no silver bullet that will sort everything out. If we thought that that recognition would take matters forward, we would certainly be prepared to consider it very seriously—I give my hon. Friend that undertaking.

Mr. Edward Davey (Kingston and Surbiton) (LD): I must add my apologies for lateness.

The Minister clearly wants to ensure that there is a balanced discussion about this issue, and he is right because it is very serious. However, could not he lay out a review process and explain how he might talk to colleagues in this House and groups in this country, as well as to the people he and his colleagues have met on their visits to Sri Lanka, to determine the criteria? Some people in communities throughout this country and around this House feel that a one-sided approach is being taken and that a proper review process might ensure that a truly balanced approach is taken.

Dr. Howells: The hon. Gentleman is not to know this, but we have had quite a number of meetings with Tamil groups from around the country. As well as talking to the Sri Lankan Government, we have met all kinds of representatives. Let me assure him that this is a completely balanced approach. Securing this debate is part of that process, and I hope that he will contribute to it. Our approach seeks not to take sides either with the Sinhalese Government or with the LTTE but to try to use our good offices and our experience in Northern Ireland, among other places, to try to find ways in which it might be possible to help the Norwegians to make the ceasefire work, and then to take that peace process forward, put the issues on the table, and get everyone around the table to try to resolve the issue.

Some 60,000 people have died in this war so far, and perhaps 1 million people have been displaced. It is a very serious conflict by any standards in the world, and we are working very hard to try to resolve it, but, believe me, there is no easy way forward on this one—it will take a long time. This conflict has been going on for a very long time. Before you took your seat in the Chair, Madam Deputy Speaker, Mr. Deputy Speaker was telling me that he remembers it kicking off when he was out there in 1983—in fact, it was the day after he left; I do not know whether he was to blame.

We complement our high-level engagement with more practical assistance through a joint Department for International Development, Ministry of Defence and Foreign and Commonwealth Office peace-building strategy for Sri Lanka. The focus includes people-to-people contacts between communities, mechanisms to provide early warning of potential for conflict, and development of civil society capacity to monitor conflict. We are involved in all those processes. We believe that quiet activity of that kind has an important role to play in these difficult times.

I know that many in the Sri Lankan diaspora have been pleased to see Britain's active involvement in Sri Lanka. We believe the Sri Lankan diaspora in Britain to be perhaps as great as 200,000 strong. It is important that we take into account their views and insights as we try to formulate a balanced policy on Sri Lanka. Right hon. and hon. Members present will understand that there is a wide range of views within the community on a way forward for peace and the role of Britain in Sri Lanka. We try to listen to all perspectives within the community, and we value those opinions and insights.

Peter Luff (Mid-Worcestershire) (Con): I congratulate the Minister on his balanced approach to a sensitive and difficult subject. He has been subject to calls during the debate to recognise the LTTE. Is not it difficult to do that when, for example, the organisation assassinated the Foreign Minister, who was an ethnic Tamil, in 2005? As long as organisations practise such blatant violence and disruption of civil society, it is difficult to give them the recognition that they crave.

Dr. Howells: The hon. Gentleman made that point well—I could not have made it more vividly.

The Tamil community has been especially concerned about deteriorating human rights in Sri Lanka. Its concern is understandable—many of its members have first-hand accounts of the difficulties that their friends and family face daily. Earlier, I spoke about the abductions, disappearances, intimidation and extra-judicial killings that have regrettably become commonplace. My right hon. Friend the Foreign Secretary and I have made our position clear to the

Government of Sri Lanka. There has to be an end to the culture of impunity. Those responsible for human rights violations should be brought to justice.

We have welcomed the establishment of a President's commission and an eminent persons group to observe the commission's work. The British Government are funding the participation of Sir Nigel Rodley, an internationally respected professor of law, in that group. We shall continue to raise our concerns with the Sri Lankan Government.

Mr. Love: Considerable concern and criticism have been expressed about the Sri Lankan Government's failure to support the commission in its essential work, with which the international community is involved through the eminent persons group. What action have the British Government taken to ensure that the Sri Lankan Government do everything that they can to help the commission in its work?

Dr. Howells: We have attempted, through all diplomatic channels, to clarify for the Sri Lankan Government our determination that the process should work. Sir Nigel Rodley is not somebody to mess around with. He is a serious person, who will not take part in the group if he believes that his investigations are being impeded in any way. We have great confidence in him and in the eminent persons group to see the matter through. We urge the Sri Lankan Government to make their rhetoric on the need for a proper investigative commission work on the ground. We shall continue to urge them to do that and facilitate that work wherever we can.

Britain is a great friend of Sri Lanka and the dire situation there is a matter of great concern to the Government. We are determined to work with the Government of Sri Lanka to bring peace. We are ready to talk to all parties to the conflict if that can help with the search for a solution. I have spoken of three things that need to happen to make peace possible. First, the parties to the conflict must accept that a military victory is neither possible nor a basis for a lasting solution. Secondly, there has to be a credible framework for a negotiated settlement—I hope that that can emerge from the work of the all-party conference. Thirdly, there must be respect for the human rights of all Sri Lankans and an end to the culture of impunity.

Britain stands ready to help the Sri Lankans find a peaceful solution to their conflict that will offer a bright future for all their citizens. I hope that the House will agree that the Government's commitment to peace in Sri Lanka at this difficult time has been genuine and that it will be sustained.

3.13 pm

Mr. Geoffrey Clifton-Brown (Cotswold) (Con): I congratulate the Minister on his calm and balanced introduction to the debate. We have had a good start to a debate on a subject that evokes passions. It is important to debate it in the House.

Sri Lanka is a beautiful island with a population of approximately 19.5 million people and it has been my pleasure to visit it. It is rightly a popular tourist destination—it has more than 600 miles of beaches, with resorts on the west, south and east coasts. It also contains deep jungle and mountain slopes, where high quality Ceylon tea is grown.

Sri Lanka has an ancient and historic civilisation, some of which I have explored through ruined cities and buildings such as palaces, dagobars and Buddhist temples throughout the island. I am conscious of the substantial archaeological interest in various sites, including Anuradhapura, Mihintale, Polonnaruwa, Sigirya, Dambulla and Kandy, where the glory of the island's past can be witnessed at first hand.

I have been welcomed by the friendly people of Sri Lanka when I have visited. It is therefore especially sad, given its natural richness, that the troubles and deep divisions persist on that beautiful island. I note that the Minister visited in February. As he said, the problems have been going on for far too long. The dispute in Sri Lanka does not get as much international attention as it deserves when compared with Darfur, Somalia or Burma. That is a travesty, given the long-standing nature of the conflict.

Its recent history began in 1975, when a Tamil, Vellupillai Prabhakaran, began to form an extremist wing, which is now known as the Tamil Tigers—the LTTE. The Foreign Office estimates that, since that conflict began, nearly 70,000 people have been killed and perhaps more than a million people have been displaced. It is a major conflict in anybody's terms. In recent times, the conflict and death rates have escalated. In answer to a written parliamentary question from me earlier this year, the Minister said that there were 1,000 civilian deaths last year and 40 this January alone. I also note that some 64,857 internally displaced persons are in the process of being resettled. That is expected to happen by the end of July.

The conflict has brought untold misery to many more throughout the country who have been injured, displaced or lost loved ones. The international community should make renewed efforts to inject momentum into the peace process. As the Minister repeated several times, a political solution, agreed by all the parties involved in the dispute, is the only lasting answer to the problem.

To begin to resolve the conflict, both sides must recognise that that will not happen by military means. As the United Kingdom Government discovered in Northern Ireland, there must be a political solution. There will never be a military solution to the Sri Lankan problem.

Given the deeply ingrained feelings of mistrust on both sides, resolution is not an easy prospect, as the Minister said. Yet we should not stop trying. It should be our purpose today to discuss what we can do to facilitate the end of the violence in that beautiful country.

There is almost daily violence between the armed forces of the Sri Lankan Government and the LTTE. On Friday, three Sri Lankan navy personnel were killed by members of the LTTE in a gun battle in Trincomalee on the east coast. On Thursday, Sri Lankan army troops launched an attack on the rebel mortar position in the north-west of the country, where clashes the previous day left 23 combatants dead. The

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sad truth is that similar incidents happen every day and will probably continue to happen unless something is done to stop them.

As the Minister said, only five years ago the position appeared a great deal more positive, when the 2002 peace agreement brokered by the Norwegian-led peace envoy was signed on 2 February. Both parties agreed to

"recognise the importance of bringing an end to hostilities and improving the living conditions for all inhabitants affected by the conflict... bringing an end to the hostilities is also seen... as a means of establishing a positive atmosphere in which further steps towards negotiations on a lasting solution can be taken."

Unfortunately, from that high water mark, it is clear that a solution in Sri Lanka is in desperate need of a positive atmosphere, demonstrated by the working of that peace accord.

I greatly welcome and appreciate the efforts of the former Secretary of State for Northern Ireland, the right hon. Member for Torfaen (Mr. Murphy), who is present today. He visited the country in November and met not only members of the Sri Lankan Government but non-governmental organisations and senior members of the LTTE. His wealth of knowledge of how the Northern Ireland peace solution evolved should be invaluable to both sides of the conflict. I welcome the friendly way in which he felt able to discuss that matter with me. It has been a considerable help in understanding the problems of Sri Lanka.

I believe that the example of Northern Ireland is particularly pertinent when considering a solution in Sri Lanka. For a long time, the IRA pursued a violent military campaign to try to force the British Government to concede to its demands, yet it finally realised that the British Government and the British people would not buckle to its tactics. Thankfully, we have now seen an end to the IRA's campaign of violence. The LTTE and others should take their lead from the IRA and involve themselves in the political process. The simple reality is that no Government can or should give in to the demands of those who would kill and maim innocent civilians. The use of violence to make one's voice heard is unacceptable in a civilised society.

Independent reports of bombings, shootings, the recruitment of child soldiers by the LTTE have resulted, as we heard today, in the organisation becoming proscribed by the EU, the US, Australia and India. The LTTE seeks to justify its actions because it claims that it faces discrimination from the Sri Lankan Government, while also claiming that it is denied the right to an independent homeland. However, there is never justification for a campaign of aggression on the scale that we have seen.

Let me turn briefly to deal with the role that the Sri Lankan Government could play in this conflict. The Government are internationally recognised as the democratically elected Administration of the country. Equally, it cannot be said that the Sri Lankan Government have played no part in exacerbating the conflict. I think that the Sri Lankan Government's decision to close the main A9 road to Jaffna and leave it closed for such a long time was unhelpful and I know that many right hon. and hon. Members, including myself, called on the Government to open that road during the period that it was closed.

What makes the Sri Lankan Government's decisions unacceptable is that they have refused access to international aid agencies, which bring much-needed humanitarian relief to the people of that troubled north-east region. I know that the Minister met the Foreign Minister of Sri Lanka and doubtless made that point to him. I also met him when he came here in early March and made precisely that point.

Political representation for the Tamil minority in Sri Lankan politics is another issue that needs serious consideration. If Sri Lanka is to be capable of creating a long-term and peaceful solution to its problems, engagement in an inclusive political process is essential.

The Tamil community has claimed for a long time that it faced discrimination by the Sinhalese establishment. It complains that it has been and continues to be marginalised and stopped from reaching positions of power. I believe that the Government of Sri Lanka should take that very seriously and should make every effort to rectify it and foster a lasting sense of understanding between the Sri Lankan Government and the Tamil population that will ultimately lead to peace. It must be made clear that the Tamil people will be allowed to share power and that their political involvement will be welcomed.

The best way for the Sri Lankan Government to defeat insurrection is to offer the Tamil people a peaceful and meaningful democratically accountable role in the Sri Lankan Parliament. Those affected by the conflict must be desperate for an alternative that will end violence, yet while no realistic alternative exists, the LTTE will continue to gain support from their populations. The Sri Lankan Government should seek to win hearts and minds in order to cut off support to that base and the extremists.

I welcome the actions of the Sri Lankan Government's security forces, including paramilitaries, but they must be careful that they are not seen to be abusing human rights. In that respect, I welcome the independent group of eminent persons, which the hon. Member for Edmonton (Mr. Love) mentioned, so ably chaired by the respected Indian judge, Mr. Bhagwati, as well as Sir Nigel Rodley and an EU representative. The work that this independent acceptable group could do would be commendable.

The international community is rightly concerned that the Sri Lankan Government have not necessarily addressed serious human rights abuses, including torture, being perpetrated by the LTTE against civilians. The Minister recognised today that the LTTE is accused by UNICEF and others of having recruited more than 6,500 children for its armed campaign. That is quite unacceptable. As the Minister told me in a written parliamentary answer:

"Officials regularly make clear that the use of child soldiers in Sri Lanka cannot be tolerated."—[*Official Report*, 9 October 2006; Vol. 450, c. 453-54W.]

I was very pleased to hear him restate that again today.

Similarly, the LTTE continues to make allegations against the Government. It recently accused them of killing 10 Indian fishermen who had strayed into Sri Lankan territorial waters. The Tamil Nadu state Government in India, however, confirmed that the

LTTE was responsible for killing the Indian fishermen. Clearly, there is a certain amount of spinning and false propaganda.

How is it funded? I am sure that hon. Members will be aware that the weapons used by the LTTE have increased in sophistication. Indeed, it recently acquired a light aircraft with a range of 600 miles in which it was able to carry out a series of air strikes across the country, damaging an oil depot owned by Royal Dutch Shell and the Indian Oil Corporation. The LTTE hit the main airport in Colombo earlier this week and the flights of three international airlines—Cathay Pacific, Singapore and Emirates airlines—have been suspended. Evidence suggests that some of air raids were assisted by Canadian-trained Tamil engineers. With an economy that is heavily reliant on the tourist industry, the aims of the LTTE are obvious. It seeks to cripple the island's economy with its acts, harming the entire island's economic well-being.

Where does LTTE funding come from? The US State Department's annual country terrorism report, published on Monday, suggests that the LTTE finances itself from the Tamil diaspora based in North America, Europe and Australia, as well as by imposing "local taxes" on businesses operating in the areas of Sri Lanka that it controls.

As I said in my intervention, a chief fund raiser of the LTTE, Karunakaran Kandasamy, was arrested last week in the United States under charges of raising funds to support terrorism and fomenting terrorism in the United States. The assistant director of the FBI said:

"Karuna hasn't merely supported the LTTE cause, he has orchestrated support in the US."

In a similar case yesterday, the Australian federal police arrested two men under suspicion of diverting funds intended to go to victims of the 2004 Boxing day tsunami to the LTTE in order to buy arms.

In addition to those two cases, numerous others demonstrate that the LTTE has a sophisticated and complex international fundraising network. The Minister was right in his response to some of his Back Benchers that we would need to be incredibly careful about de-proscribing the LTTE as a terrorist organisation. I hope that the Minister who replies to the debate will be able to tell the House what efforts the British Government are making to work with the international community to root out those who would raise money for the LTTE and other terrorist groups.

Mr. Love: I have listened carefully to the hon. Gentleman's speech, and I accept the general thrust of his remarks. Will he confirm, however, that the Opposition would welcome discussions with the LTTE, and that they believe that it will be necessary to speak to them if we are ever to reach a settlement in this conflict?

Mr. Clifton-Brown: I entirely agree with the hon. Gentleman. I hope that my speech has made it crystal clear that there will have to be a political process, and that, just as in Northern Ireland, that will occasionally involve talking—perhaps covertly—to people to whom one would not necessarily wish to talk. Without talking to the other side, we can never understand where they are coming from, how a solution might be reached, what areas of common agreement there might be or what the differences are. We need to work slowly on the differences until we reach a solution.

Peter Luff: I hope that when the Minister responds to the debate, he will be able to confirm that our deputy high commissioner in Sri Lanka is to visit the headquarters of the LTTE tomorrow to have precisely the kind of dialogue that my hon. Friend has described.

Mr. Clifton-Brown: I am grateful to my hon. Friend for that intervention; I did not know about that visit. Any such dialogue can only be helpful.

Mr. Davey: Further to the previous two points, it is also important to stress that the ceasefire agreement that was reached a few years ago was signed up to by the LTTE, who was very much engaged in talks with Prime Minister Wickramasinghe. It is only the election of the Rajapakse Government that has caused a big deterioration in the relationships. The hon. Gentleman is making some valid points about the shortcomings of the LTTE, but it was engaged in the peace process with the previous Sri Lankan Government, and it is important to put that firmly on record.

Mr. Clifton-Brown: I have made it clear that I want to see an inclusive political dialogue, and there can be a dialogue only between two parties. That means that the Sri Lankan Government must also become fully engaged in the process. As the Minister and I have said repeatedly, there cannot be a military solution, so it is in the interests of the Government and the people of Sri Lanka that we promote this dialogue from all sides. Anything that the international community can do to foster and facilitate that will be a good thing. I do not want to get into the internal politics of Sri Lanka—that is not our business—but I urge the Sri Lankan Government fully to participate in the process.

Before I conclude, I want to consider the role of the Indian Government, who have a significant role to play in solving the problems in Sri Lanka. It is clear that there is support for the cause of the LTTE among the people in the nearest Indian province to Sri Lanka—Tamil Nadu. I asked the Minister what representations he and the Foreign Office had made to the Indian Government to determine how we might stop some of the funding.

I am sure that the House will join me in supporting the reinvigoration of the peace process and the Norwegian-led Sri Lankan monitoring mission—the so-called SLMN. We need to promote peace through this means. I also congratulate the co-chairs whom the Minister mentioned. However, a BBC news report on 30 March said:

"There was always the suspicion that the Tamil Tigers and the Sri Lankan Government turned up"—

to the peace talks in Geneva—

"only because of international pressure and without any real desire to talk peace...and a lack of progress seems to prove this."

I do not know whether that it true or not; that is the BBC's view. Suffice it to say that anything that the British Government and the international community can do to encourage the Norwegian-led peace process has to be a good thing.

[Mr. Clifton-Brown]

There are some who say that Britain should take a stronger role. However, I believe that the position of Britain as the former colonial power opens us up to allegations of interfering in independent territories. Similarly, the large number of members of the Sri Lankan diaspora in this country makes it difficult for us to take a bilateral role. Of course we should encourage the Norwegian-led peace process and any UN peace process, and we should welcome the all-party report that is about to be presented in the Sri Lankan Government, but it would be wrong for the British Government to take a bilateral role.

To conclude, I have a number of questions, and I would be grateful if the Under-Secretary of State for International Development were able to answer them when he sums up. What further ideas do the British Government have to resolve the situation? How can the Sri Lankan monitoring mission be strengthened? In the Government's view, does it have adequate funding, resources and access to all sides in the debate? Do the Government have any plans, during our chairmanship of the Security Council, to raise the matter in the Security Council or General Assembly? What direct representations has the Minister or the Foreign Office made to the Indian Government, to whom I have just referred, regarding the advancement of the peace process or the funding to the LTTE from the main continent of India?

As I asked the Minister, is intelligence between the EU, United States, Australia and India being properly co-ordinated, and are the Government satisfied that all the necessary channels of communication are in place to do that? I want to ensure particularly that those who commit atrocities, who are well known, should be brought to trial, and that external funding to purchase the increasingly sophisticated weaponry that I have mentioned is halted, as it seems to me that it can only worsen the terrorist insurrection.

Sri Lanka is a beautiful island—some have called it the gem of the Indian ocean—with a wonderful, friendly, hospitable people, whose suffering as a result of this dispute is a monumental tragedy. It is the responsibility of anyone who has interests in the future prosperity and well-being of the people of Sri Lanka to ensure that their actions do not facilitate further violence. Above all, it is the duty of the international community to act in a co-ordinated way to help to facilitate a much-needed peace solution.

Jim Dowd (Lewisham, West) (Lab): The hon. Gentleman has justifiably spent much of his speech criticising the LTTE and many of the outrages that it has perpetrated. The human rights record across the island of Sri Lanka is among the worst in the world. While he did say, in concluding his remarks, that all parties must recognise their responsibility, there was little in his speech that referred to some of the mistakes, not to say excesses, of the Sri Lankan Government, whose actions, over time, have produced a disproportionate number of Tamil civilian casualties.

Mr. Clifton-Brown: I welcome that intervention. Of course, we should be totally even-handed. It is wrong for outside observers to criticise one party without examining the actions of the other. Of course, the Sri Lankan Government have committed faults, as I said, and the armed forces and special forces of the Sri Lankan Government have committed human rights abuses. The Sri Lankan Government must be clear that those are properly investigated, and anyone in a position of official power who has committed atrocities and human rights abuses should be brought to book and prosecuted too.

I hope that the hon. Member for Lewisham, West (Jim Dowd) will not think that the Opposition have a one-sided view; we certainly do not. Our sole objective in holding the Government to account today is to try to bring the hostilities to an end and return the island to its former status as a beautiful, prosperous, happy and safe place with which we can do business, with the diaspora in this country prospering too.

3.38 pm

Mr. Paul Murphy (Torfaen) (Lab): I am grateful to my hon. Friend the Minister of State and the hon. Member for Cotswold (Mr. Clifton-Brown) for their kind comments.

The interchange between the hon. Member for Cotswold and my hon. Friend the Member for Lewisham, West (Jim Dowd) touched on the issue of human rights, and that must be set in the context of the 65,000 to 70,000 people who have perished on that island in about 30 years. I will deal with the Northern Ireland comparison later, but the two situations are uncannily similar in terms of the proportionate number of people who have died, been injured or been displaced: Northern Ireland has a population of approximately 1.5 million, and some 3,500 people died there.

When I visited the island in November I was struck, as my hon. Friend the Minister of State and the hon. Member for Cotswold said, by what a beautiful island it was, and how talented, courteous and decent the people were from whatever background they came—certainly to me personally, in my limited experience. Incidentally, I saw no examples of religious intolerance on that island. Travelling late at night from the airport to the capital city, we turned one corner and saw a statute of St. Anthony of Padua, and turned another corner and saw a Buddhist shrine. When I went to the north, I saw a cathedral at the end of a street, and the sacred cows of the Hindus walking in the same street. Of course, a substantial minority of Muslims also play an active role in the country.

I was struck by the fact that all those to whom I talked, whatever their background or experience, were very complimentary about our own country. I felt that, in accordance with the deep relationship between Sri Lanka and the United Kingdom and its people—not least, as mentioned by my hon. Friend the Minister, the diaspora of 200,000 who live in our land—those on the island were still very sympathetic to us, as a country and as British people.

I want to say something about the small role that I played back in November, and to share my experiences with the House. The President of Sri Lanka had asked the Prime Minister if we could send someone to share our experiences of peacemaking in Northern Ireland with the Government and peoples of Sri Lanka. The Prime Minister asked me to go, as a former Minister of

State and Secretary of State for Northern Ireland, along with Chris MacCabe, political director of the Northern Ireland Office. My experience in Northern Ireland went back a dozen years; his went back nearly four decades. His experience, knowledge and expertise proved very important in our meetings.

During our visit I met the President, a number of Ministers and civil servants, the peace secretariats, non-governmental organisations, the armed forces, different political parties, bodies set up by the Government to consider the country's constitutional future and a panel of experts, and I travelled to the north of the island to talk at some length with the LTTE. In all those encounters, I met nothing but courtesy and friendliness. I also met representatives of the business community in Columbia, who are very important to the country's future regeneration.

The message that I tried to get across did not involve preaching to anyone, or telling the people of Sri Lanka what to do. That would have been entirely counterproductive. I think that the reason for the point we have reached in Northern Ireland—over the whole 10-year period of the peace process, and over the last few weeks in particular—is that the people of Northern Ireland themselves created the peace process and the peace settlement. Similarly, it is for the people of Sri Lanka to complete their own peace and political processes.

In many ways, I was in Sri Lanka to tell a story—a success story, I am delighted to say, and I am sure we are all delighted about it. I wanted to know whether people in Sri Lanka, within or outside politics, could look to us and Northern Ireland as an example in bringing peace to their country. The first message that I hoped to convey to the people and their representatives was one that had been given to them, only weeks before I went to Sri Lanka, by Mr. Martin McGuinness, Northern Ireland's Deputy First Minister-elect and the chief negotiator for Sinn Fein in the Northern Ireland peace talks. He had gone to Sri Lanka and said what my hon. Friend the Minister has said: that no one can win the war in Sri Lanka, just as no one could win the war in Northern Ireland.

It is possible to continue such a war, of course. More people can die, more people can be injured and more people can be displaced. Ultimately, however, comes the realisation that a military solution is not possible. I say that without reference to either side: it applies across the board, like our tests on abuse of human rights, torture, and all the other terrible things that have happened in that country. I lay no blame on anyone. I simply say that, at the end of the day, military action leads nowhere.

How is it possible for those in Sri Lanka to look to our peace process in Northern Ireland, beyond that central message, and for peace to come to Sri Lanka? One answer is that there must be absolute parity of esteem, the phrase that we used in Northern Ireland. It means that all people must be treated equally, regardless of their past or who they might be. Every single idea or concept—some might be dotty, some good; it matters not—must be put on the table. Such inclusiveness had to apply not only to the constitutional settlement—that is being worked on in detail in Sri Lanka—but also to the issues of language, social and economic equality, human rights, freedom of information and all the other things that divide people. Such issues have divided people in Northern Ireland, and they do so in Sri Lanka, and none of them should be excluded from discussion.

Another lesson that can be learned is that there must be an international dimension to any solution in Sri Lanka. I pay tribute to our Norwegian friends, who have done a tremendous job in Sri Lanka in holding things together as best they can. They have often managed to engage in difficult circumstances where almost everybody was against them because they were in the middle. This House and the Government should pay tribute to the work that the Norwegians do, and we should also pay tribute to the co-chairs. When I was in Sri Lanka, I met the ambassadors of the EU, Japan, India and the United States, and our own high commissioner, who is doing a good job.

Mr. Clifton-Brown: On the Norwegians and the peace process, does the right hon. Gentleman think that externalising the negotiations in Geneva is the right way forward, or would it be helpful to have one or two meetings in Sri Lanka itself? Does he have a view on that?

Mr. Murphy: I have a view, but I would not want to propose it to either side in Sri Lanka as a solution to things. I suggest that the Northern Ireland peace process was ultimately successful because it was held in Northern Ireland. There was also international chairmanship from three different countries. People were constantly working on a peace process. Members will recall that people were elected to be negotiators in Northern Ireland, and that they were, in effect, locked up in Castle buildings in Belfast for almost three years, and they were paid, and had support, to do nothing but negotiate. It is important that there is that constant working at a peace process—as is the fact that in negotiations people inevitably come together. They have to come together because they are physically together and they are talking together.

That issue of talking is very important. My hon. Friend the Member for Edmonton (Mr. Love) touched on that. Even at the most desperate times over the last 30 years in this country, there were lines of communication between those in Northern Ireland who were engaged in the strife there and our Government. We should read the history books about what happened over the past 30 years. At no time did the lines of communication cease. That is missing in Sri Lanka. The British Government and our allies should constantly press for there always to be a proper line of communication. There is a line of communication with the Norwegians, but another could be set up.

In Sri Lanka, I met the people who had been displaced in the eastern part of the island. That dramatically brought home the appalling tragedy for ordinary human beings of situations such as that in Sri Lanka. We are talking in this nice Chamber this afternoon, but the reality is that there are men, women and children who are constantly and severely suffering because of the lack of peace, and the lack of a proper peace process, such as there was in Northern Ireland.

There is an issue to do with the diaspora which is also comparable to the Northern Ireland situation. We have talked about what happened in our case. One of the key

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reasons why the Northern Ireland process was successful was that the attitude of the Irish diaspora—in Australia and other countries to an extent, but most importantly in the United States—changed towards what should happen in Ireland. Nowadays, almost everybody in the USA—such as Irish-American politicians and business people—has signed up to the Good Friday agreement. If we can get the Sri Lankan diaspora across the world to have a similar frame of mind—if they begin to think that they can sign up to a process and then help the people of Sri Lanka economically and commercially—that will be a considerable improvement. However, that cannot happen unless there is a proper ceasefire.

The other great lesson that people across the world, and particularly in Sri Lanka, can take from our experiences in Northern Ireland is that a ceasefire has to be meaningful. Only when violence effectively ended in Northern Ireland did we see success. Of course, sporadic violence occurred, and to a certain extent it will continue to occur among criminal elements in Northern Ireland, but when the fighting stops and the ceasefire is effective, everything is possible. To me, that is the first and most important thing that should happen.

There is another, political issue. In the past 30 years in this Chamber, there has been a bipartisan approach and unanimity among all political parties on the importance of the peace process in Northern Ireland. That has not happened in Sri Lanka, but we should applaud the fact that it is beginning to happen. If the political parties do not adopt a unified approach, the issue of peace will become a political football, which is the last thing that should happen.

Mr. Love: During his trip to Sri Lanka, my right hon. Friend will have received delegations from the Muslim community and from Tamil communities who are not part of the Tamil National Alliance, who are concerned that their voices might not be recognised in the dialogue between the LTTE and the Government on a solution to the Sri Lankan problem. The experience in Northern Ireland shows that all the different political tendencies ought to be recognised in order to reach a solution. Does my right hon. Friend view that as an important part of making progress in Sri Lanka?

Mr. Murphy: That is a vital part of the process. As part of the peace-making negotiations in Northern Ireland, the tiniest of the parties elected had exactly the same say in the process, even though their votes did not necessarily carry the same weight. The necessary will, trust and confidence also have to be there. They can sometimes take many months—even years—to develop, but will, trust, confidence, parity of esteem and the equality of treatment of everybody, whatever their views might be, are essential.

I hope to visit Sri Lanka in the not-too-distant future and to take part in telling the story of our peace process in Northern Ireland. I am reminded of something that Lee Kuan Yew said, which some Members might also remember. When he was building Singapore, he wanted his country to become something like Ceylon, as it was then called. Now, of course, it should be the aim of everybody in Sri Lanka to ensure that their country becomes as prosperous, dignified and civilised a country as any other in the world.

3.52 pm

Simon Hughes (North Southwark and Bermondsey) (LD): I very much welcome this debate and the contributions of the Minister and of the right hon. Member for Torfaen (Mr. Murphy), the former Secretary of State for Northern Ireland, given their experience in these matters. I apologise on behalf of my hon. Friend the Member for Berwickshire, Roxburgh and Selkirk (Mr. Moore), who wanted to be here but cannot. I am therefore happy to speak on behalf of my colleagues, and to do so in the light of my interest in these issues over many years, having had the privilege and opportunity of visiting Sri Lanka a few years ago. My hon. Friend the Member for Kingston and Surbiton (Mr. Davey) and other hon. Friends with London constituencies represent, as I do, significant numbers of people from Sri Lanka from all the different communities. Many colleagues in the House are in the same position, so we have direct day-to-day knowledge of the experiences of our Sri Lankan constituents, who have lived out war and peace, death and bereavement. Constituents of mine have lost sisters and other direct family members.

This issue is very important to the United Kingdom. Sri Lanka is connected to us through huge links of history. It was not only a colony with which we had a trading background; there have been very positive relations following the Labour Government's granting of independence to Sri Lanka and the first former colonies after the war. Sri Lanka then evolved into a republic, and since then many commercial, travel, cultural and sporting links have been established. My only light-hearted comment on this issue is to commiserate with Sri Lanka on not, in the end, pulling off victory in the cricket world cup final in the West Indies.

Mr. Love: At least they got to the final.

Simon Hughes: Absolutely—says a Scot. Thank goodness the competition comes around again once every four years.

I wish to start by making two points, one from a constituency perspective and one from the historical perspective. First, I became involved in Sri Lankan issues because people came to see me about them. I knew about the history of the issues from the books, but soon after I was elected some Tamils came to see me. They wanted, as proud people in national groups who do not have autonomy do, to have the pride of running their own place. The Minister of State has strong Welsh links, as I do, and the Welsh are proud of their heritage. The Labour Government have given Wales more independence and we will celebrate that in the elections for the Welsh Assembly tomorrow. Further power will be given to the Assembly and I hope that, one day, it will become a Welsh Parliament. Colleagues from Scotland have celebrated the fantastic devolution to Scotland of its own Parliament and powers of decision making. The Tamils told me that they wanted to make their own decisions, too, and that is a laudable and honourable objective.

I was sympathetic to the Tamils' case and, over the years, I have met them and talked to people who have been sympathetic to all aspects of the struggle, including the peaceful and the military, just as in the past hon. Members have been sympathetic to people who took peaceful and non-peaceful routes in South Africa to try to get justice for their people. As people who are far more eminent than any of us, such as Archbishop Tutu and President Mandela, have said, one may never agree with people using violence, but one can understand why they sometimes do. I understand why some people decided that they had no recourse other than violence, and I have met some people who had taken that view.

A few years ago, I visited Anton Balasingham, the No. 2 in the LTTE who had settled in this country. He died a few months ago and his funeral was in north London. My hon. Friend the Member for Kingston and Surbiton and I went to meet him because, as the right hon. Member for Torfaen said, the way forward is through dialogue with people on all sides.

I have been to the high commission of Sri Lanka and I have met Ministers when they have visited, and I have always tried to keep open the dialogue. However, the view of the Sri Lankan Government and officialdom has sometimes been that I must be a supporter of the Tamil Tigers and take the terrorists' view. I have never taken the terrorist view that taking arms and killing people is the solution. However, unless one recognises that the people who are in that position have the same right to put their case and unless they are engaged in the process—as Northern Ireland showed they have to be—there will be no peace. It is no good going back over the terrible history of Sri Lanka in the past 60 years, with the assassinations of Prime Ministers, Presidents and Foreign Ministers and people living by the bullet and suicide bombers. That cannot be used now as a justification for not talking to people, because that will mean that no progress will be made.

Jeremy Corbyn (Islington, North) (Lab): The hon. Gentleman will recall that he and I have often attended Tamil events in Trafalgar square. Does he agree that the non-recognition of the LTTE's presence in Britain is not helpful? We need to develop a dialogue, as my right hon. Friend the Member for Torfaen (Mr. Murphy) outlined after his visit. The declaration that the organisation is illegal has angered many people and does not help to bring about a peace process. That is not to say that those people approve of the violence, but they do want dialogue.

Simon Hughes: Speaking for myself, I share that view. I understand why the organisation was proscribed, but I agree that it has been more unhelpful than helpful. The proscription of organisations gives people a further cause to take up arms. I remember when Sinn Fein could not be heard to speak—its representatives were banned by the Conservative Government. Did that reduce support for Sinn Fein? Of course it did not. Did it make it go quiet? No. In fact, it gained support. Banning people makes them go underground. I am sure that the UK and the EU as a whole would benefit from the unbanning of the LTTE if that were to be part of a package of movement towards peace on all sides.

Stephen Pound (Ealing, North) (Lab): I understand where the hon. Gentleman is going with his argument, but the remarks of my right hon. Friend the Member for Torfaen (Mr. Murphy) about keeping communication channels open reminded me that Conservative Home Secretaries met representatives of the Provisional IRA, even when that organisation was banned. Does he agree that face-to-face contact and open lines of communication are more important than headlines about banning organisations?

Simon Hughes: I do agree. In Northern Ireland, the conversation was sometimes carried on through intermediaries. History shows that conflicts are resolved only by communication, often conducted by people who used to hold high office and who are slightly freer when they leave it. Those people may often not be well known public figures.

In that context, I want to pay a particular tribute to the Norwegian Government. London's Norwegian church is in my constituency, and I have had dealings with the community over many years. The Norwegian Government have been assiduous in offering their services in these matters, and they have done great work. I hope that they and other members of the international community will be given the opportunity to do more in the future. In the past, it has often been people outside Sri Lanka who have been able to facilitate communication and bring people together.

I turn now to the make-up of Sri Lanka, which is understood by everyone here, but not by everyone outside. The Minister told us that the island has a population of about 20 million, of whom about three quarters are Sinhala. Of the rest, about 13 per cent. are Tamil and about 5.5 per cent. are Muslim, with smaller groups making up the total. However, it should be noted that people in the various Sinhala, Tamil or other communities do not all share the same opinion about matters.

Three languages—Sinhalese, Tamil and English—are the most commonly spoken. Nearly two thirds of people are Buddhist, but there are significant Hindi, Muslim, Christian and other communities.

From the early days of independence, Sinhala nationalism became the flavour of the Sri Lankan Government, and Buddhism was given a particular status. We in Britain must not be hypocritical about that, as protestant Anglican Christianity has a similar status here. I consider that to be unhelpful in our modern age, and believe that no denomination or faith should have special status here. The situation in Sri Lanka is certainly not helpful: if there is to be progress, it must be accepted that all peoples, major languages and faiths deserve equal recognition.

I hope that the Sri Lankan Government understand that, although I know that they, like Governments in India, often depend on nationalist votes. However, if Sinhala nationalism can be justified, so can Tamil nationalism. An accommodation between the two sides needs to be reached.

Stephen Pound: I am grateful to the hon. Gentleman for giving way to me again, and I shall try not to trespass on his patience. He is giving the House the history of what is a sad, tragic but utterly beautiful island, yet many of my Tamil constituents tell me that

[Stephen Pound]

the first Governments after independence were made up of people from all communities, representing all strands of opinion in all parts of the island. The unity Government were destroyed not by a Tamil national movement, but by the sort of movement that he has described, which was not based in either the north or the east of the island.

Simon Hughes: The hon. Gentleman is exactly right. Sri Lanka became independent in 1949, nearly 60 years ago. The great consensus was broken in 1956, when Solomon Bandaranaike was elected

"on a wave of Sinhalese nationalism",

in the words of the BBC. At that time, Sinhala was made the island's sole official language and other measures were introduced to bolster Sinhalese-Buddhist feeling.

That is how the problem started. After independence, the majority Government said, "We are the bosses now, and no one else will get a look in." That Government represented two thirds of the people, and a 70 per cent. religious majority. The votes that were cast reflected that, as did the make-up of the Sri Lankan Parliament. As the situation in Sri Lanka in 1956 did not resemble the situation in Northern Ireland now, where there is a guarantee of participation across the communities, the island's Government have been able to impose their will on minorities. Only in 1976, 20 years later, was the LTTE formed in response. Eventually, Tamils in the north and east, particularly in the Jaffna peninsula and along the north-east coast, said, "We want our place, too. You've given us enough stick for 20 years." Since then, the Tamils have given as good as they got.

All the independent monitoring shows that the fault lies on both sides. I absolutely condemn suicide bombers, the use of child soldiers and the terrible violence, but let us remember that it started with the majority oppressing the minority. Unless there is recognition of that fact—what Tutu, Mandela and others call peace and reconciliation based on putting right injustices—there will be no progress.

Jeremy Corbyn: If the hon. Gentleman checks, I think he will find that the issue started somewhat earlier, with the treatment of the plantation Tamils in the early 1950s, which should have been a sign of the problems to come—the majority language and the legislation to which he referred.

Simon Hughes: Indeed, the hon. Gentleman is right. He and I are roughly the same age and it was at about the time we were born that the Indian Tamil workers were disfranchised and the problems started, but the really heavy Government reaction came a few years later and it was much later before the LTTE responded.

Bluntly, unless the Government of Sri Lanka, under whichever President or Prime Minister, understand that without autonomy in defined areas and self-government—there is a debate about how that is defined, but the LTTE has said that it is willing to look at options other than independence—there will be no progress to a solution. It will not happen. Obviously, the solution has to be negotiated locally, just as negotiations on the concept of devolution of power to Northern Ireland were needed before there could be a breakthrough. There was rising nationalism in Scotland—less in Wales, although there was military action even in Wales, with the Welsh Liberation Army and little bomb blasts such as the one in Tryweryn. Apart from Northern Ireland, which was a big thing, we experienced only little things in this country, but they show that unless there is recognition of the need for autonomy there cannot be progress.

The Government of Sri Lanka must not run away from the need to accept that there will have to be autonomy and a democratic process. The people must be allowed to vote freely and decide which parts of Sri Lanka should have self-government. If Ukraine, which I respect greatly, can give self-government to Crimea and life can go on, Sri Lanka must give self-government to the Tamils, where they want it.

Of course, that does not mean that all the people in Tamil areas will be Tamils, just as in Northern Ireland communities are not confined to particular areas; Tamils will live in Colombo, just as Sinhalese will live on the east coast and in the north. There must be access. The roads have to be open so that people can travel. There must be no no-go areas. However, we have to make sure that the Government of Sri Lanka understand that they will not make progress unless they accept the principle of self-government.

Peter Luff: What is the hon. Gentleman's assessment of the LTTE's commitment to democracy? The apparent absence of that commitment must be an inhibiting factor in ceding independence or autonomy to the Tamils.

Simon Hughes: I do not know the up-to-date position, I have not recently had a conversation with the Tamil leaders. From the point of view of the Sri Lankan Government, if I was seeking peace I should be terribly frustrated. The ceasefire agreement was broken and recent incidents are unacceptable. The lessons of Northern Ireland are that we just have to keep on going. As the hon. Member for Ealing, North (Stephen Pound) said, the helpful things are the conversations and initiatives behind the scenes, such as those taken by Norway, and, sometimes in the past, the Indian Government or the British Government. The hon. Member for Woodspring (Dr. Fox) was positive and proactive when he was a Minister. I hope that the Commonwealth will do more and take more responsibility.

It is not encouraging when there is yet another suicide mission or bombing, but all the independent objective advice shows that there have been faults and terrible actions on both sides. Therefore, as the right hon. Member for Torfaen so wisely said, it is no good going back over history all the time. We have to move on.

Mr. Clifton-Brown: Will the hon. Gentleman clarify what position he and his party are adopting? Is he really saying to the Sri Lankan Government that there ought to be an independent Tamil-led area within Sri Lanka, or would it be part of a federated or confederated process? What did he envisage when he made his remarks?

Simon Hughes: I can be very specific. Our view as a party—it is my view also—is that the conflict will be brought to an end only by direct negotiations between the Government and LTTE and by the reaching of a political settlement that allows for a suitable degree of autonomy for Tamil people within a peaceful and secure Sri Lanka. We have not argued for an independent Tamil Eelam. We have argued for negotiations about autonomy between the Tamil representatives and the Government. That autonomy will have to be negotiated, because it has to be respected. It is absolutely not for me, from here, to prescribe whether there should be a federal state or a confederal state, but I am absolutely clear that a unitary state with no proper devolution beyond what has been offered so far will not work. Things have to go further.

Of course there is local government in Sri Lanka and there has been devolution. There have been proposals on the table in the past, but that is no good if the President says that there will have to be a unitary state, in the old-fashioned sense of one state with no subdivisions. Our view is that there should be a suitable degree of autonomy within a peaceful, secure and stable Sri Lanka. If later the Tamil people voted for independence in a free election—unharassed and without any pressure—that would be a separate issue and would raise other issues. The world would have to accommodate that through proper international recognition processes.

My party has supported both Conservative and Labour Governments in their efforts to achieve peace and it has supported the international peace processes. The Liberal Democrats share the sense of urgency that has been expressed. As was said, we now have an additional responsibility, together with the international community, to make further efforts to get the peace process back on track. We can express a view here, but unless there is a formal process in which people are engaged, there cannot be progress.

Mr. Love: Does the hon. Gentleman welcome the process instituted by the Government of Sri Lanka to draw on the views of all of the political parties among the Sinhalese community to try to seek a consensus, as the Government say, on a proper mechanism to devolve power as part of a settlement?

Simon Hughes: I do. There is lots of good practice. As we all know, lots of countries in the world are having to think about how to accept the devolution of power in different ways. The French and the Spanish have done it. The Germans started it after the war. The Canadians are another example. These are difficult, tense issues, and there is lots of world experience. We have done it in the United Kingdom. People's national identity becomes more important, so they want more power.

I have Tamil constituents, as do many of us in the House. My next meeting with the high commissioner will take place next week, with my hon. Friend the Member for Kingston and Surbiton. We both also have colleagues who are councillors in our boroughs. He will speak about his. I have a councillor colleague who is our deputy mayor in Southwark. She is a Tamil and a Christian. She has supported the battle for self-determination. She is not a terrorist. People like that in this country, who have been supporters of the struggle, often have a pretty hard time because of a very ungenerous view—I am choosing pretty mild words—by the Sri Lankan authorities. I regularly get messages that people who take that view and are active in politics in Britain will be charged, arrested or locked up. I just say, "Look, if you think that people in this country have broken the law, arrest and charge them, but you can't win the argument in this country by seeking to suppress the voices of dissent." People of all views in the Sinhala and Tamil communities must be allowed to say their piece. Perhaps that will not be popular with the Government of Sri Lanka. Many of us are not popular with our Governments from time to time, but, in a democracy, people are allowed to express dissident opinions.

I hope that there will be a slightly more balanced view in this country so that all people of peace and good will, including the politicised ones who want justice and have members of their families who have been killed, may see peace come in their lifetime. Like others, I want to go back to Sri Lanka and see a peaceful country in which all people can be proud of their community, faith and background and in which the terrible bloodcurdling litany of death and destruction over 20 years or more will have ended. I hope that Britain will always step up to the plate, as the Minister has indicated we will, and realise that we have a huge responsibility for our friends. In that way, I hope that we will all have peace soon.

4.15 pm

Mr. Sadiq Khan (Tooting) (Lab): I have never visited Sri Lanka. My knowledge of the problems in Sri Lanka stems from my experience as the MP for Tooting for the past two years and as a councillor for Tooting ward between 1994 and 2006. There is a large Tamil diaspora in Tooting. In my experience, the Tamil community has helped to regenerate Tooting town centre and contributed to Tooting's vibrancy. It has also brought cultural enrichment to our community in Tooting and Wandsworth.

Members of the community first came to the area as asylum seekers. Many of them became refugees and went on to become nationals. Most of them then became British citizens. They are proud to be Tooting Tamils. Tooting has a vibrant and well-used temple: the Sivayogam temple on Upper Tooting road. The White Pigeon charity on Upper Tooting road does a great deal of charitable work in Sri Lanka. The Tamil rehabilitation organisation is on Garratt lane. The South London Tamil welfare group, Wandsworth Tamil welfare association and many other groups do a tremendous amount of work not only in the community in Tooting, but in Sri Lanka. In my contribution I will articulate the concerns that those groups have raised with me. My experience of Sri Lanka comes through the eyes of my constituents, many of whom come to my surgeries to seek help and still have family members and loved ones in Sri Lanka.

As hon. Members have said, over the past four months fighting has continued to rage between the Sri Lankan armed forces and the Liberation Tigers of Tamil Eelam—the LTTE. The 2002 ceasefire

[Mr. Sadiq Khan]

agreement that was signed by the Government of Sri Lanka and the LTTE now seems like years ago. It is worth remembering that up to 2002, the civil war in Sri Lanka had claimed the lives of at least 64,000 people, most of whom were civilians. Men, women and children were indiscriminately killed or seriously injured.

The Sri Lanka monitoring mission made some progress. As the hon. Member for North Southwark and Bermondsey (Simon Hughes) commented, Norway deserves tributes for the role that it has played, but the US Government, the EU, Japan, the Indian Government and ourselves have also played a big role.

Many of us have used the BBC as our source of reference. It estimates that 4,000 more people, mainly Tamil civilians, have been killed in Sri Lanka since late 2005, when violence began to escalate once again, bringing the total number of people killed since the outbreak of civil war to 68,000. I am grateful to my hon. Friends the Members for Ealing, North (Stephen Pound) and for Islington, North (Jeremy Corbyn) for reminding us of the history of Sri Lanka and where any blame for the civil war should be apportioned.

Hon. Members will be aware that although the LTTE was a party to the 2002 ceasefire agreement, it was—and still is—proscribed under the Terrorism Act 2000 in the UK. The US and India have also proscribed the LTTE and declared it to be a terrorist organisation. In mid-May 2006, the European Parliament passed a resolution in support of declaring the LTTE a terrorist organisation. On 29 May, it was confirmed that EU Foreign Ministers had decided to list the LTTE as a terrorist organisation. On 31 May, the EU announced in a statement that sanctions against the LTTE were in force.

I accept that in the UK it is open to the LTTE to challenge proscription using the route set out in the Terrorism Act, and I understand that when the Home Secretary recently met Tamil groups he made it quite clear that any challenge would have to be made via that route. I take on board the serious points made by my hon. Friend the Minister, and it is right that they should be addressed. However, may I tell the Government and colleagues that there is a perception among the Tamil diaspora of double standards? The House of Commons Library note states, in the context of violence:

"The main protagonists are the Sri Lankan Government and the LTTE."

There is a belief that only the LTTE has been penalised. The Tamil diaspora cannot be confident that the EU is an impartial broker, following its declaration that the LTTE is a terrorist organisation, and there are fears that that will seriously weaken the Sri Lanka monitoring mission.

Colleagues will know from other debates in the Chamber going back many years the arguments about one man's terrorist being another man's freedom fighter. Concerns have been raised by my constituents about a dirty tricks campaign that is being waged against the Tamil diaspora in the UK. We have all seen—and it has already been mentioned—the press coverage on 21 April 2007, in which a representative of the Sri Lankan embassy in London claimed that the LTTE was behind a scam involving petrol station employees in the UK, in which credit cards were cloned, PIN numbers recorded and money withdrawn and allegedly used by the LTTE. On the other hand, Humberside police say clearly and unequivocally:

"Our evidence does not suggest that there is a definite link with Sri Lankan gangs."

There is a perception in the communities of the Tamil diaspora that allegations and aspersions can be made without their having any recourse to try to clear their name. We should understand their frustration, and colleagues have articulated the snowballing of perceived unfairness, whether real or not, leading to other forms of discomfort and actions that we all condemn.

Dr. Howells: We are not taken in by anybody's spin or attempt to subvert what we hope will be the even-handed treatment of all the members of the Sri Lankan diaspora in this country, whether they are Sinhalese, Muslim or Tamil. We are very well aware that all sides are pretty adept at using propaganda to further their own ends. We were not born yesterday, and we did not come in on a pineapple boat from Sri Lanka. We know exactly what is going on and we are watching it very carefully. We will make sure that we are even-handed and that everyone receives fair treatment.

Mr. Khan: I welcome my hon. Friend's comments, which will be welcomed and received in the spirit in which they were made. He and my hon. Friend the Under-Secretary of State for International Development are friends of Sri Lanka, and will not be taken in by spin.

Stephen Pound: My hon. Friend has made many important statements on the Floor of the House, and the statement that he has just made is so important that it needs to be underlined. My Tamil friends, neighbours and constituents have been agonisingly hurt by the statement that there is some sort of terrorist funding scam operating at petrol stations. It is crucial that my hon. Friend put that lie to bed, and it is important, too, that we recognise that many members of the Tamil community work extremely hard in petrol stations. We should be grateful to them for their hard work and their contribution to the economy, and we should not seek to spin them into an atmosphere of blame.

Mr. Khan: I am extremely grateful for that intervention from my friend and hon. Friend. I deliberately made a point in my introduction about the cultural enrichment that the Sri Lankan community has brought to Tooting and London, as well as the regeneration to which it has contributed. What impact do those press reports have on community cohesion, if labels about the Tamil community are so easily thrown around?

Colleagues have referred to atrocities in Sri Lanka, and they are right that the blame rests with all parties—there is no single party that can be completely exonerated. However, we must not ignore the fact that impartial international organisations objectively

confirm the atrocities that have been committed. The UN working group on disappearances commented in December 2005 that

"of more than 12,278 cases of disappearances in Sri Lanka submitted to the government, 5,708 remain unclarified and this is the highest number of disappearances in the world next to the case of Iraq with 16,517 disappearances."

The problem of internally displaced persons and refugees has been mentioned by many of my colleagues. The Tamil-speaking population of Sri Lanka has, by percentage, one of the highest rates of internally displaced people in the world today. Most of them have been bombed out of a number of locations. Most estimates show that more than one third of the remaining Tamil-speaking population on the island are displaced and living in makeshift camps and welfare centres. In addition, many others have recently fled to India, which has already had hundreds of thousands of refugees from past periods of the conflict and from the tsunami.

The Tamil diaspora represents one third of the Tamils from Sri Lanka and now numbers over 1 million persons. The camps for the IDPs are in deplorable condition, owing to lack of food, water, sanitation, medical care, schooling and adequate shelter. Some of the IDPs are housed in schools, making the schools for those local communities unusable. In a moving contribution, my right hon. Friend the Member for Torfaen (Mr. Murphy), the former Secretary of State for Northern Ireland, mentioned the impact that visiting the IDPs had had upon him.

In its report in December 2005, the United Nations committee against torture commented on the atrocities in Sri Lanka, and in March 2006 the UN special rapporteur on extra-judicial executions submitted a powerful report. Finally, in relation to independent corroboration, the United Nations High Commissioner for Human Rights stated clearly and unequivocally in December 2006, in a powerful report that I recommend to all colleagues:

"There is an urgent need for the international community to monitor the human rights situation in Sri Lanka as these are not merely ceasefire violations, but grave breaches of international human rights and humanitarian law . . . In the latest phase of its ethnic conflict, now more than 20 years old, Sri Lanka has witnessed a re-emergence of some of its most frightening ghosts: disappearances, abductions and killings by unidentified gunmen."

In Tooting, the White Pigeon charity, which does a tremendous amount of invaluable work in Sri Lanka, tells me that a few weeks ago White Pigeon's prosthetic technical workshop was bombed and destroyed by the air force in the Mullaitivu district. The charity also tells me that the ongoing daily bombing by the air force is adding many new physical disabilities to the people with whom it works in the Tamil communities.

I am told by the Tamil rehabilitation organisation in Tooting that there are 160,000 people whom it is helping who have no food and lack water and shelter. The hon. Member for Cotswold (Mr. Clifton-Brown) spoke about the A9 road, which is a main road into the northern province that has been blocked since August 2006. The blockage has prevented clothes, medicine and food from getting to people in Jaffna.

The UK and Sri Lanka have a special historical relationship. Until 1948, Sri Lanka was part of the British empire, and since 1948 and Sri Lanka's independence, it has been part of the Commonwealth. Sri Lanka also has a special relationship with the Labour party. It was a Labour Government who gave Sri Lanka its independence. We have a special role to play in helping Sri Lanka in its current troubles. I call on my Government to use our special relationship to persuade all the parties and factions to recommit to the 2002 agreement.

I agree that terrorism and violence, whether state-sponsored or not, can never be the way to achieve a negotiated solution in Sri Lanka or elsewhere. I am aware that the work that my right hon. Friend the Member for Torfaen has done and will continue to do may lead the way to progress being made. I am pleased that my hon. Friend the Minister confirmed that any advice and help that we can give, based on our experiences in Northern Ireland, will continue.

The international players must square a circle, as the hon. Member for North Southwark and Bermondsey (Simon Hughes) commented. Although they accept that extensive autonomy for the north-east is the only realistic basis for a sustainable peace, they do not wish to reward the LTTE for its actions over the past few years. Once again, there are lessons that can be learned not only from Northern Ireland, but perhaps from South Africa. I am pleased that the Home Office has looked again at how we treated asylum seekers, and I welcome the fact that Sri Lanka has at last been taken off the white list of safe countries. Its inclusion in the list was causing my constituents and those of other hon. Members huge problems.

An early return to negotiations is crucial. I ask our Government to continue to use all the levers, public and private, at their disposal to alleviate the suffering of all the Sri Lankan people, so that peace and tranquillity can return to that beautiful island once again.

4.30 pm

Peter Luff (Mid-Worcestershire) (Con): It is a great privilege, Madam Deputy Speaker, to be called to speak in this debate, which is on a very important subject. It would be possible to take the Panglossian view that the affairs of Sri Lanka have no impact on us and are a matter of local concern for that country on which we can turn our backs, but that would be not only immoral, but blinkered. I therefore welcome this debate and I congratulate the Minister on the tone in which he opened it. I was particularly moved by the speech made by the right hon. Member for Torfaen (Mr. Murphy), whom I wish every success in his work. I was also impressed by the tone struck by my hon. Friend the Member for Cotswold (Mr. Clifton-Brown), who spoke for the Opposition.

What always concerns me in such debates is where we should strike the balance between what it is right and proper for the British Parliament to say and where matters must be left to local populations to determine for themselves. I am thinking, for example, of the parallel debate about Kashmir—a matter that I am convinced must be left to the Pakistani and Indian Governments to resolve for themselves, and on which it is wrong for us to start prescribing solutions. I am nervous about some of what has been said in this debate so far today. I am not even sure that the Liberal

[Peter Luff]

Democrats are right to have gone as far as they have done in prescribing a solution. The people of Sri Lanka must have the opportunity to determine for themselves what they want to happen.

In that context, I fully support the calls that have been made for dialogue, which is clearly an important part of the process, as we saw in Northern Ireland. This period has, however, been an extraordinarily violent one in Sri Lanka's history. There have been some 4,000 dead since 2005 and 70,000 or so dead since the violence began in 1983. To put that in context, leaving Iraq on one side, about 7,000 deaths a year occur in the world because of terrorist-related activities. One can see how big an issue the violence is in international terms.

I intervened on the hon. Member for North Southwark and Bermondsey (Simon Hughes) to inquire about the LTTE's commitment to democracy. Perhaps I did not explain myself clearly. I have severe reservations about whether the LTTE is seriously committed to a democratic process. Its leader is on the record as wanting to establish a one-party independent Tamil state without democratic elections. I see in the LTTE an organisation that is led by a very dangerous individual whose techniques and ruthlessness have caused great concern. Although I share the views expressed by all hon. and right hon. Members in saying that dialogue is important, I question whether the LTTE is an organisation that is capable of holding such dialogue. I hope that I am wrong; I would like to be so. In an intervention on my hon. Friend the Member for Cotswold, I pointed out that our deputy high commissioner in Sri Lanka will tomorrow be engaging in dialogue with the political wing of the LTTE. I hope that that dialogue is profitable and constructive, but I worry about what we are dealing with in the LTTE. It is a sophisticated and well-equipped organisation, uniquely so for a terrorist organisation—and I regard it as a terrorist organisation that can fight on land, on sea and in the air, although it is wrong to describe it as having an air force; I think that there is one light aircraft—*[Interruption.]* I am told that there are five aircraft, but they have significantly enhanced its fighting capabilities.

Unless the conflict in Sri Lanka is dealt with, not only will it place an intolerable burden on the people of that war-torn country, but there will be a danger that the LTTE's techniques will act as an inspiration for other so-called freedom fighters elsewhere in the world and other terrorist groups.

I am also nervous about the suggestion made by my hon. Friend the Member for Cotswold about the role of the Indian Government in the dispute. We have been very careful about involving India in this matter. I have in my hands a map from the Tamil Nadu Liberation Front. It is a map of greater Tamil Nadu, which of course takes into its compass most of the southern states of India, as well as north and east Sri Lanka. We remember what happened last time India involved itself, in a military sense, in the affairs of Sri Lanka—it led to the assassination of Rajiv Gandhi in 1991.

Mike Gapes (Ilford, South) (Lab/Co-op): The hon. Gentleman is aware, though, that there are 60 million Tamil people living in south India, and there are also large numbers of refugees from Sri Lanka living in India. India therefore has an involvement whether it wishes to or not, because it has to take account of its neighbour.

Peter Luff: Of course, that is a geopolitical point with which one cannot argue. However, India has to play its cards with great care. It will find it difficult, for similar reasons to those that often make it difficult for Britain to intervene in post-colonial situations. In a way, the dispute has its roots in the British colonial handling of this troubled island.

Mr. Clifton-Brown: We all recognise that India's involvement in this problem is very sensitive, as well as what happened in the past when it became involved militarily. Nevertheless, as the hon. Member for Ilford, South (Mike Gapes) pointed out, there is a big Tamil population in Tamil Nadu, and there is a suspicion that a lot of support of one kind or another, particularly financial, comes from that state. If we are to try to defeat this terrorist problem, it is important that the international community should include the Indian Government in discussions and intelligence-sharing.

Peter Luff: I am sure that my hon. Friend is right. I sincerely hope that that process is already happening.

Fundraising is an important issue for the LTTE. Two Tamil fundraisers were recently prosecuted in Australia, which is causing great controversy in the Tamil community there. The purposes of their fundraising activity must be properly established by due judicial process in Australia. It is unhelpful to see people who are, I am sure, perfectly honourable Tamil nationalists attacking the Australian Government for daring to challenge those people's fundraising activities. When I think of the recent protests in Paris and Zurich by Tamil communities in France and Switzerland, I worry about the presumption that anyone who dares to attack the LTTE is in some sense attacking the Tamil people. I do not see that connection. Similarly, those who dared to attack Sinn Fein were not attacking the Catholic cause in Northern Ireland.

The fact is that violence is always wrong morally, and also politically, because it never produces the outcome that one seeks. When we attack the LTTE for its violence, we are doing so for sound reasons. It is in the Tamil people's own interest that the LTTE abandon its violence. I entirely agree with the hon. Member for North Southwark and Bermondsey that the blame is far from being on one side. I have here the Human Rights Watch report on human rights in Sri Lanka, which graphically details the shortcomings of the LTTE and of the Sri Lankan Government.

Keith Vaz: If an organisation remains proscribed and isolated, how can it participate in a dialogue that could bring peace to Sri Lanka?

Peter Luff: That is a conundrum. I have to say that I support the Government in allowing the organisation to remain proscribed. It is difficult to see how an organisation that takes part in such abhorrently violent activities—for example, it uses child soldiers as part of its campaign of violence—can be anything other than proscribed. The LTTE has an opportunity to

demonstrate a much greater understanding of the challenges that that poses to Governments such as ours. I would welcome it were the Government able to lift that restriction, but I do not see how they can in the current environment.

Justine Greening (Putney) (Con): The key point is the trend in the escalation in violence. One can make a comparison with the IRA and Sinn Fein, which became far more formally linked in with the peace process in Ireland after taking clear steps to show that they were withdrawing from their previously violent past.

Peter Luff: We are in a chicken-and-egg situation. I fully understand my hon. Friend's point. It is always difficult to decide who should make the first move in a dialogue for peace.

Mr. Clifton-Brown: My intervention on the right hon. Member for Torfaen (Mr. Murphy) about proscription was important. The Sri Lankan Government encouraged him to talk to senior representatives of LTTE and the Tamil community. If such peace negotiations can take place in Sri Lanka, it is much easier. When organisations are not proscribed, it is easier for a peace process to take place.

Peter Luff: I note my hon. Friend's comment, which speaks for itself.

I do not want Sri Lanka to become a political issue in the United Kingdom through the presence of a significant diaspora. That diaspora is here because of the violence. Its members have been driven away from their island and are effectively refugees from that dreadful violence. It is a wonderful community, which does a huge amount for us. Estimates of its size vary between 150,000 and 200,000. Reference has been made to the work its members offer on petrol station forecourts, but they do much more than that. A phenomenally high proportion of the Tamil community—some 2,500—work as doctors in the national health service. They do a great deal for us and we should be grateful to them.

Mr. Lee Scott (Ilford, North) (Con): Does my hon. Friend agree that one of the most important messages that we can send today is that there must be a ceasefire? Innocent people who have not done anything to anyone are being killed on a daily basis and that must stop now.

Peter Luff: I entirely agree with my hon. Friend. It is vital that both sides take courageous steps to achieve the ceasefire that we all crave. I have no axe to grind, except that when I hear of a death in the name of politics I am angry. I worry that today we have heard criticism of the Sri Lankan Government for closing roads to the north and east of the country, thus inhibiting reconstruction after the dreadful tsunami. My reading of the behaviour of the LTTE in those areas is that it, too, inhibits reconstruction. It suits such a group to keep people in some subjugation and blame others for their misfortune. That is a familiar technique of tyrants through the ages. Although I deplore any action by the Sri Lankan Government that makes reconstruction more difficult, the LTTE inhibits the process, and that may suit its political objectives.

I want to emphasise my concern about human rights more broadly in Sri Lanka. I referred to the Human Rights Watch document, which—as far as I can see—sets out objectively and fairly the problems on both sides. It is a powerful account. I note that the Archbishop of Canterbury is visiting Sri Lanka next week. The Christian community in that country suffers considerable persecution at the hands of the Government.

The current edition of the Foreign Office human rights report mentions Sri Lanka's anti-conversion laws and moves

"to consolidate the position of Buddhism by constitutional amendment and legislation that would control 'unethical conversion', in part through criminal sanctions. The bill, which appears to undermine the guarantees of religious freedom enshrined in the Sri Lankan constitution and to be inconsistent with Sri Lanka's international human rights obligations, is still being debated."

Things may have moved on since the report was written. It continues by saying that

"there have been consistent and credible reports of harassment, intimidation, destruction of property and occasional violence against Christians over the last three years... Sri Lankan authorities' lack of capacity to protect Christians and members of other faiths, and their failure to prosecute those responsible for inciting and committing violent acts"

are highlighted. That is an especially worrying example of human rights abuses in Sri Lanka that are firmly at the door of the Sri Lankan Government. For even-handedness, we must understand that there are problems on both sides.

We must be careful about imposing—or being seen to or wishing to impose—specific solutions to any internal conflict in a sovereign state from these Benches in the United Kingdom. However, we need to convey a clear message that terror begets only terror, and violence begets violence. That is an iron rule of politics and history. In a world hungry for peace, as we all are now, it is my view that if the LTTE could bring itself to renounce its terrorist activities and take the first brave steps to peace, it would find that respectability would follow remarkably quickly on the heels of such a brave and right decision.

4.45 pm

Keith Vaz (Leicester, East) (Lab): It is always a pleasure to follow the hon. Member for Mid-Worcestershire (Peter Luff) because of his great interest in sub-continent matters. It always interesting to hear what he has to say about countries other than India, in which he has a particular interest. I did not agree with everything in his contribution and in my contribution I will explain where I disagree. What is significant, however, is that for the first time we are debating these issues in Parliament today.

Had it not been the eve of local elections in other parts of the country—other than London—the Chamber would probably not have a majority of London Members in their places. I realise that many members of the Tamil community live within London and the M25 area, but they also live in other parts of the country—Leicester being one where many members of the Tamil community have settled.

[Keith Vaz]

I want to pay a special tribute to the Minister for the Middle East. This date was originally chosen for a discussion between him and more than 60 MPs who had shown an interest in Sri Lankan issues, particularly in what is happening to the Tamil community. I think that he was surprised at the level of interest and he decided, of his own volition, to put to the Leader of the House the view that there should be a debate today. That has proved to be a much better way of dealing with these matters—having an open debate involving as many MPs as possible on the Floor of the House.

The Minister is, in my view, a special and exceptional Foreign Office Minister—not the usual type that we get. He is prepared—I have seen him operate—to listen to views without necessarily taking the Foreign Office line. On this issue, he has been particularly concerned to listen to the views of hon. Members, to understand them and to relate them to his own experience when he visited Sri Lanka. I thank him for his special interest. His remit is so large, as he has to look after at least a third of the world—he would probably say the most interesting third of the world. On the two issues where I have engaged with him—Yemen and Sri Lanka—he has been very forthright and listened very carefully to what I said. I thank him for his interest in what is happening there.

I also pay tribute to my right hon. Friend the Member for Torfaen (Mr. Murphy). In all my discussions with members of the British Tamil community, I have found that they are full of praise for the work that he has done. As we heard today, he has not taken sides on the issues, but has focused the British Government on a particular problem. I am grateful—and I think that we are all grateful—for the fact that he has brought to bear his vast experience of Northern Ireland, which must have been just as complicated as the situation in Sri Lanka.

Apart from his day job, which he mentioned, he has allowed himself to go over to Sri Lanka in order to be the eyes and ears of our Prime Minister and to report back on these issues. I hope that we can formalise his role. He may not want that, but I think that it would be a good idea if the Government looked to formalise his role so that it was no longer just on an ad hoc basis. He could be given formal envoy status, which would allow him to play the role that we all would like to see this Parliament get involved with.

On Monday, we established the House's first ever all-party Tamil group. I was privileged to be elected chair of the group; the hon. Member for North Southwark and Bermondsey (Simon Hughes) was elected vice-chair; the hon. Member for Croydon, Central (Mr. Pelling) was elected secretary; the hon. Member for Richmond Park (Susan Kramer) was elected treasurer, as was the hon. Member for Moray (Angus Robertson), in his absence in Scotland. That shows that it really is an all-party group, because all parties are represented in this cause.

The group was determined not to be just like any other all-party group. We were determined to take the issue forward, and on that basis we agreed three things. First, at the end of September a delegation of all party members should visit Sri Lanka, particularly areas under the control of the Tamil Tigers, to engage in a dialogue in a positive and constructive way. We also agreed to invite the chief negotiator for the Tamil Tigers to visit the United Kingdom and to come to Parliament so that we could hear his views on what is happening.

The third thing that we agreed was to hold a summit meeting here in July at which all the various parties could participate as a means of exploring how to take the issue forward. Although we have not had a debate of this kind in the House before, listening to the experience of so many right hon. Members and hon. Members reminds me that we have had many such discussions outside Parliament. It really is time to make progress, rather than simply discussing these issues from time to time as we do now.

My hon. Friend the Member for Tooting (Mr. Khan) pointed out that we are also concerned with the Tamil community here, and that that is what drives us. Many of us are interested in foreign affairs, but what drives us as constituency MPs is our constituents coming to see us in our surgeries, at public meetings and at various projects in our constituencies to point out the contribution that the British Tamil community has made. When my hon. Friend mentioned the Tooting Tamils, I thought that that made them sound so British that they could be a local football club. They are as British as you and I, Madam Deputy Speaker, and they make a full contribution to this country. They contribute to the economy and to the national health service, as the hon. Member for Mid-Worcestershire pointed out. Almost 2,500 Tamils work in the NHS, not just as GPs and other doctors; one of the leading pre-natal surgeons is based in a hospital in the constituency of my hon. Friend the Member for Tooting.

The British Tamils have become first-class contributors, and they therefore deserve to have us debate these issues in the House. For the reasons mentioned earlier by the hon. Member for North Southwark and Bermondsey, they are constantly aware of what is happening to their friends and relatives in Sri Lanka. That is why they deserve to hear these issues discussed, and to have them taken forward, rather than just discussed in the usual parliamentary way.

I was present at a very useful meeting that the British Tamil forum had with our Home Secretary, who reminded us of the phrase—I cannot remember who said it originally, but I am sure that someone here will know—"One man's terrorist is another man's freedom fighter". I am sure that it was not the Home Secretary's phrase; he was merely reminding us of it. This was in the context of a discussion on how to lift the ban. I firmly believe that the ban on the Tamil Tigers—certainly as regards the way in which they operate in this country—should be lifted as soon as possible.

The proscription by the Government of various organisations in 2001 happened because of certain events that were occurring worldwide at the time, and we reacted by imposing that ban on a number of organisations, including a Sikh organisation that operated from my constituency. I know that Governments sometimes have to react in a knee-jerk manner, but six years have now passed and it is time to reconsider the ban and to look at ways in which we can help to ensure that the dialogue proceeds.

I know that that is different from what the hon. Member for Mid-Worcestershire suggested, because he believes that we cannot hold discussions with people unless they renounce violence. As we have heard from colleagues on both sides of the House, however, without such discussions we would never have reached the stage at which we could look with mild amusement at a photograph of the right hon. Member for North Antrim (Rev. Ian Paisley) and Martin McGuinness—with EU President Barroso in the middle—sharing a joke. Other right hon. and hon. Members who have had to sit through debates on Northern Ireland, as have I, would never have believed that possible even a few years ago. However, thanks to the work of my right hon. Friend the Member for Torfaen and many others, it has become possible. It is possible to move on, but we cannot move on unless we have a dialogue, and we cannot have a dialogue if we proscribe and ban the groups involved.

Susan Kramer (Richmond Park) (LD): Does the right hon. Gentleman agree that many members of the Tamil community who have absolutely no interest in terrorism and who do not even consider themselves to be members of the LTTE are inhibited from speaking out because they are afraid of being tagged with the terrorist label? At a meeting that my hon. Friend the Member for Kingston and Surbiton (Mr. Davey) and I attended recently, there had to be a police presence because those people were so afraid that they would engender enmity from the community by holding that meeting.

Keith Vaz: The hon. Lady is absolutely right. It is wrong for such people to be treated in that way and to feel that fear. Whoever is spinning that fear—whether it be the Sri Lankan Government or others—should stop. Participating in the British political process is the right of every British citizen. Contrary to the view that those people are here as asylum seekers or refugees—an idea that has been mentioned—they are members of the settled community. Clearly, some are asylum seekers or seeking refugee status, but others are very well established here, and they should feel able to be open about their involvement in political meetings and the British political process. We need to make sure that that happens.

It is therefore important that we take a lead, for the reasons mentioned by other Members. We have a responsibility, the historical ties with our country are profound and, as we have heard, this country gave independence to Sri Lanka. We have a special bond and relationship because of the large community living here and because of our previous responsibilities. We should seize the moment. I am glad that my right hon. Friend the Member for Torfaen is going to Sri Lanka again, and I hope that the Minister of State will also visit in the near future, as he started a process that he ought to continue. If he does continue that process, whenever he visits, that would be useful.

Dr. Howells: To reassure my right hon. Friend, I can tell him that I will shortly go back to Sri Lanka, and I hope to join my right hon. Friend the Member for Torfaen (Mr. Murphy) there so that we can take whatever measures are necessary to try to push the process forward.

Keith Vaz: I am delighted to hear that. When I met my hon. Friend, he said that my right hon. Friend the Member for Torfaen was his best friend in the House. Sri Lanka is a good place for best friends to meet, and if they manage to move the process forward, it will be good business for best friends to conduct.

Stephen Pound: I make the point with considerable trepidation, but my right hon. Friend referred to the British Government "giving" independence to Sri Lanka. May I tell him that several of my constituents who have heard me use that expression have said that they would much prefer the wording to be that the British Government "returned" independence to Sri Lanka? I make no criticism of my right hon. Friend, whose record is impeccable, but perhaps we should consider using that verbal figuration on the Floor of the House.

Keith Vaz: I am more than happy to be corrected by my hon. Friend and am happy to use that terminology in the House. If I lapse again, I am sure that he will remind me.

Peter Luff: On the subject of correction, may I correct myself? I was seeking to convey to the House not that such people were refugees or asylum seekers, but that they had been driven from Sri Lanka against their will, often because of discrimination, persecution or violence, and many of them would prefer to have lived their entire lives in Sri Lanka, rather than being here.

On another subject, is the right hon. Gentleman convinced—

Madam Deputy Speaker (Sylvia Hexl): Order. As the hon. Gentleman knows, interventions are to be brief.

Keith Vaz: The hon. Gentleman is allowed to make a correction, but not another speech in the middle of mine.

We have heard the shocking statistics and it is right that we should repeat them again and again: 80,000 internally displaced people; 900,000 children, 15 per cent. of the total child population, living in conflict-affected areas, and more than 300,000 directly affected by the conflict. The figures have varied between different Members' speeches, but I have been given the figure of 68,000 lives claimed by the war since 1983, with 4,000 deaths since November 2005, and, according to the United Nations, more than 300,000 civilians displaced by the renewed fighting as of April 2007. We need to take account of those shocking statistics if we are to make progress.

Yesterday, the Sri Lankan President unveiled proposals to abolish the executive presidency, adopt a bicameral parliamentary system and ensure that both the police and the armed forces are more multi-ethnic. That, however, does not deal with the basic problems that have created the present difficulties. All ethic groups should be treated equally, and they and their values should be respected. I hope that those proposals signal a change, but I do not think that the change will happen unless we move it forward.

I mentioned the Tamil Tigers and the ban that we imposed on them. I hope very much that the LTTE will

[Keith Vaz]

be able to challenge that ban. When we met the Home Secretary he said that one challenge had been successful, so they are in new territory, but they certainly have my support in their desire for a lifting of the ban. We heard that the Minister would be visiting Sri Lanka, and that is terrific.

Mr. Andrew Pelling (Croydon, Central) (Con): The right hon. Gentleman has spoken of our role here. We represent many members of the Tamil diaspora in our constituencies: there is a large Tamil community in south London, for instance. The right hon. Gentleman has also raised the important issue of abuse of human rights, which has occurred on all sides—and, indeed, within each side. But another reason for debating this subject is our real interest in the success and prosperity of Sri Lanka, and in sharing in the great growth that has taken place in the south Asian economies. We have a global strategic interest in Sri Lanka. The Chinese are investing there, and perhaps taking their own approach to the balance of power in that part of south Asia. The United Kingdom therefore has a self-interest in Sri Lanka's enjoyment of peace and prosperity.

Keith Vaz: I entirely agree with the hon. Gentleman, who is the new secretary of the all-party parliamentary Tamil group. His points are extremely valid.

The debate is to be wound up by the Under-Secretary of State for International Development, my hon. Friend the. Member for Harrow, West (Mr. Thomas), who is currently sitting next to the Under-Secretary of State for Environment, Food and Rural Affairs, my hon. Friend the Member for Brent, North (Barry Gardiner). Both their constituencies contain large numbers of British Tamils.

When we consider the issue of international aid, I want to know whether when we give aid to Sri Lanka, as we should, the point is made to the Sri Lankan Government that it is important for that aid to reach the people whom it is intended to reach. While we support the Government in the aid process, they have a responsibility to ensure that a dialogue begins.

If we have achieved anything this week in setting up the all-party group and debating this issue on the Floor of the House, I hope that we have created the climate and conditions for dialogue: dialogue between Tamil groups, including the Tamil Tigers, and the Sri Lankan Government; dialogue between Tamil groups and the international community; and, indeed, dialogue between the Foreign Office and the Home Office. I was very surprised to hear from the Minister of State that he had not had a chance to meet the Home Secretary to discuss these issues—through no fault of his own, no doubt; I am sure that, given his Foreign Office responsibilities, his diary is awful. But I hope that he will meet the Home Secretary, because the issue affects both the Foreign Office and the Home Office. I hope it will be recognised that dialogue is the only way in which to bring peace to a troubled but beautiful island.

5.3 pm

Mr. Shailesh Vara (North-West Cambridgeshire) (Con): It is a great privilege and pleasure to follow the right hon. Member for Leicester, East (Keith Vaz).

I am very pleased that the House has taken the opportunity to debate such an important subject. With so many conflicts around the world, and with our own armed forces engaged in so many places overseas, it is sometimes easy to overlook the ongoing difficulties in countries such as Sri Lanka. I compliment those on both Front Benches for taking such a conciliatory tone in their speeches, and concluding that there must be dialogue and a ceasefire. Although the right hon. Member for Torfaen (Mr. Murphy) is not present at the moment, I want to say what a pleasure it was to listen to such an authoritative contribution as his.

The difficulties in Sri Lanka have arisen for a number of reasons, not the least of them being the ethnic, cultural and religious divisions between the Tamil and Singhalese communities. The Liberation Tigers of Tamil Eelam or LTTE is fighting for an independent homeland for the Tamil people. Tension between the Tamil and Sinhalese people has existed for many years, but a full-scale conflict has developed since the early 1980s, with armed groups operating in the north-east of the island, the area mainly populated by the Tamil minority. As we have heard, in the past 20 years some 70,000 people have been killed in the conflict and many more have been maimed and injured; almost 1 million people have been displaced from their homes. There remains the ever-present threat to many ordinary citizens of kidnap and murder, both of which have been a continuous feature of the conflict.

It is important to remember that atrocities have been committed by both sides. When in 1983 riots resulted in the death of 2,000 Tamils, it was suggested by many that some of the blame lay with the Sri Lankan authorities. On the other hand, the LTTE has long recognised that fear and devastation can be caused by suicide bombers. It has used that deadly tactic on many occasions, maiming and killing hundreds of people—often innocent people.

However, despite all the terror one thing is clear: both sides have demonstrated a capacity for peace. They did so when both sides approached the Norwegians to negotiate a ceasefire in February 2002. Unfortunately, that ceasefire now lies in tatters and the resumption of hostilities on both sides has led to some 4,000 people being killed over the past two years. There have been particularly worrying developments in the past few weeks; there is a real danger that Sri Lanka might end up in a state of civil war. Recent military pushes by the Sri Lankan army have led to the recapture of much of the Tamil-occupied land in the north and east of the island and, encouraged by its success, the army might well be preparing for another major offensive.

It is noteworthy that on Monday 23 April *The Irish News* reported:

> "Sri Lankan Officials ordered Norway's Ambassador, who is trying to mediate a resumption of peace negotiations, to cancel a trip to the Tamil Tiger rebels' northern strongholds for security reasons."

The report went on to speculate that that was likely to mean that a major military push by Government forces was imminent.

Many contributors to the debate have spoken of the ban on the LTTE acting as a barrier to dialogue. Nevertheless, it is encouraging that some of the main people involved in the peace negotiations—the Norwegians—are engaged in dialogue with the LTTE and the Government. We must take comfort and heart from that.

Simon Hughes: One of the reasons the Norwegians are still in such good standing is that Norway is not part of the European Union so it is not collectively responsible for the ban. Countries that have not taken the same view as the EU and the United States are likely in some respects to be more acceptable in the short term to assist in the process.

Mr. Vara: I am grateful for that contribution. It could be said that we have both angles covered, as the Norwegians are independent but they are also co-sponsors who have the support and assistance of the EU, the USA and Japan.

If the Sri Lankan army is considering an extra push in the north-east of the island, that is a worrying development as it will lead to further suffering and loss of life. If the advances are resumed, it is likely that the LTTE will wish to reply in kind, and it could be years before there is a reduction in the violence.

Meanwhile, the LTTE has started making deadly air strikes on both Government troops and the infrastructure of Colombo. There have recently been strikes on an oil depot and on the main airport in the capital city, timed to coincide with the cricket world cup final. The Foreign Office website describes the situation in Sri Lanka as "no peace no war", but the brutal reality is that since the 2002 ceasefire the conflict has resumed and is in danger of escalating to a much greater scale. The ceasefire needs to be rekindled and the international community must make every effort to secure it.

Britain has a historical connection, of course, with Sri Lanka, and we should do whatever we can to bring peace to the island. I am mindful, however, that some former colonies are wary of British involvement in their now independent countries, which is why our involvement should be handled with sensitivity, helping as is necessary and appropriate. The Norwegians, operating with the support of the USA, Japan and the European Union, successfully negotiated the February 2002 ceasefire. They deserve our utmost praise and respect, and we should offer them all the support that they need and want from us. The ceasefire may have collapsed, but to the Norwegians' credit they have continued to maintain good links with both sides in the conflict, which may lead to further peace proposals.

We should also use our position in the international arena to encourage other countries to press both sides for peace. Britain has considerable influence in the United Nations by virtue of being a permanent member of the Security Council. Although we might sometimes have disagreements with our European Union counterparts, we still have influence in the Union. Nor should we forget our many friends in the Commonwealth, who should also be urged to press for peace.

India, too, has a major role to play in this conflict, not least because of its proximity to Sri Lanka and its own large Tamil population in Tamil Nadu. As India heads toward becoming a 21st-century superpower, it is important that it be included in the peace negotiations because of its own vested interest and its global and regional influence, which is increasing daily.

Mr. Love: The hon. Gentleman might well be aware of recent opinion polls in Sri Lanka suggesting that there is greater trust in India's performing the role of an international good partner than in any other country in the world.

Mr. Vara: For that reason—as well as for the reasons of India's proximity and of Tamil Nadu—it is important that India is involved in any talks that take place. However, given that Norway is leading the way and has been successful in the past, it should continue in that vein, but with the support of any country that has the trust and confidence of the Sri Lankan people. I am grateful to the hon. Gentleman for enlightening the House about that opinion poll.

We have successfully brought peace to Northern Ireland, a community previously riven by internal hatred and conflict. The bombs and bullets of just a decade ago have been laid to rest. Republicans and Unionists may not yet have forgiven and forgotten every single grudge and grievance from those troubled times, but they have stopped killing. We can share our experience of nurturing that peace process with the Sri Lankan Government and with the LTTE. As I said earlier, it was a pleasure to hear the right hon. Member for Torfaen discuss that very issue. However, before all these things can happen, both sides in the conflict must take action to stop the killing and mistrust. The LTTE must cease its attacks and the use of child soldiers and suicide bombers.

There is also concern about overseas funding for the LTTE. Reference has been made to the arrest in Australia of two people suspected of seeking to divert funds raised for the tsunami disaster on Boxing day 2004, for the purpose of purchasing weapons for the LTTE. Perhaps in his reply the Minister could give us an assurance that the funds that were sent from Britain after the tsunami were subject to checks to ensure that they were not diverted. I would also ask the Minister to comment, to the extent that he has the information to do so, on the written reply to my hon. Friend the Member for Cotswold (Mr. Clifton-Brown) on 9 October 2006, which stated that some £7.5 million had been designated to be spent in Sri Lanka on reconstruction after the tsunami, but only £4.5 million had been spent. Has more money been spent and are there measures in place to ensure that the funds are directed towards reconstruction and not used for other purposes, such as assisting parties to the conflict?

The Sri Lankan Government must also take action. To start with, they could ensure equality for all their people, as previous contributors to the debate have mentioned, whether they be Tamil or Sinhalese. The Government should also stop their roadblocks, especially on the A9 highway to Jaffna. Only yesterday I was talking to someone from Sri Lanka who was very concerned that his sister in Jaffna is not having even one meal a day because of that roadblock, which is stopping medicine, food and clothing reaching the people of Jaffna, many of whom are innocent in the conflict.

Susan Kramer: Does the hon. Gentleman agree that as the Under-Secretary of State for International Development will reply to the debate, it might be an opportunity for him to state that the British Government, working with the various non-governmental organisations in the area, are making forceful representations to reopen the blockaded road? As the hon. Gentleman said, the impact is devastating and is destroying communities that have historically been well-to-do, but are now in absolute poverty and dire crisis.

Mr. Vara: I thank the hon. Lady for that contribution and she makes a valid point. I hope that the Minister will be able to say what the Government are doing to ensure that the misery and suffering that the blockade is causing ceases. If we are to have a ceasefire, we need dialogue, and that can happen only if the misery and suffering abate.

The Sri Lankan Government must also ensure that rogue elements in their army are not acting independently against Tamils. Not only is that wrong and a violation of the human rights treaties that the Government of Sri Lanka signed up to, but it provokes and encourages the LTTE to seek revenge. As has been proved time and again around the world, not least in Northern Ireland, a cessation in violence has to be a precursor to productive peace talks. A negotiated settlement through peaceful means is the only way forward for both parties if they wish to see their people prosper.

Sri Lanka as a country has enormous potential for the future. The people involved in the conflict need to recognise that the future of their country lies in investing in its future prosperity and not in bombs and bullets. In the 21st century, the world's centre of gravity is moving from Europe and the Atlantic to the south and the east. Sri Lanka needs to ensure that by continuing its conflict, it does not miss out on the opportunities that this century will bring for all the people in that region.

Recent history has shown time and again that most conflicts are eventually resolved by dialogue. The LTTE and the Sri Lankan Government have a simple choice. They can either continue the conflict, with many more people suffering and dying on both sides, and decide to engage in dialogue at some future point, or they can engage in productive talks now and prevent the needless suffering and death that are the immediate alternatives.

It really is time for both sides to engage in dialogue, to have a ceasefire and to ensure that peace once more reigns in that beautiful island. I thank the House for listening.

5.20 pm

Joan Ruddock (Lewisham, Deptford) (Lab): I bring to this debate no expertise, and I have not been fortunate enough to have a holiday in Sri Lanka. However, I pay tribute to my right hon. Friend the Member for Leicester, East (Keith Vaz), who has set up the all-party group, and I hope and trust that I will be able to participate in it.

Like many other hon. Members who have spoken in the debate, a very significant number of my constituents arrived in this country as asylum seekers and refugees from Sri Lanka. They now belong to the Tamil community that thrives in Lewisham, and in my constituency of Lewisham, Deptford in particular. As others have said, the families are settled British citizens, and they bring a great sense of commerce and endeavour to our communities. They run not only petrol stations but convenience shops, and play various roles in the NHS and the IT industry. Members of the Tamil community make an extremely valued contribution, and I very much support their work. They also bring a sense of culture to my area, which I especially enjoy. I should like to mention Vani fine arts, where young children are taught to play the sitar. It is the most wonderful experience to be at one of their concerts.

However, the Tamil community has a great and continuing sense of grievance, and members of it have made me aware of that for the two decades that I have represented the area in this House. In that time, I have seen blood-curdling films of the terrible atrocities committed against Tamils in Sri Lanka, and I have sometimes felt completely unable to suggest any way out of that terrible conflict.

My feeling about the situation in Sri Lanka was the same as that I felt about Northern Ireland for many years. As a mere politician, I felt that I could not propose a way forward, but the breakthrough that came in 2002 was a great relief to the Tamils in this country. Sri Lanka is a place of great diversity, and the news that a peace process was under way was appreciated by people of many faiths.

For quite a while, no political meetings were held in my constituency to discuss the situation in Sri Lanka. On looking back, and having read the excellent paper produced by the Library, it is clear that Sri Lanka has a history of absolute discrimination, with the minority being oppressed by the majority ever since independence. That oppression is so deep-rooted that, as with our experience with Northern Ireland, the beginning of a peace process is not seen as likely to produce a result in a short time. If the Sri Lankan Government had been more determined and committed to the peace process, or if the LTTE had shown more flexibility, it is possible that more success could have been achieved.

I was therefore very distressed and alarmed when last summer the Tamil community in my area asked for another political meeting to discuss the appalling outbreaks of violence that had taken place. I went to that meeting and heard about the many grievances that people had. I also heard the horror stories about what people in Jaffna had suffered. There was a lack of food and medicine in the city, and people who previously had been entirely self-sufficient were now relying on people from Britain to get to them the drugs, money and so on that they needed. It is a matter of enormous concern to me, as it is to all Members who have contributed today, that the violence has continued to escalate and to add to the terrible toll of previous decades.

It would appear that the hardliners on both sides are now in the ascendancy. I have been reading the catalogue of events that took place between January and April. The army has made significant progress in the east. Many towns and villages that were controlled by the LTTE are apparently now under the

administration of the Karuna faction, which Human Rights Watch has alleged continues to recruit child soldiers, like its erstwhile allies in the LTTE. Defence expenditure, in a country that can hardly afford it, reportedly rose by 30 per cent. in 2006. The LTTE's capacity to retaliate has not entirely diminished, either. In recent weeks, as we have heard, it has shown that it has acquired some air capability by launching two aircraft attacks.

I shall repeat what many colleagues have said today. Recent estimates suggest that about 4,000 more people have been killed in Sri Lanka since late 2005, bringing the total killed since the outbreak of the civil war to 68,000. In addition, many people have suffered injuries that will affect the rest of their lives, and tens of thousands of people have been displaced from their homes and are no longer able to carry on a normal existence.

We are all grateful for the Norwegian-led peace efforts and I pay tribute to them. It is incredibly important that the Norwegians stay in Sri Lanka and that they do not take sides. It is also important that both sides in the conflict—the Government and the LTTE—have said that they would be willing to return to negotiations, although in truth we do not see that there is much prospect of that at the moment. That is why we all encourage the efforts of the UK Government, and particularly those of my right hon. Friend the Member for Torfaen (Mr. Murphy).

I want to ask Ministers some questions that have been put to me by my constituents. I asked one in a formal parliamentary question last year about aid following the tsunami. In October, I received a detailed reply from my hon. Friend the Under-Secretary of State for International Development about the amount of aid and where and on what it was to be disbursed. I hope that in his winding-up speech he will tell us how that aid was distributed. As others have said, it is critically important for us to know that the aid was distributed fairly to the people most in need and that aid destined for Tamil areas was not impeded by the Government or the LTTE. I hope my hon. Friend can give us some assurance about that.

A point made by one my constituents was that we should not supply aid at all in the prevailing situation in Sri Lanka. I disagree with that view, so I hope that my hon. Friend can tell the House why it is important that we continue to give aid and that the aid is—we hope—used effectively.

Stephen Pound: My hon. Friend speaks with the great authority of a constituency representative of many members of the Sri Lankan community. Like her, I have had visits from community representatives who have noted that Her Majesty's Government in fact withheld 50 per cent. of the aid agreed, because the final delivery mechanism could not be guaranteed. Does my hon. Friend agree with me and many representatives of the community that we should withhold the entire aid package until we can guarantee that it will reach the people for whom it is intended and not subsidise those who may be oppressing them?

Joan Ruddock: I take the points that my hon. Friend has raised very seriously, because this is a real debate. I just remarked that I did not agree with the proposition that aid should be stopped, but in deciding which of us is making the right argument I will be dependent on the Minister's response at the end of the debate. We need to know where the aid is going and how it is being used to know whether we can justify continuing it. If we cannot justify that, we need to think about what other mechanisms exist. Could we use multilateral aid or other institutions? Are there vehicles through which some assistance could be given? I look forward to my hon. Friend's contribution.

My next point is perhaps not for my hon. Friend, but for those in government. I want to refer to another issue raised by my constituents: export licences. Inquiries that I have made reveal that £7 million-worth of arms were licensed for delivery to Sri Lanka in the last quarter for which figures are available. The licences were for, for example, armoured all-wheel drive vehicles, components for heavy machine guns, components for military distress signalling equipment, and many other types of equipment, including military aircraft ground equipment and communications equipment, and small arms ammunition. All of that is military equipment that could conceivably be used in the conflict. I know that our Government have obeyed the rules—the EU and the national criteria by which we agree export licences. There is no question of wrongdoing. However, the issue has been raised by members of the Tamil community and I ask the Minister to consider whether those export licences and similar licences should continue when a live conflict is clearly under way in the country.

Constituents have asked me to raise other points, both for our Government and, in particular, for the Government of Sri Lanka. Other Members have referred to the need to ensure that there is effective human rights monitoring. We know that there is a culture of impunity in the country, that the police do not investigate, and that charges are dropped. It is critical that the many disappearances are properly investigated and that the extra-judicial killings, which everyone knows go on in Sri Lanka and which are undertaken by both Government forces and funded paramilitaries, are investigated.

Many people have spoken today about the need to recognise the LTTE. There are people in my community who believe that that is very important and that it should be done. It is critical—whether or not it is recognised—to enter into dialogue. That is one thing that is constantly being demanded of our Government by my Tamil community. People think that the Government should be more proactive and should somehow try to engage more with all sides. I was delighted to hear my hon. Friend the Minister for the Middle East tell us of the efforts that he is making in that regard and give us the assurance that those efforts will continue and apparently increase.

Another point that my constituents have asked me to raise relates to the need for the Sri Lankan Government to demonstrate their commitment to a peace settlement by withdrawing to the 2002 ceasefire positions. There is a need to support Amnesty International's call to "play by the rules", to investigate the murders and abductions of politicians, many of whom were sympathetic to the Tamil cause, and to investigate extortion and the abduction of Tamil

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business people by the paramilitaries and armed forces. The Sri Lankan Government should not force civilians to settle in areas of conflict as human shields against their will. The armed forces should be vacated from people's houses and compensation should be paid for those people's suffering. Those guilty of war crimes should be brought to the International Court of Justice. My constituents also make a plea to us and to the rest of the European Community not to curb the peaceful and democratic activities of Tamils living in the diaspora.

I have particularly been asked to raise those points in today's debate. I have done so in tribute to members of my Tamil community, to the contribution that they make in our society and to their entirely justified search for justice and equality for the people of their community in their home country, which is where many of them would wish to be and where many of them have family and friends. I know that all of us would want proper respect in that country for all minorities and religions. We have learned lessons with such pain in Northern Ireland, and we want to see the same kind of positive result that we are about to enjoy in these islands. I thank the Ministers for making this enormously important debate possible. There has been unanimity in the House on the fact that human rights are indivisible and apply to all nations.

Mr. Clifton-Brown: Will the hon. Lady give way?

Joan Ruddock: I was about to conclude my speech, but I shall willingly give way.

Mr. Clifton-Brown: As the hon. Lady knows, the presidential commission is investigating several of the allegations that she has mentioned and is being observed by the international group of eminent persons, to which I referred in my speech. Does she support that process? Is it not essential that the process is thorough and that it concludes as soon as possible?

Joan Ruddock: Of course I would be supportive of that process. There will always be a range of views on how such investigations and inquiries are best carried out. However, we have a mechanism in place; let us see whether it can work and produce real accountability and conclusions that the international community can sign up to and support.

We should call on all sides to resume the ceasefire. This might not be total war, but it is in no way peace. The process must be restarted effectively.

Several hon. Members *rose—*

Mr. Deputy Speaker (Sir Alan Haselhurst): Order. Before I call the next hon. Member, may I tell the House that Back-Bench speeches have been averaging 16 minutes. If the Minister is to be given sufficient time to answer the points raised in the debate, it would be helpful if that average were brought down a little so that all the remaining Members who are seeking to catch my eye may contribute to the debate.

5.37 pm

Justine Greening (Putney) (Con): I will certainly take note of your comments, Mr. Deputy Speaker.

Like many Members who have spoken, I have constituents with deep concerns, many of whom have come to my surgery to express their worry about what is happening to many of their relatives in Sri Lanka. Some of them are Tamils, but my Ahmadiyya Muslim community has recently expressed concerns about the Muslim community in Sri Lanka. I agree with a point made by my hon. Friend the Member for Mid-Worcestershire (Peter Luff): it is easy for us to give our views on what should happen in Sri Lanka. I intend to cite the concerns that my constituents have expressed to me, although I will perhaps fall short of saying what should be done, except by noting that a diplomatic and non-violent solution will be needed to find a long-term way out of the tragic situation in Sri Lanka.

There is no doubt that Sri Lanka has suffered as a country for a number of decades and that it continues to do so. Some 3,000 civilians have been killed in the conflict since the resumption of armed hostilities in 2006. As hon. Members have said, 68,000 people have been killed since the start of the conflict. There is no doubt that that has brought immense personal hardship to many people who have been displaced across the country—some 0.5 million in Sri Lanka have been displaced as a result of the conflict. I want to refer in particular to the tsunami, which added another 140,000 displaced people to the total of 0.5 million. Many of us who were aware of the troubles in Sri Lanka hoped that that tragedy on Boxing day 2004 would bring the country together and provide a common humanitarian cause so that people could set aside political differences and focus on what was required for the good of the whole country. It is unfortunate that, in retrospect, that did not happen, and I am concerned about what that means for, dare I say, ordinary Sri Lankans caught up in the conflict. Constituents who come to see me are particularly concerned about falling literacy rates among Sri Lankan children, whose education is constantly disrupted.

As we have heard, there are many human rights problems, and the Human Rights Watch briefing to which reference was made earlier in the debate provides a great deal of evidence of an increase in communal violence between different ethnic groups in Sri Lanka, which is a matter of deep concern. The tsunami was a particular tragedy for Sri Lanka, because there was a ceasefire in 2002. Again, to make a comparison with Northern Ireland, I believe that the economic prosperity that resulted from political stability was one of the main reasons why people in Northern Ireland were not prepared to go back to the conflict, bombs and violence of the past. It is truly unfortunate that the tsunami may well prevent that bedding-down or entrenching of the economic development and benefits across Sri Lanka that might have made people less quick to become involved in armed conflict as a result of what they regarded as oppression.

I do not think that there is a military solution to the problems in Sri Lanka. Surely, what must happen is a return to the ceasefire and discussion. That has proved to be the way forward in Northern Ireland, which is close to many of our hearts, and it is almost certainly

the way forward in Sri Lanka. Democracy is surely the route through which people across the country can air their concerns, and it will enable Sri Lanka to recover in both economic and humanitarian terms after the tsunami and its effects. There is no doubt that that is the only route by which Sri Lanka can take advantage of the massive opportunities for economic growth in that part of the world. I can only hope on behalf of my constituents, who have many relatives in Sri Lanka—many of them do extremely valuable jobs in our community but they would almost certainly like to be able to do them in their original community in Sri Lanka with their own families—that if our debate has done nothing else today, it has highlighted our concerns as a neighbour on the planet as well as our desire to work with Sri Lanka and all the groups there to see an end to the situation and the violence that so many people who live there face on a day-to-day basis.

5.44 pm

Mr. Neil Gerrard (Walthamstow) (Lab): I am extremely pleased that we have had this debate this afternoon, as it is a long, long time since there was a debate on Sri Lanka in the House. Like many other hon. Members who have come to the Chamber to take part, I have a very significant number of Tamil constituents who, over the years, have talked to me about their concerns about the situation in Sri Lanka. Of course, it is a long-standing problem, and in its present form the violence goes back over 20 years. The serious violence that occurred in 1983 was one of the factors that led to many members of the Tamil community coming to this country. There have been periods of hope, and as a result of the good work of the Norwegian Government there have been ceasefires. The ceasefire that was put in place in 2002 with high hopes clearly has not lasted and is in serious trouble.

I shall not labour the points that have already been made—that the only way a solution will be reached is through negotiation, and that that must involve the LTTE. There is no question about that. A solution will not be reached without negotiations that involve the LTTE. That is true whether that organisation is recognised or banned in the UK. Reference has been made to keeping lines of communication open. I think it is not particularly helpful that the LTTE is banned, although I am under no illusion about some of the things that it has done and still does, such as the involvement of child soldiers, about which we have heard. I have met people and I know members of the Tamil community in the UK who are here as refugees because of the LTTE. There are two sides to the story.

Stephen Pound: Does my hon. Friend share the frustration of many of my constituents that there seems to be a belief that there is an equivalence between the Government of Sri Lanka and the LTTE? People talk about two sides of the argument. One is the state. The other is a small group of people in the north and east of the island. There is no equivalence. The two are not analogous.

Mr. Gerrard: That is an important point, which I had intended to deal with. Let me develop it now, as it has been raised. There is talk of being even-handed and looking at both sides of the question, but we are dealing on one side with a Government who have signed up to international conventions—in relation to human rights, for example. One should expect standards from a Government which one does not necessarily expect from a guerrilla organisation or an organisation described as a terrorist organisation.

It is no excuse for a Government to point to the activities of the LTTE and say, "Well, if the LTTE behaves like this, we have to take action." It is no excuse at all for a Government to be involved in breaches of human rights and point to the activities of the LTTE. Governments sign up to international conventions about how they will behave, and over the years there has been significant evidence that the Sri Lankan Government have not always lived up to the conventions to which they are signed up.

Mr. Davey: On that important point, speakers have mentioned the analogy with Northern Ireland. In Northern Ireland, in almost all respects, the British state did not behave against the international conventions. If we press on the Sri Lankan communities the Northern Ireland parallel, surely that should speak volumes to the Sri Lankan Government. If they behaved as the British Government behaved, abiding by the rules, they would be more likely to succeed.

Mr. Gerrard: That message is right. If we look back at the history of Northern Ireland over the years, we could find some examples where we did not behave according to conventions, but it did not do us any good when that happened. That is the message that must be put across.

I have been labelled an LTTE supporter in the past, and been told that I was supporting terrorists. I am well aware of things that the organisation has done of which I do not approve. I am convinced, as I am sure are other hon. Members, that money is being raised in this country which goes to the LTTE. Whether or not the story about the petrol stations is true, I am sure that I am not the only person who has heard the stories of taxing, whereby people are more or less required to contribute money. That happens, and let us not be under any illusion or pretend that it does not. The bottom line, however, is that there will be no settlement and solution unless the LTTE is involved in developing them and in the negotiations. The Tamil politicians in Sri Lanka, and the Members of Parliament who are members of the Tamil National Alliance, which I know is sometimes described as an LTTE proxy, but comprises elected Members of Parliament, will say exactly that—that the LTTE is the body that represents the view of the majority of Tamils.

There has been long-standing evidence of the disregard for human rights in Sri Lanka to which my hon. Friend the Member for Ealing, North (Stephen Pound) drew attention, and the failure to live up to basic human rights standards. The United Nations High Commissioner for Refugees, whom my hon. Friend the Member for Tooting (Mr. Khan) quoted, has made the same point. The commission that has been established to look into extra-judicial killings and disappearances is welcome, but concerns have been expressed that there are shortcomings in the national legal system that could hamper the commission's effectiveness. Previous commissions have made recommendations, but they have not been put into

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effect. The commission should be looking not only at individual responsibilities for acts that may be regarded as crimes, but at the broader patterns and the context in which such acts occur. It is no good merely looking at the individual case if nothing then happens to change the overall context.

The overall context at the moment is extremely worrying. There is no question but that there has been very serious deterioration in the situation over the past year or so. Relief organisations are expressing concern, and the Red Cross has recently told us that there are up to 120,000 displaced civilians in the Batticaloa district. Just in the past week or two, more than 40,000 people have fled their homes in that district. We have heard the claims about restrictions on humanitarian provision, as the A9 road has been closed, which is preventing essential medicines and humanitarian aid from getting through. Human Rights Watch and others have expressed concern that the Sri Lankan authorities are using threats and intimidation to compel civilians who fled recent fighting to return home when it is far from safe for them to do so. Those are not the actions that one would expect from a Government; one would not expect anybody to be forced to return home when they feel it is unsafe to do so.

As to what can be done, I understand perfectly well that we as a Government are not in a position to dictate solutions to the Governments of any other countries. The solution will be achieved in the end through negotiation and through the people of that country, the LTTE and its Government. I was interested to hear what my right hon. Friend the Member for Torfaen (Mr. Murphy) and the Minister had to say about the initiatives that are being taken, in which we can export experience. It is also perfectly legitimate for us to express our opinions on the initiatives that are being suggested. I have read the recent reports about the devolution proposals unveiled by the Sri Lanka Freedom party. It seemed to me that the proposals were highly unlikely to lead to a solution. In fact, they will probably be regarded as a step backward, as they implied devolution of power at a very local level, rather than any significant devolution of power that would give any real autonomy to a region or province. The proposals seem a step backward in respect of some of the suggestions made a few years ago, and it would not be helpful to the peace process if they were pursued. It is not for me to say what the detail of any solution should be, but it will not last if it does not give a significant degree of autonomy to the north and east provinces—the parts of the country with very significant Tamil populations.

We must carry on with the initiatives that the Minister talked about in his opening remarks. We must offer our experience and support, but send a clear and consistent message to both sides—the Government and the LTTE—that there is not a military solution to this problem. I am worried about the attitude of the Sri Lankan military, who seem to think that they are on the way to crushing the LTTE and that just another push will do it. If that is their mindset, I am afraid that things will get far worse than they are now. That is the important message that we have to send.

5.56 pm

Mr. Edward Davey (Kingston and Surbiton) (LD): I agree with almost every word that the hon. Member for Walthamstow (Mr. Gerrard) said. It is absolutely crucial that we send a message from this House that we are jointly resolved on the need to put pressure on the Sri Lankan Government, particularly as regards their growing view that there could be a military solution to this problem. I hope that Members on both sides of the House reject that idea.

Sri Lanka has often appeared to me to be the forgotten tragedy in the world. We hear a great deal about theatres of war such as Darfur and Zimbabwe—of course, they are appalling—but Sri Lanka has been going on, like a running sore, for many years. It has not received the attention that it deserves from this House—that is why I welcome this debate, which has been partly stimulated by the right hon. Member for Leicester, East (Keith Vaz), and congratulate the Government on holding it. This subject has also been forgotten by the British media, and I hope that the BBC and Fleet street will give it the coverage that it deserves.

Like other Members, I come to this debate as a constituency MP having listened to my Tamil constituents' concerns over many years. In engaging with them, we have the wonderful experience of learning about the Tamil culture and seeing how Tamils contribute so positively to British society. One of the highlights of my year is going to Kingston's institute of tamil culture and seeing the children play their instruments, dance, sing and tell jokes in Tamil—I get them translated for me. Sometimes it goes on for rather a long time, but it is always very enjoyable. When we engage with them properly and listens to their concerns, we hear stories of tragedies. When I have spoken to them at political meetings, I have always taken the view that we should approach this on a human rights basis, with equality across the communities. Like the hon. Member for Walthamstow, I have been accused of being an LTTE sympathiser, but I reject that utterly. I have always tried to take a balanced approach. The idea that in this House and in this country we can suggest a solution that we can somehow impose on people is clearly nonsense.

When we talk to Tamil constituents and say that we want to take a balanced, human rights approach, we cannot help but feel their anger, frustration and pain, because they have families who have been killed, they have seen killings themselves, and they look at communities of theirs that have been devastated by the violence. It is impossible, as a constituency MP, not to listen to those stories, and not to share their concern and anger.

Susan Kramer: Does my hon. Friend agree that one of the deep frustrations in the Tamil community, rightly or wrongly—it may be an unfair statement—is the feeling that because of the war on terror the British Government and other European Governments do not have the same energy and will to resolve their problem because, first, they have higher priorities, and secondly, they are very hesitant about being associated with conversations with anyone who carries the label "terrorist" anywhere near their name?

Mr. Davey: My hon. Friend makes the point clearly. To be fair to the Government, and although I heard only the second half of the Minister's speech, for which I apologise again, I was pleased to hear about the initiatives that he and his colleagues are taking. I am sure that they have the support of hon. Members of all parties. However, like my hon. Friend the Member for Richmond Park (Susan Kramer), I urge him to go further and not be put off by the label "terrorists", which can pollute a proper debate about the policy towards a country.

Most of the Tamils to whom I speak do not support the LTTE. As the hon. Member for Walthamstow said, many of them are fleeing violence that the LTTE perpetrated against them, their families and communities. The Tamil community is, of course, varied. Let us be clear: some people support the LTTE, often reluctantly, because they feel that it is the only organisation that can voice their concerns and represent the Tamil community. Some believe that they have no alternative. Let us be honest and say that that is partly because the LTTE has stamped out some of the alternative Tamil political organisations, again with acts of terror. The LTTE has therefore almost created a monopoly. Nevertheless, for many people, it represents a true voice of the Tamil community's demands. Those voices should be listened to and their anger heard.

One must apply proper standards to the Sri Lankan Government. I have read UN report after UN report, Amnesty International report after Amnesty International report, as well as reports from Human Rights Watch and the International Bar Association, which show that the Sri Lankan Government are not fulfilling the requirements of civil rights and due process or their legal responsibilities. The emergency regulations allow for the most incredible abuses of civil and human rights, primarily against the Tamil population. We must bear that in mind in the debate.

I want to make four quick points. First, let us consider the suffering of the civilian population in the east and north. People have commented on the A9 and its closure by the Sri Lankan Government. That is critical. The lack of food and medical supplies, especially in the Jaffna peninsula, causes great hardship, and I cannot understand why the Sri Lankan Government continue to set their face against international pressure. I am told that that was a sticking point at the Geneva peace talks, and that the Sri Lankan Government walked away from them last autumn because of the demand to reopen the road. To me that was a legitimate demand from the Tamil side, and I hope that it will be realised. I refer hon. Members to early-day motion 955 in my name and that of my hon. Friends, in which we press for the A9 to be reopened for humanitarian reasons.

My second point is directed at the Sri Lankan authorities. Like my hon. Friends the Members for North Southwark and Bermondsey (Simon Hughes) and for Richmond Park, I have been challenged when I have raised such issues; I have also seen colleagues challenged. Councillor Yogan Yoganathan on Kingston council, a former mayor of the royal borough, has been labelled an LTTE sympathiser and supporter simply because, like hon. Members, he wanted to speak out about human rights abuses in Sri Lanka. I believe that the Sri Lankan authorities, possibly through their representatives in this country, are trying to prevent people from speaking out—to prevent freedom of speech. We must convey a message that we will debate such issues in this country, that that is our democratic right, and that the Sri Lankan authorities should accept it and not try to intimidate people who speak out by trying to label them LTTE sympathisers or terrorists. I hope that the Government will make the point that that is unacceptable in their discussions with Sri Lankan representatives in this country. I intend to do that when I meet the Sri Lankan high commissioner, as I shall shortly.

My third point relates to the Home Office, to which one or two other hon. Members have referred. Let me tell hon. Members a story from one of my advice surgeries a few months ago. I met a gentleman who was claiming asylum—for the second time, as he had failed the first time. He had been returned, re-arrested, detained and tortured again. I learned from talking to his lawyer that his case was not an isolated one. This country has been sending back as failed asylum seekers a number of people who went through that experience. Some managed to escape again and tried to claim asylum again; others have disappeared; still others have been killed.

I ask Ministers on the Treasury Bench tonight to take the message back to the Home Office to be particularly careful when considering asylum claims from Sri Lankan citizens. These stories are simply unacceptable and we must ensure that bona fide claims for asylum are considered with real care, particularly given the deteriorating situation in Sri Lanka.

Jeremy Corbyn: Does the hon. Gentleman agree that merely the act of seeking asylum on the part of many people from the Tamil community in Sri Lanka would render them liable to all kinds of dangers if they were forcibly returned? In that sense, would it not be better not to return people forcibly to Sri Lanka?

Mr. Davey: The hon. Gentleman makes a valid point. This is a cleft stick for the Government. False claims are false claims, but I have seen too many cases where bona fide claims for asylum have been rejected. Despite making the strongest possible representations, people have been returned, sometimes never to be heard of again.

My final point relates to the ban. The right hon. Member for Leicester, East (Keith Vaz) rightly suggested that it was counter-productive. It may well be. I hope that the Minister can develop the response that his colleague gave me when I asked about the possibility of a process for reviewing the ban. Can the Government be a little clearer about how they could involve Members in looking at the issue again? They should do so, for the following reason.

When the statutory instrument was originally passed proscribing the LTTE, it was one of more than 20 organisations named in it. There was no single debate about the LTTE, just one debate on the whole statutory instrument. We did not have 20-odd separate votes after 20-odd separate debates—just one. Of course those regulations included a number of organisations that really needed to be proscribed, as the whole House agreed, but I believe that there is a debate—a legitimate debate—about whether the LTTE should be

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proscribed, and it ought to be heard. The process that proscribed the LTTE in the first place was inadequate. That, in itself, is an argument in favour of a review at the very least.

Simon Hughes: Just so that my hon. Friend is clear, I am sure he remembers that that was a point that we made at the time, and beforehand; it is not a point that we have thought up later. We said then that if a step as serious as banning organisations is to be taken, there must be a process in this place to look into the evidence for each case separately, one by one. We have argued that consistently, and I hope that the Government have at last come to understand it.

Mr. Davey: I totally agree with my hon. Friend.

Sri Lanka has the potential to be one of the powerhouses of Asia, and the world. Just three decades ago, it was held up as a model society. Professor Amartya Sen used to write in glowing terms that here was—dare I say it?—a socialist economy and society that had managed to reduce infant mortality, improve literacy and achieve many other key indicators of human progress. Sri Lanka had done a tremendous job. However, the strife that we have seen over the past 30 years has, unfortunately, seen the society go backwards and social progress reversed.

I am sure that those achievements can be regained—but what it will take to do that is peace. It will take Governments such as ours and the European Union putting even more pressure than they have hitherto on both parts of the island to come together. The biggest aid package that we could ever give to the island would be to help it to promote peace. It would no longer need our support or aid—it is more than capable of becoming prosperous by itself, without a pound of aid—if we helped it to restore peace. I am delighted to see that a Minister from the Department for International Development is to respond to the debate, and I hope that his Department, working with the Foreign Office, can give Sri Lanka that aid.

When the tsunami occurred, I hoped that it would help to stimulate peace and reconciliation, because the response to it was building on the ceasefire agreement that had been working, particularly under Prime Minister Wickramasinghe. Unfortunately, that did not happen. Some of the negative voices from the old Kumaratunga regime, and subsequently from the Rajapakse regime, had their way, and we have seen a deterioration in the situation ever since.

When we were considering how individual MPs and communities in this country could help, one project that I was delighted to support was the fish and ships scheme. Many fishermen had lost their boats, and their livelihoods, as a result of the tsunami, but some British people living in Sri Lanka got together with the fishermen and the communities and said, "If we supply you with ships and get you contracts with British supermarkets for your fish, that will help to revive your economy." And that has happened.

If we help people in such ways, Sri Lanka can be a wonderful place again. But there is a precondition: peace. Let us not wait another five or 10 years before the House again debates this issue and puts pressure on the Government to do more. Let us keep coming back to the subject again and again, because the cause of peace in Sri Lanka deserves our attention, and deserves to be one of the key issues to which we pay attention.

6.11 pm

Mike Gapes (Ilford, South) (Lab/Co-op): First, I should like to apologise for not being here for the opening speeches. This debate started earlier than expected, and I was chairing a Select Committee evidence session on Iran.

I am speaking in two capacities: as the MP representing a constituency with a large Sri Lankan Tamil community and as the Chair of the Foreign Affairs Committee. I am in an unfortunate position, in that the Committee is publishing a report on south Asia on Friday, but it is embargoed so I cannot quote from it—*[Interruption.]* Yes, I am holding it in my hand. I can at least refer to the evidence. The report examines the whole regional context, but we have of course touched on the serious situation in Sri Lanka.

Before I refer to the report, however, I should like to place on the record the fact that I agree with most of the contributions that I have heard today, and certainly with what the hon. Member for Kingston and Surbiton (Mr. Davey) said about the cultural contribution of the Tamil community. We have a chariot festival in Ilford every year, and the community contains temples and prosperous businesses. The area of my constituency around Ley street has become a centre of the Tamil community, enriching and enlivening the cultural life of the borough of Redbridge.

Given the contribution that most Tamil people in the UK make, it is tragic that many of them are suffering grievously because of what is happening to their relatives and friends in Sri Lanka. A letter was faxed to me two days ago in which one of my constituents says:

> "I am deeply grieved at the deplorable state of affairs at the moment, especially the disappearance of innocent civilians. A pathetic state of affairs, indeed, for an agreement which once looked so promising, but five years since it came into effect, the Ceasefire Agreement is almost defunct."

I could go on. Other Members have reported many similar things. The sad thing is that the hope for the co-operation that might have resulted following the terrible tsunami, and the possibility of building on the ceasefire agreement have clearly gone backwards. In the past few months, we have all no doubt received from our constituents pictures of the consequences of the air raids and the bombing of civilian areas, and of people who have died in many parts of Sri Lanka. At the same time, terrorist actions and criminal activities are going on, and the population in many areas is suffering grievously as a result.

Jeremy Corbyn: I am not asking my hon. Friend to reveal anything in the report due out on Friday, but does he agree that it is important to give all the support that we can to the International Committee of the Red Cross in trying to trace some of the missing people? Such anguish is caused to families here whose loved ones have disappeared and are possibly dead but who receive no news because of either the collapse of communications in Sri Lanka or the refusal to divulge information. International agencies are therefore required to help out.

Mike Gapes: I agree. We also need to support all the international institutions, the UN processes that have been mentioned, the attempts made by individual Governments, and the attempt of my right hon. Friend the Member for Torfaen (Mr. Murphy), whom I had the great pleasure of serving as Parliamentary Private Secretary during the Northern Ireland peace negotiations when the Labour Government were first elected. Nobody could be better qualified to try to assist the process in Sri Lanka, but I wish him luck because the complexities of the politics in Sri Lanka are even worse than those in Northern Ireland. Therefore, no easy solution can be reached.

The violence has had an enormous economic impact, as has been mentioned. Sri Lanka's growth and economic development has been held back, and its once successful tourist industry has been harmed—it would be harmed even more if the BBC were to give some coverage to the appalling situation in Sri Lanka. Our media do not give the conflict in Sri Lanka the coverage that some other conflicts receive. Some of my constituents who demonstrated outside the House of Commons a few months ago were enraged that the hundreds of people complaining about the human rights situation in Sri Lanka received no coverage whatever. It is interesting to ask why. The reason might be the malign role of the LTTE and the image that it gives the community. I am an advocate not of the LTTE, but of my constituents and those who have suffered from the terrible things going on in their country.

Reference has been made to the number of people in refugee camps, the internally displaced people and the refugees who have gone all over the world in the Tamil diaspora. Human rights abuses have been committed on both sides. Many people in Sri Lanka today have suffered as a result of the recruitment of children into terrorist organisations. From evidence given by Human Rights Watch to our Committee and information from other sources, it has become clear that the Karuna faction, which was previously with the LTTE and has gone across to fight on behalf of the Sri Lankan Government, has been recruiting children for its forces and carrying out terrible crimes. The LTTE has also recruited children, and the tactic has been used in the conflict for many years. That is completely against all the international norms and conventions, and we need to denounce that loudly and press for the practice to end.

As has been mentioned, the Norwegians have tried hard to get a political solution over the years. But the situation today requires renewed international efforts. Along with the efforts of our Ministers and my right hon. Friend the Member for Torfaen, I hope that the Government of India will use whatever influence they have. We must bear in mind the sensitivities, especially given that a Prime Minister of India was assassinated as a result of involvement in the Sri Lankan conflict. Politicians in India might therefore be a bit wary of getting too involved. Nevertheless, if India aspires to be a regional power and player, and certainly if it aspires to a permanent seat on the UN Security Council, it has a role to play in thinking more about how it might assist in achieving a solution to the conflict on the island to its south.

Simon Hughes: I am pleased that the hon. Gentleman is speaking, given that he chairs the Foreign Affairs Committee. I think that I am right in saying that Sri Lanka does not feature in the report that his Committee has just produced, which deals with human rights matters around the world and covers what happened last year. Will he take the issues we have raised back to the Committee, and ensure that Sri Lanka is raised in next year's report?

Mike Gapes: Our human rights report did not refer to every country in the world. We tried to highlight a few instances in which we thought the Government's report was inadequate or required further comment. As we were conducting an inquiry on south Asia and would be publishing our report at about the same time, we felt that duplication was unnecessary. However, when our report is published on Friday it will contain comments about human rights in Sri Lanka.

I am sure that my Committee colleagues will consider what we do in future human rights reports, but I cannot commit my Committee. As the hon. Gentleman knows, it is a democratic Committee whose 14 members make collective decisions. I hope we will examine the situation in Sri Lanka in the round in the coming year.

I believe that this conflict deserves much greater attention. I believe that there is a role for our Government and for Parliament in trying to facilitate dialogue and a political solution, but I also believe that tactics such as blowing up buses, assassinating political leaders and bombing villages cannot be excused, justified or apologised for, whoever employs them. I therefore believe that members of the various communities—the diaspora, and those in Sri Lanka—who are concerned about these issues must try to find the best way of returning to a political solution.

As other Members have said, we must get back to politics. Only politics, dialogue and negotiation will provide a solution. The slow, difficult processes in which my right hon. Friend the Member for Torfaen—and many other Members in all parts of the House—played a part for the many years that it took to secure agreement in Northern Ireland will be needed again in Sri Lanka. We must all maintain international support for that approach, just as we received support from the United States, the European Union and the international community.

6.22 pm

Mr. Andrew Love (Edmonton) (Lab/Co-op): I congratulate the Government on making time for the debate. The fact is that Parliament has been rather remiss when it comes to Sri Lanka, especially in view of the number of people who have died and the fact that the conflict has been ongoing since 1983.

I pay tribute—as we all seem to be doing—to my hon. Friend the Member for Brent, North (Barry Gardiner) and to the Under-Secretary of State for International Development, who will reply to the debate. Both played a prominent role in Sri Lankan affairs before they became Ministers, and—as has already been mentioned—both their constituencies contain significant Tamil communities.

[Mr. Andrew Love]

I want to make a number of points in the limited time available to me. The first concerns the drift back to war that has been going on for some time. Almost immediately after the ceasefire agreement in 2002, despite six rounds of talks that seemed to be very positive—the LTTE discussed prisoner exchanges and was going to drop the idea of an independent state—by 2003 the LTTE had pulled out, suggesting that it had been sidelined. That resulted in a serious loss of momentum. It was nearly four years before the next major effort was made to bring the two communities together, and although they met in February 2006 and agreed to meet again in April, that subsequent meeting never took place. I pay tribute to Norway for its unsuccessful attempt to bring the two communities together in Oslo in June that year.

There are many reasons for the failure of those efforts, but I shall cite three that I consider particularly important. In October 2003, there was an interim self-governing agreement. Unfortunately, that split the Sinhalese community, and in subsequent parliamentary elections the United National party, which was more sympathetic than some others to finding agreement, was defeated. A consequence of that defeat was that the LTTE and the Tamil community began to wonder about the limitations of the peace process in delivering genuine change for them.

Secondly, 35,000 people were killed as a result of the tsunami and Members know from debates in this House that there was no direct aid to Tamil areas; it had to be filtered through the Government. There was an agreement between the Government and the LTTE: the post-tsunami operational management system or PTOMS. However, that was challenged in the supreme court, and consequently the aid was slow in getting through and the Tamil community began to wonder whether its suffering caused by the tsunami was being recognised.

The third reason was the assassination of the Foreign Minister, Mr. Kadirgamar. Although it is widely assumed that that was carried out by the LTTE, no one has claimed responsibility. That has further deepened the hostility between the communities.

The drift into war became a slide after April 2006. The new Government of the Sri Lanka Freedom party came under pressure from the more nationalist smaller parties to take a tougher response to the negotiating process. The LTTE abandoned any prospect that peace would be delivered, and returned to the low intensity insurgency of some years before. There was also the defection of the Karuna faction, which felt that it was not being listened to within the LTTE, and the belief of many in the military and the Sri Lankan Government that they could exploit that split. The consequence of all of that is that some believe that there can be a military solution. We should make it clear—every Member who has spoken has done so—that there is no military solution. That is not only because the LTTE remains much stronger than many people think, especially in the north of the island, but because, as we have seen in recent weeks and months, it still has the ability to disrupt Sri Lanka and to fight back when necessary. Because we should not underestimate the LTTE, it is crucial that the international community starts to bring the two communities together.

We have talked a lot about Norway and some Members have been critical, but Norway cannot succeed alone. It needs the help of the international community. That was clear from what happened to the Sri Lanka monitoring mission. The LTTE said that it had to get out of its areas, and it had to retreat back to Colombo and remove monitors who were from European Union countries. The international community has a role to play, and it must do more.

Mr. David Burrowes (Enfield, Southgate) (Con): Will the hon. Gentleman give way?

Mr. Love: I apologise, but I shall not take interventions as I only have two minutes.

In recent months countries and organisations such as Canada, the European Union and the United States have taken tougher action in respect of the LTTE; Canada, for example, has joined others in proscribing it. I do not want to get into the arguments for and against taking such action, but we should clearly state that we cannot defeat it militarily and neither can we do so by banishing it from the political system. It has to be possible to bring it in. There has to be a political solution to the problem and that must include the Tamil community—a solution cannot be achieved without it. That requires critical and sustained international engagement. My major plea is that the British Government must call on the international community to do more. Some time ago, the international donors talked about putting pressure on in terms of international donations. Many countries give debt relief to Sri Lanka. Are we asking whether that is getting through to all the people in Sri Lanka to ease all of its problems? We need answers to such questions.

I wanted to go into greater detail than time allows on the human rights situation, which is extremely bleak. There is an intensification of the dirty war that mainly impacts on civilians in the north and east of the country. Child recruitment continues on both sides, and there have been more than 700 abductions and disappearances in recent months. Emergency regulations have effectively been turned into prevention of terrorism legislation that contains sweeping powers and is not accountable to the political process. Of course, the LTTE has gone further in rejecting the possibility that the peace process can deliver for it.

So the reality is that the situation has not been bleaker than this for many years. The reality is also that only the international community can make a real difference in bringing the two sides together. I make the plea that I am sure everyone else is making. Although the British Government may not play the main role, in many ways they have a unique role because of our membership of the Security Council, our historical role in Sri Lanka and our membership of the EU. All those factors can be brought to bear to ensure that we do the most important thing: bring the two sides together, reintroduce the ceasefire agreement and get the political process under way.

6.31 pm

The Parliamentary Under-Secretary of State for International Development (Mr. Gareth Thomas): This has been a serious and considered debate that has reflected the Government's profound concern at the situation facing the people of Sri Lanka. My hon. Friend the Minister for the Middle East began the debate by setting out a range of steps that we have taken. He deliberately chose to initiate this debate precisely to allow Members to raise the issues that we know many constituents are concerned about. He confirmed not only that he has visited Sri Lanka, but that he is due to do so again.

My hon. Friend was followed by the hon. Member for Cotswold (Mr. Clifton-Brown), who spoke for the Opposition. In a wide-ranging speech, he made a series of points and asked a number of questions, not the least of which concerned the role of India and the potential of British discussions with the Indian Government regarding the situation in Sri Lanka. I can confirm that such discussions are ongoing, and that my hon. Friend is due to visit India shortly to continue them in person. I will come to the other questions that the hon. Gentleman asked in due course.

We were then treated to the contribution of my right hon. Friend the Member for Torfaen (Mr. Murphy), who brought his considerable experience of Northern Ireland matters to this debate. I welcome the fact that he has visited Sri Lanka, and that his interest continues and he is willing to travel again to that country to share the benefit of and reflect on his experience. His forthcoming visit, timed as it will be to coincide with the visit of my hon. Friend the Minister for the Middle East, who will bring the Government's perspective to the situation in Sri Lanka, will be particularly important. My right hon. Friend made a particularly important point about the Northern Ireland process. The lessons learned from Northern Ireland have a particular read-across to the situation in Sri Lanka. He referred to the importance of parity of esteem, as he put it: the need to develop mutual respect across the divides that haunt Sri Lanka.

My right hon. Friend was followed by the hon. Member for North Southwark and Bermondsey (Simon Hughes), who touched on the concerns of many of his constituents and made a series of wide-ranging points that I will come to in due course. He was followed by my hon. Friend the Member for Tooting (Mr. Khan), who, among the various points that he made, was the first Member to highlight the wide-ranging contribution of Sri Lankans to the cultural and economic life of our country, and to many of our constituencies, towns and cities.

The hon. Member for Mid-Worcestershire (Peter Luff) made an especially important point about the need for courage from the leaders of the key groupings in Sri Lanka to offer leadership towards a peace process, given the scale of the conflict and the number of lives that have been lost. It is important that that leadership is offered.

My right hon. Friend the Member for Leicester, East (Keith Vaz) brought his considerable interest and involvement to the debate, and highlighted the need to ensure that the aid that we offer to Sri Lanka is well targeted. I will say more about that point later.

The hon. Member for North-West Cambridgeshire (Mr. Vara) gave justified recognition to the considerable contribution of the Norwegian Government. I pay particular tribute to the Norwegian Minister, Erik Solheim, who has been diligent about maintaining his country's support for the peace process in Sri Lanka in a difficult period. The hon. Gentleman also highlighted the considerable humanitarian needs in the country, and I shall describe how my Department is trying to mitigate the scale of that need.

My hon. Friend the Member for Lewisham, Deptford (Joan Ruddock) also described the considerable role of the Sri Lankan community in her constituency and rightly dwelt on the scale of human rights abuses in Sri Lanka at present.

The hon. Members for Putney (Justine Greening) and for Kingston and Surbiton (Mr. Davey), and my hon. Friend the Member for Edmonton (Mr. Love) also made heart-felt points about the opportunity that the tsunami appeared to pose for bringing the sides together. I visited Sri Lanka most recently in June 2005, having also travelled to Aceh in Indonesia, where the tsunami was indeed a catalyst for bringing all sides together. However, by June 2005, it was beginning to become clear that the moment had passed when the force and devastation of the tsunami could have offered a route back into the peace process in Sri Lanka. The conflict was already beginning to return to the state it was in before 2002.

My hon. Friend the Member for Walthamstow (Mr. Gerrard) rightly highlighted the concerns in his constituency and across the UK about the level of human rights abuse in Sri Lanka. In acknowledging the importance of the presidential commission that has been established to look into the issue, he rightly highlighted the need to go further and to ensure that the recommendations of the commission are implemented and deliver tangible improvements in the human rights situation in that country.

My hon. Friend the Member for Ilford, South (Mike Gapes) brought to our debate his considerable experience as Chairman of the Foreign Affairs Committee. We look forward with interest to the publication of his Committee's report on Friday. He made the point that more media attention could justifiably be paid to the conflict in Sri Lanka. Perhaps the publication of the Committee's report will provide an opportunity for that greater media engagement.

In addition, some extremely astute and important interventions were made by my hon. Friends the Members for Ealing, North (Stephen Pound), for Islington, North (Jeremy Corbyn), for Sunderland, South (Mr. Mullin) and for Hayes and Harlington (John McDonnell), and by the hon. Members for Richmond Park (Susan Kramer), for Croydon, Central (Mr. Pelling) and for Enfield, Southgate (Mr. Burrowes).

I know that concern about what is happening in Sri Lanka goes beyond those hon. Members who have been able to attend today's debate. I have received representations from my hon. Friends the Members for Watford (Claire Ward), for Harrow, East (Mr. McNulty), for Brent, North (Barry Gardiner), for Brent, South (Ms Butler), and for Croydon, North (Malcolm Wicks). I also know that this debate will be noted widely across the UK by people in the Sri Lankan Tamil, Sinhalese and Muslim

[Mr. Gareth Thomas]

communities. I know from my own constituency of the profound concern about the situation in Sri Lanka.

I first had the privilege of visiting the country in October 2002, at a time of great hope in the peace process, when people were very optimistic about what was happening. I travelled to Jaffna, which must be one of the most beautifully sited cities in the world, in the company of a Tamil friend from my constituency, and I saw his tears at the scale of the devastation in the city where he grew up and was educated. Since then, and like many other hon. Members, I have heard about the frustration that many people from our Tamil, Muslim and Sinhalese communities feel about the situation in Sri Lanka. That frustration has to do with the prospects for peace, the worsening humanitarian situation and the impact that the conflict is having on development, human rights and on the recovery from the tsunami.

As my hon. Friend the Minister set out, the desire for peace and progress has to come from inside Sri Lanka itself. Our Prime Minister has made clear to President Rajapakse our willingness to help, and I hope that the House will agree that my hon. Friend's visits to the country, the discussions held by my right hon. Friend the Foreign Secretary and other Ministers with visiting Ministers from Sri Lanka, and the engagement of my right hon. Friend the Member for Torfaen show the extent of our commitment to help the people of Sri Lanka move forward. However, I repeat that the peace process must begin in Sri Lanka itself.

All Governments, and especially democratically elected Governments, have the responsibility for defending their countries against terrorism. The Sri Lankan Government are no exception, although they also face the considerable challenge of delivering a peace settlement that will meet the aspirations of all Sri Lanka's different groups.

The last time that the House had the opportunity to reflect on the situation in Sri Lanka as we have done today was in the aftermath of the tsunami. At the time, there was considerable concern about the scale of the displacement and loss of life that had taken place. In today's debate, we have heard about the continued concern in the period since the tsunami, so I will set out in some detail what my Department and the Government more generally have been able to do in response.

Simon Hughes: Have the Sri Lankan Government given any indication that they understand what the Labour Government, to their credit, have understood in respect of Britain—that people can be kept happy only if they are given power and self-government? Has there been any recognition of that in communications from the Sri Lankan Government since Labour has been in office?

Mr. Thomas: If the hon. Gentleman will bear with me, in a little while I shall deal with matters such as the fact that the President has set up all-party talks about a possible settlement offer.

I was talking about the effects of the tsunami. By the beginning of 2006, almost all the children in the areas affected were attending school. Not surprisingly, the situation has deteriorated since then, and school attendance in the north and east is now severely affected by the security situation.

Almost all families that were still in our camps now have access to much sturdier transitional shelter. More than 70 per cent. of families are back in their own homes, and more than 75 per cent. of people have regained their livelihoods. Moreover, progress is being made with the building of improved education and health facilities. We had anticipated that this year major infrastructure programmes would forge ahead and that the pace of progress in building permanent housing would pick up. However, Members will not be surprised to learn that the resurgence of the conflict has had serious consequences for the reconstruction effort and for development more generally, particularly in the north and east of the country.

We committed aid of about £7 million immediately after the tsunami struck. About £500,000 is outstanding. We set that money aside to try to help to develop the capacity of the north-east provincial council to lead the recovery process, but the money is unspent because of the impact of renewed conflict. Other money we gave is being well spent, as I saw on my visit to the Ampara district in June 2005. I visited a Tamil rehabilitation organisation camp where money we gave the Adventist development and relief agency was helping to provide water tanks and carriers for some of the 5,000 displaced families in the district.

We contributed about £250,000 to World Vision UK to help fund the distribution of food and basic shelter materials to more than 120,000 people in Sri Lanka. We gave aid to help the Save the Children Fund in the distribution of food, shelter, household items and water purification material to about 100,000 families across Sri Lanka, including in the north and east. We also helped to fund the UN operation in Sri Lanka. The UN led the international response to assist the Government of Sri Lanka and we helped to fund its capacity to do so.

Whatever the form of the final settlement to the ethnic conflict that is scarring Sri Lanka, it must emerge through inclusive negotiations between representatives of the different communities, as Members have said. That will mean making difficult compromises, as the hon. Member for Mid-Worcestershire pointed out. Some people in Sri Lanka may prefer not to make those compromises, believing that a military solution is a better option. Bluntly, as has been said in all the contributions, a military solution is not the better option. Twenty-four years of fighting in Sri Lanka have shown that neither side is capable of a total military victory. Even if a military solution were possible, a settlement imposed following a military victory would be a source of considerable resentment and future conflict; it would not have the makings of a genuinely sustainable peace.

The hon. Member for North Southwark and Bermondsey asked about our conversations with the Sri Lankan Government. The all-party committee initiated by President Rajapakse provides an opportunity to reach a consensus, especially among southern politicians, on what devolution might look like in the Sri Lankan context. We welcome that initiative and hope that the final proposal for

devolution will be ambitious in its efforts to accommodate the aspirations of all Sri Lankans.

Mr. Love: There are constant rumours that if consensus is reached but negotiations do not take place the Sri Lankan Government will go ahead without agreement. What would be our Government's reaction in that case?

Mr. Thomas: I am sure that my hon. Friend will forgive me if at this stage I do not speculate on an unknown outcome. As I have said, a solution in Sri Lanka will have to be reached through negotiation and compromise, and I hope that that message is well understood.

Many Members touched on the humanitarian situation, reflecting on the impact of the conflict on the civilian population. Much of the recent fighting has occurred in heavily populated areas of the east. Tens of thousands of people have been displaced over the past year. Recent reporting by UN agencies suggests that malnutrition remains a real concern for many living in internally displaced person camps. Those camps are not the places of refuge that they should be from the killings and political abductions that are scarring Sri Lanka.

In the north, the situation in Jaffna is particularly grim. It is a city of 600,000 people and it remains cut off from the rest of the country. We agree with the co-chairs of the peace process—the EU, Norway, Japan and the United States—that there should be

"immediate, permanent and unconditional opening of the sea and road routes"—

the A9 has been referred to—

"for humanitarian convoys of essential supplies."

As the intensity of the fighting has increased, the space for humanitarian agencies to operate in has become much more constricted. Both the Government of Sri Lanka and the LTTE have a responsibility to ensure that humanitarian agencies are able to get full access to civilians in need of support. Crucially, they should respect the neutrality of humanitarian agencies. Seeing humanitarian agencies as legitimate targets for vilification because they support peace may jeopardise the security of their staff.

According to figures compiled by Reuters, Sri Lanka is one of the most dangerous places in the world for humanitarian workers to operate. In 2006, 23 were killed, 17 of them in a terrible murder near Trincomalee in August. I am sure that the House will join me in paying tribute to UN agencies, the International Committee of the Red Cross and numerous non-governmental organisations for the selfless work that they do in Sri Lanka.

Mr. Davey: I join the tribute that the Minister has paid to United Nations agencies that are working on the island. He talked about the need to open land routes, in particular, in an area that is battered by conflict. Is not one possible solution to ask the United Nations Security Council whether there could be a peacekeeping force just for that route, to keep it open for humanitarian aid? Is that one possible way forward?

Mr. Thomas: I will come later to the question of the UN and the discussions that we have been having through it. We have made it clear that access is necessary by road and sea. I take this opportunity again to urge the LTTE and the Government of Sri Lanka to recognise that they have a responsibility to facilitate access for humanitarian and development agencies. That is a responsibility on the Government of Sri Lanka, but it is also one that the LTTE must recognise.

I touched on what we as a Government have been able to do to respond to the humanitarian needs. In September last year, we contributed $1 million to the United Nations and the International Committee of the Red Cross for their response to the humanitarian crisis unfolding in Sri Lanka. An assessment mission has recently returned again from Sri Lanka and we will assess the recommendations in its summary report in the next few weeks with a view to considering what else we can do to help mitigate the impact.

Much has been said about human rights. As a number of hon. Members have said, in areas under LTTE control, there is no tolerance of dissent or of freedom of expression. The LTTE needs to develop its role as a credible partner for peace. It cannot continue to persecute Tamils just because they have opposing views. As my hon. Friend the Member for Lewisham, West (Jim Dowd) made clear in one of his interventions early on, there have been credible reports that members of the Government security forces have been involved in extra-judicial killings and there have been repeated allegations that some civilians detained during large anti-terrorist operations have disappeared. I know of concerns from my own constituency case load, as well. It appears that anti-LTTE paramilitary groups have also been engaged in violence and intimidation. Despite promising to do so, the Government of Sri Lanka have not succeeded in preventing those armed groups from operating in Government-controlled areas. There are allegations of collusion by the security forces.

The four leading international players in the peace process—the co-chairs—have made it clear that they believe that both parties have failed to deliver on their responsibilities in that respect, including on the commitments made at the Geneva meeting in 2006. We share that view and the concern that has been raised in the House about the serious restrictions that have been put on freedom of expression, with journalists and newspaper distribution agents being intimidated and, in some cases, killed.

Mr. Clifton-Brown: I asked the hon. Gentleman several questions during my speech, notably whether the UK Government were taking any new initiatives to solve the peace process, especially involving the United Nations. Will he say something about that before he concludes?

Mr. Thomas: I will indeed. However, first let me highlight the fact that the Foreign Minister and two other democratically elected Members of Parliament have been killed in the past two years. Many ordinary people have been reported as disappeared or simply killed.

[Mr. Thomas]

The hon. Member for Cotswold asked me about the UN, as did the hon. Member for Kingston and Surbiton. Last year, Louise Arbour, the United Nations High Commissioner for Human Rights, felt that the unfolding human rights situation was so serious that she called on the international community to continue to monitor it. She said that the events were not just ceasefire violations, but grave breaches of international human rights and humanitarian law. That is why we continue to seek a resolution at the UN Human Rights Council. We want discussions to take place there so that we can help to build a framework for peace and increase confidence on all sides in Sri Lanka.

As I indicated, we welcome and support the establishment of the international independent group of eminent persons, which will monitor domestic investigations into human rights abuses. However, the group, on its own, is not enough. The investigations must be rigorous and fast. They must help to ensure that more of the perpetrators of human rights abuses are brought to justice.

I am sure that the House will agree that one of the most abhorrent human rights abuses is the continued recruitment of children to fight. Both the LTTE and the Karuna faction have given undertakings that they will stop the practice, but evidence, including that from UNICEF, suggests that both organisations continue to force children to fight.

The hon. Member for Cotswold asked whether the Sri Lanka monitoring mission could be strengthened. We agree that it has done an excellent job in often difficult circumstances. I hope that the LTTE will once again co-operate with the mission and allow monitors from EU member states to return.

My hon. Friend the Member for Edmonton asked about debt relief and the UK's decision to pay thus far only half the outstanding debt relief tranche for 2006. We believe that that sent a clear message to the Sri Lankan Government about our concerns. The outstanding payment will be made only when consultations have concluded with the Sri Lankan Government. Those consultations will, in particular, involve discussions about the human rights situation in Sri Lanka. When the high commissioner met the Sri Lankan Foreign Minister last week, they discussed debt relief and our concerns about human rights. The high commissioner urged the Sri Lankan Government to respond to and address our concerns. Further debt relief payments cannot be made until that happens.

Many hon. Members asked what else the Government could do in addition to the considerable efforts that we are already making. Our top political and developmental priority in Sri Lanka is supporting peace building. The Department works closely with our colleagues in the Foreign and Commonwealth Office and the Ministry of Defence and with those whom support the Prime Minister. We combine our operations in the country, and we are using funds from the global conflict prevention pool to support a series of programmes that will help to bring the sides together, slowly to try to create the conditions for a sustainable peace.

Sri Lanka is a country of huge but unfulfilled potential. We want a peaceful solution to the conflict. That solution must be one with which all the people and communities in Sri Lanka feel comfortable. It must enable the society to become more prosperous and healthier. We will continue to be engaged in the search for peace in Sri Lanka.

Lord Commissioner of Her Majesty's Treasury (Mr. Dave Watts): I beg to ask leave to withdraw the motion.

Motion, by leave, withdrawn.

DRAFT HUMAN TISSUE AND EMBRYOS BILL (JOINT COMMITTEE)

Resolved,

That this House concurs with the Lords Message of 26th April, that it is expedient that a Joint Committee of Lords and Commons be appointed to consider and report on any draft Human Tissue and Embryos Bill presented to both Houses by a Minister of the Crown and that the Committee should report on the draft Bill by 25th July 2007.

Ordered,

That a Select Committee of nine Members be appointed to join with the Committee appointed by the Lords to consider the draft Human Tissue and Embryos Bill.

That the Committee shall have power—

(i) to send for persons, papers and records;

(ii) to sit notwithstanding any adjournment of the House;

(iii) to report from time to time;

(iv) to appoint specialist advisers; and

(v) to adjourn from place to place within the United Kingdom.

That the quorum of the Committee shall be two; and

That Mr David Burrowes, Ms Katy Clark, Dr Ian Gibson, Robert Key, Chris Mole, Dr Doug Naysmith, Geraldine Smith, Ms Dari Taylor and Mr Phil Willis be members of the Committee.—*[Mr. Watts.]*

Lending Regulations

Motion made, and Question proposed, That this House do now adjourn.—*[Mr. Watts.]*

6.59 pm

Siobhain McDonagh (Mitcham and Morden) (Lab): May I start by saying that, unusually, I did not want to call for this debate, but Barclays bank has given me no choice? That is the same Barclays bank that, only weeks ago, announced record profits of £7 billion. It is the same Barclays bank that paid one of its executives £22 million last year alone. We all know that Barclays likes to make a killing in the City, and we congratulate it on its success, but hand-in-hand with success goes the corporate responsibility to be reasonable to customers, particularly the most vulnerable customers. I have discovered that there is a sinister side to Barclays, and I want to share it with Members this evening.

Like many Members, I write tens of thousands of letters a year on behalf of my constituents—there are thousands and thousands of names on my casework system—but I do not ask for Adjournment debates on every case that comes along. I would only do so in extreme cases when every other effort has failed. This is such an occasion. My constituent, Mr. Aranda, first saw me at one of my advice surgeries in February. He lives very modestly in a small flat at The Beeches in Morden. Mr. Aranda is not a profligate man—he works hard and he wants the best for his family. He started a small business cleaning carpets, because he wanted to get on. He speaks very little English, and I have been dealing with him mainly through his daughter. When he came to my surgery, he had stomach cancer and was very poorly. He was not recovering as fast as expected and he was clearly under stress.

Through Mr. Aranda's daughter, I found out that before his illness, he had taken out a couple of loans with his bank—Barclays. He had been a good customer of Barclays for many years, and he went to his local branch believing that it would give him a good deal. Before I go any further, I should confess that I am not usually the greatest expert on financial small print. I understand that there may be in the not-too-distant future a vacancy for the position of Chancellor of the Exchequer. I should like to reassure the House that I will not be applying for any such vacancy. I may struggle to decipher the small print of financial contracts, but at least I understand English. Mr Aranda does not understand English very well. Barclays sold Mr. Aranda his loans in English, and it also sold him two insurance policies to cover him in case of illness. Those policies were with Barclays Insurance Dublin.

It is not clear whether Mr. Aranda would have obtained a better deal elsewhere on his loan, or whether he should have obtained his insurance with another company. It is not even clear whether the loan depended on buying insurance from Barclays in Dublin, or whether Mr. Aranda believed that he had to buy his insurance from Barclays. Nor is it clear whether Mr. Aranda should have been advised about insurance that covered all his financial commitments, including his overdraft and credit cards. It is clear, however, that Mr. Aranda was sold Barclays products in a language he barely understands, with small print that even native English speakers find confusing, by a member of staff who was under pressure to maximise sales.

Barclays has form when it comes to selling unnecessary financial products to confused customers. In March, the BBC broadcast the results of a nine-month investigation into its sales techniques. An undercover investigator was told by a bank trainer that he "loved" receiving calls from customers complaining about bank charges. He said:

"They'd phone up, start crying and blaming you and telling you their kids are going to starve. And I'd be like, 'I don't know you—I don't care.' I was just thinking, 'you're not getting it back.' I was a right git."

The investigator revealed that her trainer, whom Barclays had chosen to teach the bank's new staff how to behave to customers, said:

"I hate it when they say the customer is always right. It's just ridiculous. Someone was stoned when they made up that policy."

The reporter said that a

"cynical attitude to sales—and to customers—permeated every aspect of my work with the bank."

After her experience of working for Barclays, she added:

"Barclays, like most banks, has a system of targets and bonuses to encourage its staff to sell. I saw the effects of the ruthless target-driven environment. In just four weeks in my branch, I saw one of my colleagues break down in tears because of the pressure to sell and I heard about another from a different branch being suspended, accused of a series of misdemeanours...Mis-selling seemed to be rife."

Naturally, Barclays denied the contents of the documentary, but I can well imagine how confused Mr. Aranda may have been when he was sold his loans and insurance policies. He had a current account with Barclays, an overdraft with Barclays, and a Barclaycard credit card with Barclays. I should have thought that the best thing would have been to get an insurance policy that covered those high interest products, but that is not what happened.

Leaving aside the question whether Mr. Aranda was mis-sold financial products, once he became ill, surely the insurance policy would simply pay out and his financial concerns would be behind him. Unfortunately, when Mr. Aranda was taken ill that was not his experience at all. Mr. Aranda was ill for some time before the specialists confirmed that it was cancer. In order to find out what was wrong with him, he had to undergo some very invasive and distressing procedures. He was finally diagnosed with stomach cancer, and ultimately underwent major surgery in September last year. But he had been struggling with work for much longer than that. He became reliant on means-tested benefits, and had been in financial difficulties from as early as January 2006.

Instead of making things easy for Mr. Aranda when he got into financial difficulties, Barclays imposed onerous conditions on its policies. It refused to pay out unless he provided several medical certificates a month. These cost £80 and more for every month, and the cost of the certificates was not covered as part of his insurance. Barclays simply expected someone suffering from cancer and dependent on benefits to shell out £80 a month to get what he was owed. That was equivalent to one week's income per month.

[Siobhain McDonagh]

Barclays is not the only villain of the piece. I shall use this opportunity to highlight the activities of Morden Hall GP practice. I am very concerned that GPs, who have been given extremely generous new contracts under the Government, are continuing to levy unfair charges on their patients. Morden Hall GP practice was charging Mr. Aranda £20 for each of the medical certificates, no matter how often they were required, and no matter what the real cost of writing them. Each certificate would have taken just a few minutes to write, yet the charge was £20 each time.

When the public affairs industry spotted that I was holding a debate on banks, I received several calls asking whether I was going to raise the issue of excessive charges for writing simple administrative letters. Well, I am, and I hope that the House will send out a message tonight to GPs that MPs are angry about the way they charge patients. The practice should cease. GPs should not charge people like Mr. Aranda for certificates. They should not charge MPs like me for correspondence when we write on behalf of our constituents. They are very well paid, and that is part of the service that we expect. However, that is a debate for another occasion.

Mr. Aranda was struggling to get a payout from Barclays and struggling to pay for all his medical certificates when he came to see me in February 2007. He wanted me to see what I could do to make things a little easier. He also revealed some extremely disturbing practices by Barclays. He first attempted to claim his insurance in March 2006. Barclays admits that the claim was delayed, although it blames this on the GPs. However, his insurance did not cover all his commitments, and he used the payments that he did receive just to get by, or to keep his overdraft down.

Throughout 2006, Mr. Aranda started to get more and more threatening phone calls from the Barclays' collections team. Even Barclays admits that it instigated 34 phone calls to Mr. Aranda. He says he was telephoned more often than that. Indeed, he claims that some of the calls were at 8 o'clock in the morning, even at the weekend. Not surprisingly, these threatening phone calls demanding repayment were not good for Mr. Aranda's health. His consultant, Mr. Allum of the Royal Marsden, has written to me, stating that he suspects that the calls were

"contributing to a relatively slow recovery which Mr. Aranda is experiencing".

He added:

"I would stress that the financial pressures under which he is living . . . will contribute adversely to his recovery."

So I decided to take up Mr. Aranda's case. I put him in touch with a financial expert from the citizens advice bureau, thanks to the help of the Wimbledon Guild of Social Welfare, and I wrote to Barclays, asking it to deal with Mr. Aranda compassionately. Normally, when I write to such organisations, I expect matters to be dealt with in good time and fairly. In total, I have written eight letters to Barclays and four letters to Barclays Insurance in Dublin, and the issue is still not resolved. At first, Barclays Dublin refused to answer me, because I had not completed the correct consent forms. I wrote back with a copy of the statutory instrument that showed that that was not required from MPs. Some of the answers that I received were confusing and unclear, so I wrote asking to meet somebody to discuss the case. Barclays refused. A customer relations manager said:

"I understand you have requested a meeting with ourselves at Barclays on a number of occasions to try and bring matters to a resolution, however, to date we have not arranged for this to take place. Having reviewed Mr Aranda's case, I do not believe there is any benefit in us holding a meeting at this present time. Regrettably, this is not a matter which can be resolved within a meeting."

I felt that that was a deeply unsatisfactory response, and phoned Barclays. I was sent from pillar to post. I still have dreams about the music that was played while I was kept on hold.

I phoned the chief executive. I did not expect that he would answer my call, but I did think that somebody in his outer office might have the courtesy to speak to me. No; I was referred to a polite young woman who worked in the call centre. She could not answer my questions—there is no way in which she could have done so—so I wrote to the chief executive to say that if no representatives would meet me, I had no choice but to take the company's behaviour to the Floor of the House.

I had no reply, so I was true to my word. I requested an Adjournment debate, and I still had no reply. The debate was granted, and its title was published. Still I had no reply. Barclays' competitors contacted me to ask whether they could help, but there was still no reply from Barclays. Yesterday, however, the British Bankers Association told Barclays what everyone else already knew—that I was going to complain about its conduct in the House. Finally, Barclays wanted to speak with me.

If anyone says that being an MP cannot achieve anything, nobody should believe them. After 10 years as a Member of Parliament, I am privileged to tell the House that I have finally received the supreme accolade—a phone call from Barclays. I was called by Katherine French, the customer services director, and Wendy Deller, the public affairs director. Then, last evening—it was like several buses arriving at once—I received a third call, from Gary Hoffman, the group vice-chairman of Barclays. They were all obviously concerned about the publicity that this debate might generate, but while they were very interested in me and the damage that I might cause, they did not seem very interested in Mr. Aranda. They did not once ask me how he was or whether he was finally recovering. No, they were more concerned about me and the damage I could do than about their customer. They tried to convince me that such cases did not usually happen and that they normally deal with MPs better. They said that the letters to me should have been drafted by someone more senior, and apologised for the tone of their letters to me and to Mr. Aranda, although I could not get an apology for their contents. More to the point, I did not get an apology for the threatening phone calls that he had received at all times of the day and night. They did not apologise for worrying a man suffering from cancer to distraction with their harassment. They claimed that the poor quality of the letters was an exception to their usual rule. However, if they had been genuinely concerned about the welfare of their customer, I might have believed them. But that never happened.

I hope that this debate has helped raise the issue of potential mis-selling by banks, and Barclays in particular. I hope that it has highlighted the techniques that Barclays uses when its customers become ill and are unable to maintain payments on their loans, even when they have insurance policies with their bank. I hope that it has demonstrated the difficulty that such people encounter in squeezing any money out of their insurance company, Barclays Insurance Dublin. I hope that it shows the low priority that such banks give to customer services when things go wrong.

If banks such as Barclays refuse to deal with customers as ill as Mr. Aranda with any degree of humanity, I hope that the Government will call the banks in and remind them of their responsibilities. If further regulation is required to instil even a smidgeon of kindness into their activities, I hope that the Government will consider imposing it on Barclays. If Barclays can afford to pay £22 million to just one of its executives out of its profits of £7 billion, it can afford to pay just a little respect to my constituents.

Thank you, Mr. Speaker, for this opportunity to put this case forward.

7.13 pm

The Economic Secretary to the Treasury (Ed Balls): I congratulate my hon. Friend the Member for Mitcham and Morden (Siobhain McDonagh) both on securing this debate and on her persistence and tenacity in pursuing the interests of her constituent. That is clearly a tribute to her efforts, as well as a model and a lesson on which other Members of Parliament may want to draw in understanding how to deal with situations where it feels as though bureaucracy has put up a brick wall.

On behalf of all other Members in the House, I join my hon. Friend in expressing my great regret at the stress and severe illnesses that her constituent has suffered and send him our best wishes.

My hon. Friend said that it often feels as though one waits a long time for a bus and then three arrive at once. I, too, have been contacted on this issue by senior figures at Barclays. I will return to the fourth bus in a moment.

Before I do so, let me respond more broadly to the points that my hon. Friend made. As she said, she is not only raising the particular case of her constituent but wanting wider lessons to be drawn from it. I agree with her on two points. First, banks play an important role in our economy. Having a strong and efficient banking sector is necessary for the effective working of the national and, indeed, the global economy. I know from my experience that Barclays plays an important role globally in our economy. Secondly, banks play an integral role in our society and have important responsibilities as institutions, and as an industry, in ensuring not only that all consumers get a fair deal but that the most vulnerable members of society are properly supported and protected.

Over the past year, one of my responsibilities at the Treasury has been to work with the banks to try to reduce the number of individuals in our society who are disadvantaged because they do not have access to mainstream banking services such as a bank account, to ensure that banks play the role that they should in helping to get advice to people about financial products and services, and to ensure that when individuals get into financial distress banks recognise their responsibility to support them. One of the proposals that the Treasury has made to the review of the banking code that is being undertaken by an independent reviewer is aimed at ensuring that the code contains proper procedures, expectations and obligations as to how all individuals who get into financial distress should be supported. I hope that we will be able to make progress in that area so that the problems that my hon. Friend discussed can be prevented in future.

As my hon. Friend will know, it is difficult for me, as a Minister, to comment on the individual specifics of a case. Let me explain why. One of the reforms that the Government introduced was the setting up of the Financial Services Authority and the creation of a single financial ombudsman scheme within the framework provided by the Financial Services and Markets Act 2000. We have tried to ensure that regulatory oversight of often complex financial products is performed properly and with the needs of consumers firmly in mind, so that consumers are treated fairly but regulatory and compensatory bodies are in place for when things go wrong. It is vital that the Financial Ombudsman Service is, and is seen to be, independent of Government so that it can deal with complaints against financial services firms and provide a safety net for consumers. Its credibility, authority and value to consumers would be undermined if we started to intervene, case by case, in individual cases. That is why I do not want to comment in detail on the merits of the particular case that my hon. Friend raises, although I would say that any constituent of hers can always go to the FOS if they believe that they have been badly advised or treated unfairly. She might want to consider that further.

My hon. Friend also raised several wider issues based on the specific case, and I will comment on them. First, she referred to payment protection insurance, specifically the selling of such products. Payment protection insurance typically protects a borrower's ability to maintain credit repayments in the event of becoming unable to do so owing to, for example, accident, sickness or unemployment. It can provide valuable protection when people are at their most vulnerable, and the Government recognise its potential value, if sold properly.

That, however, has clearly not always been the case, and the Government are fully aware of the concerns that have been expressed about the suitability of those products for some individuals. We are closely monitoring the work of the Competition Commission and the FSA on that. We fully support efforts to improve consumer protection and raise selling standards.

Secondly, my hon. Friend raised PPI selling to consumers who do not understand the policy fully because they do not have a good grasp of English. There are no specific FSA rules to deal with that. However, under the umbrella of treating customers fairly, the FSA requires firms to disclose sufficient information to consumers to allow them to make an informed decision about the product they are purchasing. Current FSA work is testing industry

[Ed Balls]

progress in improving selling standards. I shall ensure that it specifically examines the issue that my hon. Friend raises about language and comprehension as part of its work. After the debate, I will write to the chairman of the FSA to alert him to my hon. Friend's concerns.

With an "off-the-shelf" purchase such as PPI, it would be impractical for firms to provide individual information. If customers want more specific or tailored information, they should clearly seek appropriate advice. I repeat that I will raise the specific issue to which my hon. Friend referred with the FSA.

My hon. Friend also raised the high cost of complying with insurers' requests for medical information. As she knows, the way in which claims are tackled will form part of the terms and conditions between the insurer and the person buying the insurance. For PPI polices, the insurer will require the policyholder to provide evidence of any illness or unemployment. For illness, the insurer is likely to require a medical certificate that will justify the claim. That may be at the cost of the policyholder, depending on the specific insurance contract that is being sold. I understand that Barclays requires the policyholder to provide and pay for any proof that is required, although if it asks the policyholder to undergo a medical examination, it will pay the fee. I am told that that is not out of line with market practice. It is important that that is clearly stated in the policy terms and conditions.

As my hon. Friend said, however, the key issue is whether the terms and conditions are properly understood and explained at the time. Although I do not comment on the specific case that she raised, a general problem in the PPI market is that, too often, the policy has not been properly explained. It has therefore not been properly comprehended.

My hon. Friend raised wider points about the role of GPs. Commenting on that would take us outside the terms of the Adjournment debate and my role as a Minister. However, as a colleague and fellow Member of Parliament, I say that the sort of examples that she gave cause me—and probably all of us—some concern. The danger that the most vulnerable people in our society are not getting the support that they need because they cannot find the sort of sum that she mentioned is genuinely worrying.

Let me deal with the conduct of Barclays. My hon. Friend raised the wider issues that the BBC's "Whistleblower" programme covered. I stress that the Government and the regulators are taking the allegations in the programme seriously. The Banking Code Standards Board and the Financial Services Authority are looking into some of the issues that came out of the programme. For example, the Banking Code Standards Board is looking at the upgrading of current accounts, and later this year the FSA will carry out work on information security, which will include staff vetting for working in a bank. My hon. Friend will understand that I cannot comment on the "Whistleblower" case; but, as I said, we take these issues very seriously indeed.

Finally, let me return to the conduct of Barclays in this case. It is not right for me to comment on the individual complaint and fetter the discretion of the independent financial ombudsman, but, like my hon. Friend, I have had some communication with Barclays, which contacted my office today. It might help my hon. Friend if I read out the position as summarised by Barclays bank to me. It says:

> "Barclays views the prompt and fair handling of complaints as of the highest priority, whether they come from a Member of Parliament or not. Clearly, on this occasion, which we view as an exceptional case, we fell well short of the standards to which we aspire. We have apologised unreservedly to Ms McDonagh for any failings in our handling of this case, and offered to meet her with a senior director to resolve any outstanding issues. We can only express our deepest regret to Ms McDonagh, and her constituent, that she has had to go to these lengths in this case."

It is not for me to comment on this statement of Barclays. However, it has made very clear its regret for falling short of the standards to which it aspires. If has offered to meet my hon. Friend to resolve any outstanding issues, and it has expressed its deepest regret that she has had to go to these lengths.

I think that if the outstanding issues can be resolved, my hon. Friend's constituent will be very pleased that she has been willing to go to such lengths to see proper treatment of this problem. I commend my hon. Friend for the action she has taken, for the efforts she has made and for bringing the case to the House's attention, so that we can draw any wider lessons and ensure, where we can, that we avoid a repetition of these unfortunate incidents.

Question put and agreed to.

Adjourned accordingly at twenty-seven minutes past Seven o'clock.

House of Commons

Thursday 3 May 2007

The House met at half-past Ten o'clock

PRAYERS

[MR. SPEAKER *in the Chair*]

Oral Answers to Questions

TRADE AND INDUSTRY

The Secretary of State was asked—

Regional Development Agencies

1. **Robert Neill** (Bromley and Chislehurst) (Con): What assessment he has made of the efficiency and effectiveness of regional development agencies in supporting businesses. [135424]

The Minister for Industry and the Regions (Margaret Hodge): The performance of the regional development agencies against their targets is laid before Parliament every six months. The RDAs have delivered tangible benefits to business. In 2005-06 they helped create or attract almost 19,000 new businesses, supported 800,000 businesses through Business Link, and assisted more than 166,000 businesses to improve their performance.

Robert Neill: One of the concerns that many of us have is that beneath those headline figures there is a lack of hard evidence and real performance analysis of the RDAs. For example, in the north-west they are funding 21 schemes but there is no significant evidence of any hard outcomes in terms of business. In London, the lack of transparency in respect of the schemes operated by the London Development Agency is such that it has sometimes been referred to in the press as the slush fund for the Mayor's pet projects. Is there not a need for a consistent national template of target setting and monitoring? Otherwise, we might as well just open a suitcase full of money and throw it at them.

Margaret Hodge: There is a consistent way of monitoring and ensuring that RDAs meet their targets: through the reporting against their targets to Parliament. We have also ensured that the National Audit Office has undertaken an analysis of the performance of the RDAs, and it has classified all of them as performing either strongly or very well. I suggest that the hon. Gentleman take advantage of the opportunity to look at the data before Parliament and then come back and give us some real reasons why he thinks that the RDAs are not performing.

Peter Luff (Mid-Worcestershire) (Con): Against the background of the high administrative costs of the RDAs—which was most recently revealed in the Richard report—is the Minister confident that it will be possible to co-ordinate their activities better to ensure that they do not, for example, wastefully duplicate each other's activities in overseas markets and that they are able to provide a proper national service to national industries such as aerospace?

Margaret Hodge: As the hon. Gentleman will know, because I gave evidence before his Trade and Industry Committee, we are working to ensure that there is much better co-ordination between the RDAs, particularly in relation to some of the major industries in the country. In respect of aerospace for example, they now have a common application form, a common monitoring form and a common assessment form. Therefore, although the money might come from different RDAs, for the industry there will be one form, and one gateway through which it has to travel. We are working hard to ensure that in the work done overseas there is proper co-ordination between the RDAs and UK Trade and Investment—UKTI.

Mr. Mark Prisk (Hertford and Stortford) (Con): Despite the Minister's claims, there is significant duplication. At least one third of funding for regional business support is lost in bureaucracy; the Minister managed to overlook that. However, it also now appears that some RDAs are misusing their money. In March, the Economic Secretary to the Treasury launched a political pamphlet called, "Redesigning Regionalism". That pamphlet said that the RDAs are wonderful and marvellous and should have more powers—and, indeed, that they should have more money. *[Interruption.]* It turns out that three of the RDAs spent £15,000 of taxpayers' money on self-serving paper, so can the Minister explain—*[Interruption.]*

Mr. Speaker: Order. The Minister does not tell me my job; I tell her what to do. There should be a question. I think there was the hint of one somewhere.

Mr. Prisk: You are absolutely right, Mr. Speaker, and it is a good one; the Minister must be patient. Will the Minister explain, not only to the House but, more importantly, to the thousands of small companies whose corporation tax bills are about to rise, why the RDAs are spending taxpayers' money to promote themselves instead of doing what they should be doing: backing businesses?

Margaret Hodge: This morning we are finally getting the old Tory agenda. The RDAs are probably up for grabs again, as it appears that they will be part of the £21 billion of cuts that the Opposition want to impose on the country as part of their tax-cutting efforts. Let me also retort to the hon. Gentleman that although he repeatedly says that one third of the expenditure on business support goes in administration, that is simply untrue. He will know from the work that we have done that the proportion is less than 10 per cent., and that we are constantly trying to cut that. Are the RDAs right to engage in a debate on how best to devolve government to areas where we can have the best intervention to achieve the most effective economic success? Of course the RDAs have a role to play in that debate, and the hon. Gentleman knows that we are currently considering which is the best level, below national level, for intervention to be effective and to help us to continue to achieve the great economic growth and prosperity that we have achieved over the past 10 years.

Fuel Technologies

3. **Sir Nicholas Winterton** (Macclesfield) (Con): What steps his Department is taking to encourage development in biofuel and clean coal technologies. [135427]

The Minister for Science and Innovation (Malcolm Wicks): The Department supports a range of measures to encourage biofuels and clean coal technologies. These are important mechanisms, given our ambition substantially to reduce carbon emissions. More generally, the Government have provided some £500 million since 2002 toward research in, and development and demonstration of, low-carbon technologies.

Sir Nicholas Winterton: Obviously I am grateful to the Minister for that helpful and courteous reply, but does he not agree that it is better to develop forms of energy generation and other technologies that cause less or no carbon dioxide emissions, rather than caning with extra taxation those who are merely doing what has been legal and acceptable for many years? I am referring in particular to those who drive 4x4s, which are very advanced and safe vehicles. Given that we can develop new technologies, why should extra taxation always be the answer? We should also be investing more in the safe disposal of nuclear waste.

Malcolm Wicks: And indeed we are spending a great deal on the safe disposal of nuclear waste through the Nuclear Decommissioning Authority. We need a range of measures to tackle climate change, such as low or almost nil carbon emission technologies. We will consult on nuclear energy and its future when we publish our White Paper later this month, and we are developing renewable energies. Significantly, probably 40 per cent. of global power generation in the foreseeable future will come from coal. Given that we will be burning fossil fuels, we need to develop clean coal technologies and carbon capture and storage, as we seek to demonstrate. So there will be a range of ways in which we tackle our climate change and global warming objectives.

Richard Ottaway (Croydon, South) (Con): The Minister will be aware that the Stern report suggested that some $16 trillion of investment is needed in energy infrastructure over the next 25 years. Ironically, the innovation needed might yet be the major contribution from the United States. Does this country have enough capacity to produce sufficient home-grown biofuels, or will we have to rely on imports?

Malcolm Wicks: I am advised that in theory, given our current objectives—under the terms of the road transport fuel obligation, for example, 5 per cent. of such fuel should come from biofuels by 2010—we have enough capacity. I am also advised, however, that in practice—this is the serious point—there will be a mixture of home-grown biofuels and those that we need to import. That raises a critical question about making sure that the environmental impact of such imported fuels is on the right, not the wrong, side of the argument.

Susan Kramer (Richmond Park) (LD): The Minister will be aware that developing marine renewables is crucial. The UK should be the leading player in this field, based on its sub-sea industry. He will also be aware, however, that many such projects are stuck in prototype stage because of lack of financing. What work is he doing with private investors and banks to free up investment for this critical industry?

Malcolm Wicks: It is indeed a very critical industry, and as we were reminded earlier, Nick Stern's important report referred to the economic opportunity for Britain to be in the right place, in the context of much of the renewables industry. The hon. Lady is right: there are great industrial opportunities if we are a leading country in this field, as we mean to be. As I said, £500 million has been invested in low-carbon technologies since 2002, and we are investing heavily in marine technologies, so that we can examine the potential of wave and tidal power. The renewables obligation, which we will reform to make it more sensitive to the new technologies, is another powerful vehicle. We have a range of measures in place to ensure that we can be a world leader in these renewable technologies.

Ann Winterton (Congleton) (Con): Given the Minister's reply to an earlier question and his announcement of huge investment in biofuels technology, can he tell the House what discussions he or his Department have had with the Department for Environment, Food and Rural Affairs to encourage farmers to grow biofuels, and with the Chancellor to ensure that the taxation regime encourages the use of biofuels?

Malcolm Wicks: We received a report some time ago from Ben Gill, who obviously has a farming background, about the importance of biomass, and we will say more about it as part of the White Paper announcements. Of course we are discussing the issue all the time with DEFRA, and we are at one on this. It is an important mechanism to help us achieve our carbon emissions reductions. It is not the whole answer, but it is a new opportunity for the farming sector in the UK and elsewhere, and I recognise that.

Charles Hendry (Wealden) (Con): Has the Minister seen today's comments by the Renewable Energy Association that Britain is "a million miles away" from hitting the Government's target on renewable energy by 2020? The REA says that the Government have "no credible plan" on how to achieve that target, and that for it to be met we would need a biofuel pump on every forecourt, a programme of major renewable energy projects and a massive energy efficiency programme in the housing stock. The Government have quietly dropped their earlier target of 10 per cent. from renewables by 2010. Is not the truth about the Government's targets that although they are designed to sound ambitious, they will the end and not the means and are set so far in the future that the Minister and the Government will be out of office long before the target date—and someone else will have to pick up the pieces?

Malcolm Wicks: I certainly do not accept that last psephological point. We have long-term ambitions both to reduce carbon emissions and for the Labour party—[HON. MEMBERS: "Where are they?"] It is not for me to answer that question. It is because we take our democratic politics and listening to people seriously that Labour Members are not here; they are where they should be.

I have seen some indications of the association's report. It is a well-organised lobby group, but I am more interested in the facts, which are that this Government are taking renewable energy very seriously. It always helps if Conservative and Liberal MPs support wind farm projects, rather than opposing them. Big planning issues are also involved, and I hope that the Opposition will support us when we bring forward radical proposals for reform.

Salaries and Wages Insurance

4. **Mr. Jim Cunningham** (Coventry, South) (Lab): Whether he has had discussions with (a) ministerial colleagues and (b) companies on the establishment of a national salaries and wages insurance scheme. [135430]

The Parliamentary Under-Secretary of State for Trade and Industry (Jim Fitzpatrick): We are grateful for my hon. Friend's question. No discussions about this issue have been held either between DTI Ministers and their colleagues or by DTI Ministers with companies.

Mr. Cunningham: I thank the Minister for that answer, but would he consider meeting the CBI and the trade unions to consider the situation? Many people have been made redundant in manufacturing industries—for example, from Rover, Peugeot in Coventry, and Jaguar—and they lose an average of £3,000 a year because they have to take lower-paid jobs. I hope that my hon. Friend will consider that point.

Jim Fitzpatrick: My hon. Friend raises an important point, but we do not have plans to consider the issue. It is our view that the UK economy is very healthy at present. Redundancies in 1997 were running at around 3 per cent., and that has fallen to some 2 per cent. on average. The Government's arrangements to deal with people when redundancies occur—including Jobcentre Plus—are appropriate. The economy is healthy and we have more people in work than ever before. I am sorry that I cannot give my hon. Friend a more positive answer.

Business Support Schemes

5. **Mr. Peter Lilley** (Hitchin and Harpenden) (Con): When he expects to meet the Government's target of reducing the number of business support schemes to 100. [135431]

The Minister for Trade (Mr. Ian McCartney): About £2.5 billion of public money is spent every year on direct business support. Money is spent by central Government Departments, their agencies and local authorities. The DTI is leading the cross-Government programme to simplify the number of business support services from around 3,000 to no more than 100 by 2010. By reducing the number of schemes and the "back room costs" of providing business support, we will ensure that a greater proportion of the money spent helps business and will achieve more with the same spend.

Mr. Lilley: I am grateful to the Minister for that answer. Is he not rather disappointed in it, and was he not upset when he learned from his officials that the simplification process would take so long? The array of available measures and schemes is so bewildering that, in my experience, it causes business men to go to their Members of Parliament to get help to find their way through it. Is it true that the administration of the schemes costs more than one third of the total made available for them? What is the compliance cost for businesses? Does the Minister have any quantitative evidence to suggest that the gains exceed the total costs borne by the taxpayer and, through compliance costs, by business?

Mr. McCartney: I thank the right hon. Gentleman, in the same spirit as was evident in his opening words. When he was Secretary of State for Trade and Industry, he held a world record: of every three businesses set up, two went bust. In his first year in the post more than 24,000 businesses went bust, and by the time he left office more than 1,000 businesses a week were going bust, so he does not have a good record in supporting business. For every pound that UK Trade and Investment spends in business support, £17 of additional business is created. That is why this country has the largest inward investment and research and development portfolios outside the US. In every region of England, and in Scotland and Wales, the number of jobs is increasing, not decreasing—unlike in the Conservative years, when inward investment was at its lowest. Then, the UK was 24th out of the 24 OECD countries, and the Government of the day were prepared to close down British business instead of supporting it.

Alan Duncan (Rutland and Melton) (Con): With 3,000 schemes administered by 2,000 public bodies, the Government spend an estimated £12 billion a year on business support, yet just 15 per cent. of small businesses have had any contact with the schemes. Does the Minister therefore agree with Martin Wyn Griffiths, the chief executive of the Small Business Service, that

"it is an incredibly complex system...an inaccessible business support system...that is inefficient and ineffective"

in all respects?

Mr. McCartney: First, the Government spend £2.5 billion on these matters, and the money is welcomed by the business community. The reforms that we are making are successful, and the only scheme whose administration costs amounted to 30 per cent. has been closed down. The reforms will ensure that more money goes to front-line business, not less. This Government have a good record of investing in support for business. That support creates jobs, investment and trade for British business.

Alan Duncan: The absurdity of the schemes is illustrated by the fact that the Government want to reduce their number from 3,000 to a mere 100. Given that only 34 per cent. of locally run schemes have ever been assessed in any way for their effectiveness, and

that most national schemes rely on customer satisfaction surveys alone, does he accept that the Government have no idea how to reduce the number of business support schemes, because they have no idea whether any of them were any good in the first place?

Mr. McCartney: The hon. Gentleman's question makes it clear that the Conservatives do not want to spend a single penny in support of British business. They do not support the continuation of the regional development agencies. The RDA covering Yorkshire and the Humber has rationalised 100 different support schemes into six, and as a result businesses in the area each day get support to help them export and retain employment opportunities. The hon. Gentleman should support that, not deride it.

Post Office

6. **Simon Hughes** (North Southwark and Bermondsey) (LD): What assessment he has made of the effectiveness of the safeguards established to oversee the Post Office reorganisation process. [135432]

The Parliamentary Under-Secretary of State for Trade and Industry (Jim Fitzpatrick): Post Office Ltd and Postwatch are discussing the role of the new National Consumer Council in developing area plan proposals for local consultation. We expect to set out the agreed role in our formal response to the Government's consultation.

Simon Hughes: Thousands of post offices have closed under this Labour Government. Moreover, the disappearance of Postwatch is on the cards and coincides with 2,500 closures over 18 months. Given all that, what customer guarantee can be given to people who use post office services in rural England, Scotland and Wales that the future watchdog will be more effective? How will people be assured that the sort of nonsense that I saw the other day will not happen again? A post office in York had been closed, and a new one opened after a local community campaign—yet the business was clearly a viable commercial operation, which should never have been closed in the first place.

Jim Fitzpatrick: Clause 16 of the Consumers, Estate Agents and Redress Bill replicates the provisions in the Postal Services Act 2000 that apply to Postwatch, which will ensure that the National Consumer Council has a specific function to investigate matters relating to post offices, and there will be a redress scheme. The hon. Gentleman and his party supported the amalgamation of those services into the new National Consumer Council. We are working hard with Postwatch to make sure that public protection and the consultative arrangements when Post Office Ltd makes its restructuring plans are as robust as possible.

Mike Gapes (Ilford, South) (Lab/Co-op): In 1997, my hon. Friend's colleague, now the Minister for Trade, intervened to save Ilford Crown post office, which was under threat from the plans of the then Conservative Government. Will my hon. Friend look closely at the bad announcement made last week by the Post Office that it intends to close the Crown post office in Ilford, and 70 others, and hand them over to WH Smith? That will not be good for my constituents, who at present can get a bus to the Crown post office; elderly people will have to walk long distances to the Exchange shopping centre.

Jim Fitzpatrick: I am sorry to hear my hon. Friend's reaction to the announcement from Post Office Ltd and WH Smith about the 70 franchise arrangements that will protect and save services for his constituents. Experience and the results of mystery shopper and MORI surveys on pilot schemes run by Post Office Ltd and WH Smith have been exceptionally high. I think that when my hon. Friend sees the arrangements in place, he and his constituents will also welcome the improvements in services. The vast majority of the 14,500 existing post offices and sub-post offices are run on a franchise or sub-postmaster basis, which ensures that the services can be protected for the future.

Mr. Tim Boswell (Daventry) (Con): Conversely to what the hon. Member for Ilford, South (Mike Gapes) describes, the Crown post office in Daventry has not yet had an agent nominated for its forthcoming management, and there is a strong local rumour that it will shut altogether. Only this week, we have heard that rural sub-postmasters face similar pressures, being cut off at the knees and unable to deliver their services. Does the Minister at least agree that one of the great strengths of the Post Office is that it is a universal service? Long may it remain so.

Jim Fitzpatrick: Obviously, I am happy to agree. The Post Office provides an unrivalled service to our constituents right across the country, whether in urban or rural areas. That is why the Government have spent £2 billion since 1999 and why we intend to spend a further £1.7 billion between now and 2011 to make sure that the service, when it is restructured, will be on a sound financial basis for the future.

Mr. Christopher Fraser (South-West Norfolk) (Con): A postmaster in my constituency has told me that it would be rash to spend money on new stock or repairs while the office is under the threat of closure, and that he needs to know where he stands as soon as possible. Will the Minister report back at the earliest opportunity on the outcome of the Post Office consultation, and does he accept that rural post offices are finding it extremely difficult to conduct their business in the climate of uncertainty they face?

Jim Fitzpatrick: The hon. Gentleman makes an important point. The uncertainty needs to be dealt with as soon as possible, and my right hon. Friend the Secretary of State will make an announcement to the House fairly shortly, which will, I hope, put greater certainty into the arena. The hon. Member for Daventry (Mr. Boswell) referred to rumour and speculation about closures, which we can understand, and where we can, we kill off such speculation, about which a number of Members have written to us. We refer such matters to Post Office Ltd, which is able to give certainty in particular areas where there are clearly no plans affecting major centres. The important thing is for my right hon. Friend to make his announcement, and then for Post Office Ltd and Postwatch to get on with the implementation

of restructuring. We know that sub-postmasters across the country have been waiting a considerable time for that, which is why we want to expedite it.

EU Business Regulation

7. **Philip Davies** (Shipley) (Con): What estimate he has made of the cost of EU regulation to British businesses; and if he will make a statement. [135433]

The Minister for Industry and the Regions (Margaret Hodge): The Government estimate that the total administrative burden on businesses, charities and the voluntary sector in England derived from EU legislation is approximately £6.3 billion. This estimate excludes the costs of EU administrative burdens on financial services, which are not available in this format.

Philip Davies: Gunter Verheugen, the EU Commissioner, has said that the cost of EU regulations on EU businesses amounts to €600 billion, but the European Commission has said that the benefits to EU businesses of the single market amount to less than €200 billion. With the regulations costing three times as much as the benefits and with 90 per cent. of British businesses not getting any real benefit from the single market but facing all the costs of the regulations, is it not increasingly clear that British businesses would be better off out of the European Union?

Margaret Hodge: This is a welcome day: all sorts of Jekyll and Hyde Tory policies are being announced by Conservative Back Benchers. I am delighted to hear a confirmation of what we all believe to be the view of most Conservatives—that they want to withdraw from Europe, with a massive cost to jobs, prosperity and the growth of the UK economy.

The hon. Gentleman attributed a figure to Gunter Verheugen, but I think that that figure alluded to another set of figures. The figure of £6.3 billion is an estimate accepted both by ourselves and by the Commission. I am sure that the hon. Gentleman will be delighted to know that, as a result of the work being done by the UK together with the Netherlands and Denmark, we have encouraged the European Commission and the EU to look for a reduction of administrative burdens of 25 per cent. by 2012. That mirrors the ambition that we have in the UK, and it will mean more effective use of EU resources and regulations to support growth not just in the UK economy, but in Europe for the global economy.

Interdepartmental Co-operation

8. **Mr. David Evennett** (Bexleyheath and Crayford) (Con): What recent discussions he has had with the Chancellor of the Exchequer on work undertaken jointly by his Department and the Treasury. [135436]

The Secretary of State for Trade and Industry (Mr. Alistair Darling): I discuss a wide range of issues with my right hon. Friend the Chancellor of the Exchequer.

Mr. Evennett: I think that we expected that response. What work has the DTI undertaken with the Treasury to address the problems with business taxation that were identified by the Tax Reform Commission last year when it said that

"the whole 'tone' of tax administration is becoming less friendly to business; and the system is increasingly complex, unstable and distorting"?

Does the Secretary of State think that this year's Budget has made business taxation more complex or less?

Mr. Darling: No, I think that the Budget this year introduced a number of sensible reforms, particularly the decisions to reduce the mainstream corporation tax rate and the personal income tax rate. Those are very welcome reforms. The hon. Gentleman does have a good point about the administration of tax. That is why Sir David Varney, the former chairman of Her Majesty's Revenue and Customs, has been working to introduce a new system that will provide more certainty for business taxpayers. When businesses, for example, decide on a course of action, an acquisition, a development or so on, they can seek advice and have clarity as to how Revenue and Customs will treat their tax position. I think that that has been widely welcomed.

Small Business

9. **Mr. Henry Bellingham** (North-West Norfolk) (Con): When he next expects to meet representatives of the small firms sector to discuss measures to reduce the level of regulatory burdens. [135437]

The Minister for Industry and the Regions (Margaret Hodge): I chaired the inaugural meeting of the small business forum, which comprises representatives from small business bodies and small businesses, on Tuesday.

Mr. Bellingham: I am glad to hear that the Minister did that. Does she agree with the calculation from the British Chambers of Commerce that the average British company now has to spend nearly £14,000 a year on implementing Euro-regulations? Is that not a staggering figure and an appalling waste of management time, especially in the small firms sector? Management time should be creating wealth. Is it not also a dreadful indictment of this Government's record on small business? Is it not any wonder that small business men and women are now deserting this Government and coming over to the Tories?

Margaret Hodge: Yet another Conservative who is promoting the idea that Britain should withdraw from Europe—

The Minister for Trade (Mr. Ian McCartney): That would cost 3 million jobs.

Margaret Hodge: Such a move would cost the UK economy 3 million jobs, would massively damage our export markets and—*[Interruption.]*

Mr. Speaker: Order. I cannot hear the Minister; I must be able to hear her.

Margaret Hodge: I am sorry that Conservative Members do not like to be held to account. As far as small business is concerned, I will put the hon. Member

for North-West Norfolk (Mr. Bellingham) right. We now have 4.3 million small businesses in the UK. That is 600,000 more than we had when we came into government 10 years ago. The start-up rate is faster than ever, the growth rate is greater than ever, the sustainability is better than ever, and the productivity gap between small businesses in the UK and elsewhere in the world is reducing. That is a success story and he does ill to the small business sector by pretending otherwise. That is why most small businesses support Labour.

Rural Post Offices

11. **Miss Anne McIntosh** (Vale of York) (Con): What recent representations he has received on the post office network in rural areas. [135440]

The Secretary of State for Trade and Industry (Mr. Alistair Darling): Which question is it?

Hon. Members: Question 11.

Mr. Darling: I apologise, Mr. Speaker. As the House has no doubt gathered, I had hoped to answer several questions by this stage in the proceedings. I am glad that Question 11 has survived.

The consultation on the post office network finished on 8 March. I intend to make a statement to Parliament fairly shortly setting out the Government's response.

Miss McIntosh: I welcome the Secretary of State to the Dispatch Box and thank him for that reply. I was pleased when he made his statement to the House recognising the value of rural post offices and the contribution that they make to village life, particularly in rural areas such as the Vale of York. Does he share my concern at the widespread belief that the Government consultation process will lead to widespread closures of rural post offices? We have lost our banks, so the post office has a particular role to play in village life and is a lifeline. Will he therefore join me in encouraging people who live in rural areas to spend between £5 and £10 each week in their local post office and to use that post office, and will he back Conservative plans to allow more council work to be done through rural post offices?

Mr. Darling: On that last point, the hon. Lady will recall that when I made my statement to the House last December I said that one of the things that I wanted to do was to encourage more local authorities to use post offices if they could. Some local authorities are good at that; some are bad. The bad ones are spread across all political parties, so I do not think that she can enjoy any satisfaction in that respect.

In relation to the hon. Lady's point about rural post offices, yes, they are important. I said in December that maintaining a national network is important, and we intend to do that. However, we must have regard to the fact that the Post Office was losing £2 million every week the year before last and that it is losing £4 million every week this year. We have to do something about that. I agree with her that the best way of saving any post office is to encourage people to use it. Sometimes there is a gap between the number of people who say they support the local post office and the number who actually go into it. I want to see a national network maintained and the proposals that I will make to the House shortly will, I hope, ensure that we do that.

Mr. David Heath (Somerton and Frome) (LD): I have about 120 villages in my constituency. Many of them are not at all looking forward to the statement, because they feel a great deal of trepidation about the small post offices in Somerset. The problem of settlement in my area is that we have a large number of villages that are geographically quite close, but quite distant by road and without any public transport. Will that be recognised in the Secretary of State's proposals? The post offices are serving distinct communities and serving them very well indeed.

Mr. Darling: One of the things on which we consulted was the criteria for the location of post offices. I will be making a statement on that shortly. It is important to take account not only of natural barriers, such as mountains and rivers, but of the practical difficulties that sometimes arise. However, it would be wrong—I am quite sure that the hon. Gentleman has not done this regarding his constituency—to suggest that the present situation can continue without any change. We need to make changes. The National Federation of Sub-Postmasters itself has said that the present network is unsustainable and many postmasters say that changes that would maintain a smaller but perhaps more viable network could be the best possible future for the post office network.

Mr. Andrew Robathan (Blaby) (Con): Does the Secretary of State recall the grandiosely titled urban network reinvention programme of 2002, which was a long-winded euphemism for closing down about one in three urban post offices? This consultation is about closing down rural post offices. Why do not the Government get a real policy and set post offices and sub-postmasters free to work on their own without all the restrictions that are put on them? At the same time, they should give post offices proper Government business, as used to be the case—I recall that the Secretary of State had something to do with the Department for Work and Pensions at one stage—and allow individual post offices to flourish. At the moment, post offices are closing throughout the country, and many more will close after the statement.

Mr. Darling: Yes, it is the case that over a number of years—this process started under the Conservative Government—people have been choosing to have benefits, pensions, child benefit and so on paid into their bank accounts. People should have that choice and the hon. Gentleman's suggestion that somehow all the changes can be reversed simply misleads people.

It is the case, too, that a number of urban post offices have closed over the past few years. I said in December that I thought that we needed to take a further 2,500 post offices out of the network through closure. However, they will not be exclusively rural post offices. We need to ensure that we have a national network with access criteria that guarantee that people have reasonable access to a post office. Most members of the public realise that the big problem facing post offices is the fact that over a number of years, fewer and fewer people have been going into them. The business level has thus fallen, so we need to address that. Unlike the Conservative party,

we have public money available to support the network. The £1.7 billion that has been put into the post office network over the past few years has represented an important commitment, given that a national network is important to us all.

Peter Luff (Mid-Worcestershire) (Con): The Secretary of State is—I hope like me—often a very reasonable man. In that spirit of reasonableness, may I say that I was glad that the Government delayed their decision on the consultation on the future of the post office network until after Easter, and thus, perforce, after the local government elections, which has given the Department a proper opportunity to consider the large number of responses that it received? However, that has had the unintended consequence that the Government's response to the Trade and Industry Committee's report "Stamp of Approval?" is technically overdue. I commend the report to hon. Members and urge the Secretary of State to ensure that when he responds to the consultation—I presume that he will make a statement to the House next week or the week after—the response to the report is published at the same time, rather than a few weeks later, which I think is the Department's intention.

Mr. Darling: I will have a look at that. As the House knows, the Government are not able to make an announcement in respect of the Post Office or anything else until the election period has finished. As I indicated earlier, I hope to make a statement fairly soon. I think that the Select Committee's report was a good report. I hope that several of the hon. Gentleman's colleagues who have asked questions today will have a good read of it before I make my statement, because it makes a lot of sensible points and recognises that we need to make changes. The present situation is unsustainable, so reform is absolutely necessary.

Sir Nicholas Winterton (Macclesfield) (Con): Does the right hon. Gentleman accept that given the social importance of rural post offices, especially to the elderly, the infirm, the handicapped and those without their own transport, the House should get together to determine a way in which the political parties, which are all interested in the matter, and the Post Office can agree a policy that would meet the concerns of most hon. Members, especially those who represent rural areas? Is this not an issue that might generate cross-party consultation and discussion?

Mr. Darling: I agree with the hon. Gentleman, but his words might fall on stony ground. I understand the temptation for Opposition parties to say, when there are post office closures, that it would not have happened if their party was in government, but most of us realise that successive Governments have wrestled with the difficult problem. There is less business going through the doors of post offices. We need to ensure that there is a national network. The hon. Gentleman makes a good point about the importance of post offices, particularly in rural areas, but also in urban areas; they provide a good service.

If I had accepted the advice that we should go for a commercial network, there would be only about 4,000 branches, and that would be ridiculous, because a large number of people, for one reason or another, cannot use banking services. That is why I want to maintain a national network. However, it is completely misleading for people to suggest that the present situation does not need change, and that we can carry on with mounting losses, which would have to be borne. It would be very nice if we could get consensus, but I suspect that on this issue, as with so many others, it is unlikely.

Mr. Peter Lilley (Hitchin and Harpenden) (Con): The Secretary of State rightly recognised that the best way to support local post offices is to encourage people to use them. Will he admit that before the Government started actively discouraging pensioners and others from drawing their pensions from the post offices, post offices benefited not just from the remuneration that they received from the Department for Work and Pensions for handling those transactions, but from increased use by pensioners and others? Consequently, it will cost the Government more to preserve the post office network by subsiding it than it would have done if the Government had continued to use them.

Mr. Darling: No, I do not agree with the right hon. Gentleman. He may recall that in the last year of the Conservative Government, when he was Secretary of State for Social Security, his Department was already considering how it could encourage more people to put money into their bank accounts. It was doing so partly because that would cost the Department less, but it was also concerned about the fact that the old giros were open to fraud—as he will recall, because he made lots of conference speeches about that. The only reason why he can say, "Well, that didn't happen very much under my regime" is because he left office a few months later, but the process started when he was Secretary of State, and indeed before that, in relation to child benefit—so I do not agree with what he is saying.

All Conservative Members of Parliament must recall that they stood for election on the basis of a manifesto that endorsed the David James report, which called for an even greater transfer of money directly to people's bank accounts. The right hon. Gentleman may not want to admit it publicly, but there is recognition that there have been profound changes to the way in which people do business and choose to receive their pensions or benefits. We need to respond to that, and we are prepared to back the Post Office financially, as well as in other ways.

UK Trade Balance

14. **Ann Winterton** (Congleton) (Con): What the UK trade balance is; and if he will make a statement. [135443]

The Minister for Trade (Mr. Ian McCartney): The UK deficit on trade in goods and services was £54.1 billion in 2006. Total UK exports, including goods and services, were £370 billion in 2006, up by more than 13 per cent. on 2005. The UK's exports of services were £126 billion in 2006, up 10 per cent. on the previous year, and the UK's surplus on trade in services increased by almost 22 per cent. between 2005 and 2006 to £29.6 billion. In 2005, the UK was second only to the United States in terms of both its inward and its outward foreign direct investment stocks, despite the fact that the UK accounts for only about 1 per cent. of the global population.

Ann Winterton: The Minister has given figures that show things being turned around, but has he noticed a trend, in that the UK trade deficit widened in 2007? In fact, in February, it stood at £4.3 billion. Furthermore, our trade deficit with the EU widened further to £2.7 billion, with exports falling by £100 million, and imports rising by £300 million. That is of extreme concern to the United Kingdom. Will the Minister tell us what the Government propose to do about that?

Mr. McCartney: Actually, investment in manufacturing has increased. In terms of international comparisons, we stabilised this year at about 2.7 per cent. of gross domestic product; trade figures in the United States are over 6 per cent. of gross domestic product; in Spain, they are 8.8 per cent.; in Portugal, 9.4 per cent.; and in Greece, 9.6 per cent. Throughout the whole period of Conservative government, the deficit was over 5 per cent. of GDP, so we have brought that deficit down, turned it around, and we have the most successful economy in the G8.

MINISTER FOR WOMEN

The Minister for Women was asked—

Trafficked Women

15. **Mr. Anthony Steen** (Totnes) (Con): What discussions she has had with ministerial colleagues on the provision of identity documents to female victims of trafficking. [135444]

The Deputy Minister for Women and Equality (Meg Munn): Cross-government action on human trafficking is co-ordinated through the inter-ministerial group, of which I am a member. The issue of the provision of identity documents to victims of trafficking is dealt with by the Home Office, which is also a member of the group.

Mr. Steen: In view of the fact that so few women who have been trafficked come forward to give evidence against their traffickers—only 30 traffickers have been convicted in the past four years in this country for the trafficking of women, because women are terrified of coming forward as they think they are going to be sent back to their country of origin immediately—and bearing in mind the fact that 4,000 women come into Britain and are trafficked every year, does the Minister agree that the Government should now implement the Council of Europe convention on action against trafficking in human beings, which the Prime Minister trumpeted in January as something that we were going to sign, and which we did sign in March? However, it has not been implemented, and what needs to be implemented is that part of the convention that provides renewable residence permits to women who are trafficked. That allows them to stay here and feel secure, and thus allows them to come forward and give evidence against—

Mr. Speaker: Order. I know that this is a quiet day in the House, but the hon. Gentleman cannot go on too long.

Meg Munn: The hon. Gentleman will be aware that alongside the signing of the Council of Europe convention against human trafficking we produced the UK action plan on tackling human trafficking, which sets out in significant detail the way in which we will tackle precisely the issues that he mentioned, not just the specific issue of identity documents, but new guidance about how to work with victims, which will ensure both that front-line staff from a range of services can recognise the problem and provide support to victims and, crucially, that every police force deals with the issue as a mainstream issue, and not something that is separate. I suggest that the hon. Gentleman look in detail at the UK action plan, and we would be very happy to have further discussions with him.

Mr. Tim Boswell (Daventry) (Con): I, too, welcome the signing of the convention and what the Minister said in response to my hon. Friend the Member for Totnes (Mr. Steen). However, does she not agree that the measure goes very wide indeed in dealing with vulnerable people, giving them reassurance and access to services such as health and education? Will she particularly bear in mind in discussions with her colleagues the need to ensure that the full range of services are available to people who need them, and that public officials, whatever their department, are adequately trained to handle the sensitivities of the individual concerned?

Meg Munn: I can give the hon. Gentleman that reassurance, as that precise approach is what we want, so that the issue is not just dealt with by a few people and a much wider range of front-line services understand the issues. He will know that last October we launched the UK human trafficking centre, which brings together a whole range of services that deal with trafficking in a way that has not been done by any other European country. We believe that that approach will enable us not only to develop our services but to learn better how to continue to improve them.

Mr. Speaker: I call Mr. Jim Cunningham to ask Question 17.

Hon. Members: What about Question 16?

Entrepreneurs

16. **Mr. Henry Bellingham** (North-West Norfolk) (Con): What plans she has to encourage female entrepreneurs. [135445]

The Minister for Women (Ruth Kelly): Women's entrepreneurship is a key element in the UK's productivity and competitiveness. Each year, businesses owned by women contribute about £60 billion to the UK economy which is why, for example, we set up the taskforce on women's enterprise. A national network of 1,000 female entrepreneur ambassadors is being recruited to support women setting up their own businesses.

Mr. Bellingham: I know that I have had a go already, Mr. Speaker, but I am due for another go.

I am grateful to the Minister for that reply. Does she share the concern expressed by the CBI and the Federation of Small Businesses that the recent Budget proposals to

increase the small firms corporation tax rate is very damaging for entrepreneurs and definitely will not encourage female entrepreneurs? Does she agree that the majority of female entrepreneurs run non-capital-intensive businesses, and so obviously will not benefit from any increase in capital allowances? This is proving to be a very damaging and short-sighted Budget measure. Given her influence in the Cabinet, will she speak to the Chancellor before it is too late?

Ruth Kelly: I am afraid that I cannot agree with the hon. Gentleman. As he knows, the main rate of corporation tax was cut quite dramatically in the Budget, for a very good reason, which is to maintain the competitiveness of the UK economy. At the same time, there were changes to the UK small business rate, with the intention of trying to encourage investment in small businesses. That is the right environment in which small businesses should be operating to incentivise investments within what is still a very competitive tax regime. The important thing is to get our rate of female entrepreneurship up closer to the rates in the US, for example. We have a huge challenge in trying to close that gap, but I am delighted to report to the House that we are making very good progress.

Susan Kramer (Richmond Park) (LD): The Minister will be aware that one of the reasons why many fewer women are becoming entrepreneurs in the UK than in the US is their difficulty in accessing financing. She will know that women start with only about one third of the capital that men get and that they are charged higher interest rates; indeed, many are forced to resort to their credit cards. What strategy is she pursuing with the banking industry in order to change that fundamentally?

Ruth Kelly: The hon. Lady makes an excellent point. It is sometimes more difficult for women to set up their own businesses than it is for men. One of the factors that could be involved is that they are getting a less good deal when they walk into a bank compared with a man in a similar situation. If that occurs, it is completely unacceptable. My right hon. Friend the Minister for Industry and the Regions is already conducting talks and is involved in negotiations with the British Bankers Association to find out whether there is a penalty involved in being a woman and to see what measures the banking industry might take to overcome that.

Equal Pay

17. **Mr. Jim Cunningham** (Coventry, South) (Lab): What mechanisms the Government are using to achieve equal pay for men and women in the private sector. [135446]

The Deputy Minister for Women and Equality (Meg Munn): Last month, the Government detailed a comprehensive programme of action being taken forward to tackle the gender pay gap in a report one year on from the Women and Work Commission recommendations. Key actions include the "exemplar employer" initiative, which covers a wide range of best practice on gender equality, including developing more part-time work at higher paid levels.

Mr. Cunningham: I thank the Minister for that answer. I am sure that she would agree that the issue of equal pay has been around for a very long time. Does she agree that it is a public scandal that there is still a 40 per cent. pay difference between men and women, and what is she going to do about it?

Meg Munn: My hon. Friend is right. The 40 per cent. difference particularly affects part-time work, which is why it has been extremely important for us to focus on that issue. It is often difficult for women who want to reduce their hours to remain in a job at the same level owing to rigid working practices. I am pleased to report that the exemplar employers, of whom we now have more than 100 from a wide range of organisations, both private and public, are setting the pace on that issue and developing schemes that ensure that women can work fewer hours at higher paid levels. That is one important step to reducing the part-time pay gap.

Mrs. Eleanor Laing (Epping Forest) (Con): I am pleased that the hon. Member for Coventry, South (Mr. Cunningham) highlighted the plight of part-time lower paid women, because we see in the media far too much of the high-profile, celebrity-type cases, and that is not really the problem. I appreciate what the Minister says about exemplar employers and entirely support that initiative. However, is she not rather disappointed that, although she can tell us what the Government have been doing in the past year since the Women and Work Commission report, after 10 years in power they have failed to put right a fundamental wrong in the British workplace and are still not making enough progress on it?

Meg Munn: The hon. Lady conveniently forgets that the pay gap has been closing over that time. Of course, I am disappointed that it is not closing fast enough—that is why we set up the Women and Work Commission and have a range of actions to tackle the problem. The hon. Lady also forgets that it is important to demonstrate that there is a genuine business case for doing that. We have demonstrated that, which is why so many companies now recognise the benefits of tackling the issue and why we are making such good progress. I would have thought that she would welcome that a little more.

Equality Act 2006 (Sexual Orientation) Regulations 2007

18. **Miss Anne McIntosh** (Vale of York) (Con): What recent representations she received on the Equality Act 2006 (Sexual Orientation) Regulations 2007; and if she will make a statement. [135447]

The Minister for Women (Ruth Kelly): Since Parliament passed the regulations, we have continued to receive many written representations from a wide variety of individuals and organisations. The regulations came into force on Monday 30 April, extending vital protections against discrimination on the ground of sexual orientation, which are on a par with the protections already provided against discrimination on the grounds of race and sex, as well as new measures that prohibit discrimination on the ground of religion or belief.

Miss McIntosh: I thank the right hon. Lady for that reply. Does she realise that that consultation is perhaps an example of how not to conduct a public consultation, as shown by the amount of correspondence that all hon. Members have received? In a recent Adjournment debate, the Under-Secretary of State for Education and Skills, the hon. Member for Gloucester (Mr. Dhanda), promised that the position, especially with regard to adoption through the Catholic Children's Society, would be reopened in Scotland. Will the Minister confirm that, if any such review takes place, the same procedure will be followed in England?

Ruth Kelly: I am sure that the hon. Lady, alongside many hon. Members, has received a huge volume of correspondence. As she knows, strong views are held on each side of the argument. No one can question our commitment to scrutiny, debate and consultation. Indeed, I extended the time for consultation on that complex issue for five months, and I believe that we have ended up with a reasonable balance between ensuring that gays and lesbians in this country are free from discrimination and able to go about their daily lives free from discrimination, and freedom to hold and manifest a religious belief.

The hon. Lady knows that we have discussed the issue that my hon. Friend the Under-Secretary raised in Westminster Hall. I understand that he has responded to a parliamentary question from her. She knows that negotiations and discussions with the Scottish Executive are a natural part of the deliberations of Government. Indeed, we take into account the views of all interested parties.

ROYAL ASSENT

Mr. Speaker: I have to notify the House, in accordance with the Royal Assent Act 1967, that Her Majesty has signified her Royal Assent to the following Act:

Welfare Reform Act 2007

Business of the House

11.32 am

Mrs. Theresa May (Maidenhead) (Con): May I ask the Leader of the House to tell us the forthcoming business?

The Leader of the House of Commons (Mr. Jack Straw): The business for the week commencing 7 May will be:

MONDAY 7 MAY—The House will not be sitting because of the bank holiday.

TUESDAY 8 MAY—Opposition day [10th allotted day]. There will be a debate entitled "Action on Climate Change Begins at Home", followed by a debate entitled "Mental Health Services". Both debates arise on a motion in the name of the Liberal Democrats.

WEDNESDAY 9 MAY—Remaining stages of the UK Borders Bill. A statement on Northern Ireland is expected before that.

THURSDAY 10 May—Consideration of Lords amendments to the Justice and Security (Northern Ireland) Bill, followed by consideration of a resolution on the rating of empty properties.

FRIDAY 11 MAY—The House will not be sitting.

The provisional business for the week commencing 14 May will be:

MONDAY 14 MAY—Second Reading of the Concessionary Bus Travel Bill [*Lords*].

TUESDAY 15 MAY—Opposition day [11th allotted day]. There will be a debate or debates on Opposition motions on subjects to be announced.

WEDNESDAY 16 MAY—Motion relating to the home information pack regulations, followed by consideration of Lords amendments to the Corporate Manslaughter and Corporate Homicide Bill.

THURSDAY 17 MAY—The first day of remaining stages of the Local Government and Public Involvement in Health Bill.

FRIDAY 18 MAY—Private Members' Bills.

The House will wish to know that the former Secretary-General of the United Nations, Kofi Annan, has been invited to address Members of both Houses of Parliament on Tuesday 8 May at 12 noon.

Colleagues will also wish to know that the Taoiseach, Mr. Bertie Ahern, has been invited to address Members of both Houses of Parliament on Tuesday 15 May 2007 at 12 noon, to mark the restoration of devolution to Northern Ireland on 8 May 2007.

Both occasions will take place in the Royal Gallery.

I should also like to inform the House that the business in Westminster Hall on Government motions will be:

THURSDAY 10 MAY—A debate on the report from the Health Committee on independent sector treatment centres.

THURSDAY 17 MAY—A debate on the report from the Work and Pensions Committee on the Government's employment strategy.

THURSDAY 24 MAY—A debate on the report from the Joint Committee on Human Rights on human trafficking.

Mrs. May: I thank the Leader of the House for giving us the future business.

One year ago, following the release of foreign prisoners, my hon. Friend the Member for Rochford and Southend, East (James Duddridge) tabled a question to the Home Office. He received no reply until yesterday, when he gave the Minister for Immigration, Citizenship and Nationality notice of a point of order. The Leader of the House was present when the point of order was raised. The reply said that the issue was a matter for the permanent secretary. Surely my hon. Friend could have been told that a year ago, and what does that reply say about ministerial responsibility?

Yesterday, Mr. Speaker said that Members were tabling a great many—possibly too many—questions, which the Leader of the House has also said previously. May I tell him that if Ministers gave proper answers the first time questions were asked, there would be no need for supplementaries? Will he yet again remind his ministerial colleagues of their duty to this Parliament?

On Tuesday, I and other colleagues celebrated the 10th anniversary of our election to the House, and, of course, we were all celebrating an important anniversary—that of the Act of Union. The Union makes us stronger and it must not be broken. The Leader of the House has previously said that he would welcome a debate on the Union, so when will that debate take place?

Today's council elections have been marred yet again by concerns about postal voting fraud, with reports that 5 per cent. of postal votes have been discarded. That could leave thousands disfranchised. What is more, internet experts have described security for online voting pilots as "catastrophically weak". Can we have a debate on electoral fraud?

The Constitutional Affairs Committee says that the Government's reforms to the legal aid system risk "irreversible damage" to access to justice. The Committee calls the reforms "untested and unpiloted". May we have a debate on legal aid?

Yesterday, the Prime Minister again refused an independent inquiry into the 7 July terror attacks, but the promised Intelligence and Security Committee report has its limitations. That Committee has no investigative powers and did not even receive evidence from the West Yorkshire special branch. Can we have a debate on the need for an independent inquiry?

The ministerial code says:

> "Ministers cannot speak on public affairs for themselves alone. Collective responsibility applies. Any minister who makes a speech which deals with matters which fall within another minister's responsibilities should consult that minister."

In his recent Chatham House article, the Leader of the House argued that we need a "national story of identity" to achieve an integrated society. When did the Leader of the House consult the Home Secretary, or are these matters now the responsibility of the Leader of the House?

The right hon. Gentleman has been very keen to talk about his old jobs—and we have not even got to his next one—but before he moves into No. 11, he should concentrate on the job that he has now. After the historic votes in this House to reform the other place, he said that he would reconvene cross-party talks. When will those talks begin?

As the Prime Minister boasts about his legacy, one thing he has not discussed is the damaged relationship between Government and Parliament. The Prime Minister is rarely here, parliamentary scrutiny is contemptuously ignored and statements come second to media spin. Does the Leader of the House agree that the next Prime Minister must ensure that his Ministers show greater respect to Parliament and must restore the proper balance between Government and Parliament?

Mr. Straw: First, on the issue of unanswered questions at the Home Office, I made it clear in the evidence I gave to the Procedure Committee that I wish to see very prompt answering of all parliamentary questions, and that I do not wish to see any limit on the numbers of ordinary written questions that Members can table. However, I disagree with the right hon. Lady when she says that there would be no need for further questions if proper answers were given. It is certainly the case—I am on the record as saying this in the evidence I gave—that the quicker Ministers answer the questions and the fuller their responses, the less likelihood there is of further questions being tabled. I know that the right hon. Lady takes these matters seriously, however, and she must also be aware of the fact that there has been some industrial-level tabling, typically generated by researchers, which is quite separate from what we have been discussing. One way or another, it is a matter for the whole House, and its reputation, to deal with this issue without damaging the fundamental right of Members, particularly Opposition Members, to table questions in order to pin Ministers down and hold them to account.

I agree with the right hon. Lady about the importance of the Union. There has been a debate on the subject in Westminster Hall, and I want to see a debate on the Union. I am in the middle of reading a biography of Benjamin Franklin, and I note that, in arguing that the small states would be protected by the constitution of the United States, he referred to the then quite fresh experience of the Scots. He said that, when the Union was joined in 1707, many Scots were worried that, like Jonah, they would be swallowed by the whale. However, Franklin went on to observe that, only 70 years later, it appeared that it was Jonah who had swallowed the whale, rather than the other way round. The Union has certainly been a very good deal for Scotland, as well as for England, Wales and Northern Ireland.

We have had a lot of debates about postal voting. We have introduced the Electoral Administration Act 2006, and the postal voting system has been tightened, as everyone who has made use of it will know. If there is a slightly higher rejection rate, that illustrates that the system is working properly. Speaking as someone who has exercised his right to a postal vote on this occasion, I believe that the system is now much better, as well as being easier to follow. The pilots are just that: they are pilots.

I am told that we are spending much more on legal aid this year than we were in 1997. The hon. Member for Somerton and Frome (Mr. Heath) raised the issue of the inquest into the Berkshire train crash and the relatives of the dead. I spoke to my right hon. Friend the Lord Chancellor this morning, and he is making every effort to ensure that those relatives' inquest costs

are to be met. There is a separate issue as to whether there should be an appeal by the Department for Constitutional Affairs on a point of law, but my right hon. Friend has assured me that that will not affect the payment of the costs.

The right hon. Lady raised the issue of an inquiry into the Operation Crevice trial and the 7 July bombings. She said that the Intelligence and Security Committee had no investigative powers. I think that what she meant to say was that the ISC had decided of its own volition to do without the services of an investigator. It had an investigator from 1999 to 2004, but decided for its own reasons not to recruit a further individual to the post thereafter. Having had to appear before the ISC over a nine-year period, both as Home Secretary and Foreign Secretary, I can assure her that the Committee has substantial investigative powers. In any event, its forensic scrutiny of the intelligence and security services and of Ministers is very detailed. In my view, it has got better and better over the years, working from a high start. She needs to bear in mind that this was a system that her party established by law in 1994, along with the intelligence commissioner and the surveillance commissioner. Those three institutions taken together—the ISC and the two commissioners—operate to provide better scrutiny of the work of the intelligence and security agencies, especially in such acute times as these, than takes place in many other countries that I can think of.

I gave my Chatham House lecture in January, and I am glad that it has reached a wider audience. There has been ample time for anyone who wishes to comment on it to do so, but it was entirely consistent with what the whole Government have been saying about their increased emphasis on the need for a concept of citizenship, and for citizenship education.

On the right hon. Lady's seventh point, on cross-party talks, I was agreeing a note, which she was not to know, to her and the hon. Member for Somerton and Frome (Mr. Heath) overnight—in between celebrating 10 years in a glorious Administration—

Mr. Andrew Robathan (Blaby) (Con): Awake.

Mr. Straw: I was awake the whole time. We will not go into the rest of it.

The matter that the right hon. Lady raised is in hand, and she will get a note about it. On her last point about the relationship between the Government and the Commons, I hear what she says, but if she examines the record objectively, she will see that scrutiny of Government by the Commons is now stronger than it was in 1997. I could go through a long list of changes in procedure and improvements in the power of the House—including many more Select Committee inquiries, the Public Bill system that we have established and much else besides—which have strengthened its role. The number of parliamentary questions asked of the Government has also nearly doubled.

Mr. Jim Cunningham (Coventry, South) (Lab): May we have a debate on post office reorganisations in Coventry? As my right hon. Friend knows, there is great fear among people in Coventry that the relocation of the Hertford street Crown post office to WH Smith will lead to a deterioration in the service. The relocation of the main sorting office to Northampton will also lead to a deterioration in the service and possible redundancies.

Mr. Straw: I will think carefully about the request of my hon. Friend. As he knows, the deputy Chief Whip is also a Coventry Member of Parliament. We will see what we can do.

Mr. David Heath (Somerton and Frome) (LD): I thank the Leader of the House for what he said about the Ufton Nervet rail crash inquests. As an aside, may I say that Benjamin Franklin was an exceptionally long-sighted individual, as befits the inventor of the bifocal lens? We opticians care about such things.

I fear that we need a debate on the European constitution. The Leader of the House may be aware that the Foreign Secretary responded to a question in Foreign Office questions on Tuesday to say that she had received and filled in a questionnaire from the presidency of the European Union on the British Government's position on any future constitution or amending treaty. That means that the Chancellor of Germany, the new President of France, the Prime Ministers of Slovenia, Slovakia, Malta—and all the rest—will know what the British position is, but not the British public. Is it not time that the British public were let in on the secret as to the Government's position?

We are used to almost weekly statements from the Secretary of State for Health on IT failures in the health service, but can we have a statement on the latest IT fiasco: the system for registrars of births, deaths and marriages, introduced at a cost of £6 million on 26 March and now withdrawn because it does not work? How many IT debacles must we have before the Government get their procurement right?

We shall soon have the new Ministry of Justice, but the allocation of responsibility is still not clear. Can we have a debate in the House on the structures and functions of the new Department? Given that the Secretary of State will be accountable not only for the electoral system—I share the view that we need to debate some of the recent operational failures in the electoral system as well as electoral fraud—but for the prison system, does the Lord Privy Seal think that the Lord Chancellor should be an elected Member and answerable to the House?

Lastly, in the context of the debate on the UK Borders Bill next week, will the Leader of the House find time to debate again the consequences for both national security and the security of our excise had the Conservatives won the vote on their amendment to the Finance Bill on Tuesday evening? That amendment would have taken away the power of arrest from 4,500 customs officers at our ports of entry, on the grounds, as the hon. Member for Rayleigh (Mr. Francois) put it, that there are usually police officers available. Does not the Leader of the House feel that that would have had serious consequences, and should be revisited?

Mr. Straw: The hon. Gentleman mentioned Benjamin Franklin and bifocal lenses. Bifocal lenses are valuable not only to opticians but, particularly, to those who—like myself—use them. What a great man he was.

[Mr. Straw]

He also famously invented the lightning conductor, and all of us in politics should be extremely grateful for that.

I have seen many statements by my right hon. Friend the Prime Minister, my right hon. Friend the Foreign Secretary and, indeed, my right hon. Friend the Minister for Europe setting out our position on the new European constitution. I will send them to the hon. Gentleman if he wishes.

I understand that although the registration system has not operated well in some areas, it has proved perfectly satisfactory in a number of others. It is a matter of fact that—in the private as well as the public sector, sadly—IT systems sometimes take a little time to bed down, but once they do bed down they often produce major benefits.

I am considering whether there should be an oral statement about the Minister of Justice. As for the position of the Lord Chancellor, the hon. Gentleman will know that an Act passed three years ago—I think—provides for the Secretary of State for Constitutional Affairs and the Lord Chancellor, as the same person, to sit in this House. My right hon. Friend the Prime Minister—and the Home Secretary, in a statement at the end of March about the further split in the Home Office—made it clear that allowing any new appointee to the position to sit in the House of Commons was under consideration.

The hon. Gentleman asked about the UK Borders Bill. My evangelical role as Leader of the House and former Home Secretary is obviously working in his case. As we know, the Liberal Democrats are famously soft on crime: they wish to let large numbers of criminals out of prison and give the vote to those who stay, and to do much else of that nature. But here is the hon. Gentleman criticising the Conservatives for being soft on crime, and he is right to do so. The police cannot be everywhere, and removing powers of arrest from the border guards strikes me as ridiculous.

I note that "David Heath MP's Crime Survey 2007", a copy of which I have before me for the purpose of greater accuracy, contains questions on prisons and sentencing. The question "Do you think that prisoners should have a right to vote" is completely absent, but the questionnaire does say:

> "The Lib Dems believe that sentences should mean what they say—life should mean life. Do you back this idea?"

It gives people the opportunity to say no, but I think the sense of the question is fairly clear.

Then—deliciously for those who have had to suffer the slings and arrows of criticism from the Liberal Democrats for 10 years about the introduction of CCTV, which they say is leading to a surveillance state, and other such nonsense—it asks:

> "Which of the following crime prevention tools would you like to see improved locally?"

It offers "Better street lighting", "More Community Wardens" and "CCTV coverage", but gives respondents no opportunity to say that they would like the numbers to be reduced.

This is my last comment on the issue. Yesterday my right hon. Friend the Prime Minister brilliantly drew to the attention of a wider audience the Liberal Democrats' commentary on our first 10 years in office, in which they commended our brilliant record. I have a copy of the printed text, which I think should be placed on the Table so that all can read it. It includes some lovely lines, which I know will be noted by voters. It refers to the "fruits" of investment by Labour in Britain's previously "dilapidated public services", and to

> "In the NHS more staff, reduced waiting lists, better care in some areas such as cancer. In Education a schools building programme, better paid teachers, more books, and better equipment."

In other words, vote Labour!

Mr. Chris Mullin (Sunderland, South) (Lab): Does my right hon. Friend think that the time has come to revisit the question of whether the Intelligence and Security Committee should become a Committee of Parliament rather than one appointed by and reporting to the Prime Minister? He will recall that we debated the issue when he was Home Secretary and I was Chairman of the Home Affairs Committee, and he did not entirely rule out the possibility that that might happen at some time in the future.

I should add that I make no criticism of the Intelligence and Security Committee. I merely suggest that making it a Committee of Parliament might increase its credibility when it deals with controversial issues such as the one with which it dealt recently.

Mr. Straw: The Government have never ruled that out as a possibility from the day on which my hon. Friend started asking me questions about it, which I think was around 4 May 1997.

I am glad that my hon. Friend says that he makes no criticism of the ISC, because under successive chairpersons, certainly those whom I have observed—Lord King, Lady Taylor and now my right hon. Friend the Member for Torfaen (Mr. Murphy)—it has been extremely effective. I have always said that making it a Committee of Parliament would not make much difference in practice, because it would have to meet in secret in order to do its proper scrutiny job, and there would have to be a way of redacting its unexpurgated reports before they were made public. I accept that there are arguments about the optics, as it were—about how the Committee is seen—and I think that those need to be borne in mind.

Mr. Geoffrey Clifton-Brown (Cotswold) (Con): Now that the Prime Minister has announced his imminent retirement, does the Leader of the House agree that the House should pay a fitting tribute to him? May we have a full debate in Government time to try to divine what the Prime Minister's legacy might be? Perhaps the Prime Minister could be asked to come and give a valedictory performance, and participate fully in the debate. Indeed, the Leader of the House himself might wish to participate as well.

Mr. Straw: The hon. Gentleman obviously has great affection for the Prime Minister, which is well deserved. Our brilliant investment in his area—which I happen to know quite well—in schools, hospitals, transport and so on goes before us; and the fact that whereas we ranked seventh out of the seven major industrialised countries 10 years ago, we now rank second only to the United States tells its own story.

My right hon. Friend the Prime Minister gave a fantastic performance yesterday, and there will be many, many more opportunities for him to do so before any resignation takes effect.

Mr. John Horam (Orpington) (Con): Further to the Leader of the House's earlier comments about the need for a debate on the European Union constitution, is he aware that the Minister for Europe is currently refusing to appear before the Foreign Affairs Committee to consider the subject? As he will know, given his own remarks about the importance of scrutiny, it is important not only for us to have a debate, but for the Foreign Affairs Committee to be allowed to do its proper job. May I therefore ask the Leader of the House to have a word with his right hon. Friend the Minister for Europe, and in particular to ask him for a positive response to the letter that is at this moment winging its way from his hon. Friend the Chairman of that Committee, with the Committee's full support?

Mr. Straw: My right hon. Friend the Minister for Europe takes the House extremely seriously. I know nothing of the detail of what the hon. Gentleman has asked, but I am as certain as I can be that the story will prove slightly more complicated.

I should add—having debated the previous constitution endlessly, and having played no small part in ensuring that we were committed to a referendum on it—that the hon. Gentleman should calm down and not worry about this matter. Anything that is agreed in Brussels, even in draft, will have to be put before the House and scrutinised in every detail.

Tony Baldry (Banbury) (Con): May we have a debate next week about Ministers' use of the English language? For weeks now, on occasions too numerous to particularise, I have been asking the Secretary of State for Communities and Local Government a very straightforward named-day question: whether she can tell me how many accredited domestic energy assessors and home inspectors there are in each local authority area, region and city in England and Wales. Week after week, I receive the following answer from the Minister for Housing and Planning, the hon. Member for Pontefract and Castleford (Yvette Cooper):

"I will answer this question shortly."

I received that reply again today.

The scheme in question is due to be introduced on 1 June. Either Ministers know the answers to my question and are too embarrassed to give them because they would show that in many areas there are no energy inspectors, or they do not know the answers, which would presage chaos on 1 June. Would it not be more sensible to postpone the introduction of the scheme until October or thereabouts, when Ministers could be confident of being able to introduce the scheme without its being a shambles?

Mr. Straw: I think that rather than debating the English language, we need to secure a proper answer to the hon. Gentleman's question, and I will do my best to do so.

Miss Anne McIntosh (Vale of York) (Con): One of the portfolios that I believe that the Leader of the House has not held is that of Environment Secretary. Does he agree that waste disposal is one of the most politically charged topics in the current local election campaigns, and will he therefore arrange for there to be a debate as early as possible and in Government time on waste disposal, allowing for a review of the landfill directive? Does he accept that the Government signed up to the landfill directive before we had alternative sites to landfill at which to dispose of our weekly waste collection? Also, why do the Government insist on blaming local councils for dispensing with a weekly collection and having fortnightly collections instead, as that is the result of the Government's implementation of the EU landfill directive?

Mr. Straw: The hon. Lady has extensive experience of the European Union and the European Parliament, and she knows that directives such as the landfill directive cannot be agreed unless there has been the most widespread and lengthy debate, and widespread consensus as well. I cannot promise her a debate, although this is an important issue and I will certainly think about having a debate on it. Let me also say that the introduction of alternate weekly collections has, on the whole, worked satisfactorily. Recently, there has been a late introduction of a request for a debate on that, but such collections have been pursued by Conservative, Liberal Democrat and Labour councils, and by those subject to no overall control, and in many parts of the country—not big cities, where there are particular problems—they have worked satisfactorily. I certainly believe that any policies that achieve what this package of policies has so far achieved—which is ensure that people recycle much better and that far less waste goes into landfill—are good policies.

Sir Nicholas Winterton (Macclesfield) (Con): In supporting the call of my right hon. Friend the Member for Maidenhead (Mrs. May) for a debate in Government time to celebrate the 300th anniversary of the Act of Union between England and Scotland, which contributed in a major way to our country ruling the largest and best managed empire that the world has ever known, I also support the Leader of the House in that there is an abuse by a limited number of Members of the written question—I support the concern that has been expressed at the highest level on that matter. However, my question is one that I have asked many times of the Leader of the House. He has promised a debate in Government time this side of the summer recess on Zimbabwe. That country is suffering because the rest of the world is ignoring it. Is it not time that we came to the help of the hard-pressed and long-suffering people of Zimbabwe?

Mr. Straw: I am grateful to the hon. Gentleman for his comments on the abuse of written questions. On the Act of Union, I can think of many benefits that the Union has brought to England and Scotland and, perhaps, indirectly to the world; however, it might not be appropriate to major on the imperial consequences in quite the way that the hon. Gentleman does—although that is a matter for choice. If he will excuse me for saying so, such a slightly bombastic approach might explain why the Conservatives lose so many votes in Scotland.

Sir Nicholas Winterton: The Scotch should be proud of the empire.

Mr. Straw: I do not think that they like being called "Scotch" either—that word refers to eggs, does it not?

On Zimbabwe, I have promised the hon. Gentleman a debate, and I continue to do so. I talked yesterday to the relevant Minister, my right hon. Friend the Member for Makerfield (Mr. McCartney), about pinning down a date on which he is sure to be able to be present.

Mr. Christopher Fraser (South-West Norfolk) (Con): Will the Leader of the House clarify what he said earlier about home information packs? Is there to be a statement and/or a full debate on this important subject? There is huge concern in my constituency about the security and cost implications of these packs, and especially about the media reports that inspectors will not be subject to full Criminal Records Bureau checks. Will such a debate or statement reconsider the timetable and regulations before they blight the housing market and the peace of mind of many home owners?

Mr. Straw: We thought that it would be for the convenience of the House to ensure that the order that results in HIPs being brought into force—or not—should be the subject of a debate and a vote on the Floor of the House, and that is what we will do.

Mr. Andrew Robathan (Blaby) (Con): I hope—and, indeed, believe—that the Leader of the House shares my pride in the long democratic traditions and leadership of this country, which got rid of serious electoral malpractice in the 19th century. Therefore, will he revisit the rather unsatisfactory response that he gave to my right hon. Friend the Member for Maidenhead (Mrs. May)? This week, the "Today" programme led on electoral fraud in postal voting. There was also an interesting "Insight" review in *The Sunday Times* of Labour electoral malpractice in Leeds. That is an issue of fundamental importance that affects this Chamber and our democracy. Our voting methods and the integrity of our voting system have been undermined under this Government. It is time that the Government put that right. May we have a debate as soon as possible on the integrity of the voting system?

Mr. Straw: I reject the burden of what the hon. Gentleman has said. We have sought, where possible on an all-party basis, to do two things: to ensure that there are greater opportunities for those who wish to vote to vote; and to tighten the system to ensure that there is less fraud than ever before. That was the purpose of the Electoral Administration Act 2006. It has ensured that there is a more efficient and effective system of scrutiny in respect of postal voting. We keep all such systems under review. That should be done on an all-party basis. I do not advise the hon. Gentleman to start a competition about whether any one party has a monopoly in respect of the bad people—a very limited minority of people—who seek to engage in electoral fraud. Sadly, there will be such a temptation for some bad people in all parties. It is our duty collectively to ensure that the systems are as tight and effective as possible.

Philip Davies (Shipley) (Con): The Home Office regularly publishes a report on reoffending of adults. The latest one, which it sneaked out, contained some startling information, such as that violent offenders were less likely to get a custodial sentence than non-violent offenders and that 82 per cent. of those who are on drug-testing and treatment orders reoffend. It also showed that the longer people spend in prison, the less likely they are to reoffend. Given the importance of these issues to our constituents, will the Leader of the House arrange for the Home Secretary to make a statement to the House on how those reports are shaping Government policy?

Mr. Straw: The hon. Gentleman needs to be aware of the fact that—when we have a debate, we will bring this to a wider audience—our record of cutting crime by 35 per cent. in the last 10 years compares brilliantly with the record of the previous Administration under which crime doubled, and, moreover, of the fact that while we have been introducing tougher sentences and more effective measures against criminals he has been consistently voting against them. His party voted against tougher sentences for murder and for sexual and violent offenders and persistent offenders, and against a new five-year minimum custodial sentence for unauthorised possession of a firearm and allowing new trials for murder if new evidence comes to light. Therefore, the Opposition need to sort themselves out before lecturing us about crime.

Mr. Henry Bellingham (North-West Norfolk) (Con): May we have a debate in Government time on Crown post offices? Is the Leader of the House aware that the Post Office recently announced that it was going to close the Crown post office in King's Lynn? It occupies a proud and historic building at the heart of a thriving community, and it will be moved to a completely inadequate counter in WH Smith. Will the right hon. Gentleman support our local newspaper, the *Lynn News*, which is giving excellent coverage to the campaign, and the local campaigner, Maxine Tweed, who has launched a petition, and will he help me to support this campaign to make the Post Office see sense?

Mr. Straw: As it happens, I am aware of that post office in King's Lynn, because when I visited King's Lynn while campaigning some years ago I was given a print of the post office building. I note what the hon. Gentleman says and I shall draw it to the attention of my right hon. Friend the Secretary of State for Trade and Industry. *[Interruption.]* The right hon. Member for Maidenhead (Mrs. May) is asking why I was given a print of the post office building. That is a good question, to which there is no obvious answer.

Policing in London

12.9 pm

The Minister for Policing, Security and Community Safety (Mr. Tony McNulty): I beg to move, That this House do now adjourn.

The Government have elected to debate the policing of London this afternoon, in what I hope will be a constructive attempt to understand where we stand in terms of that important subject. Members will know that until 2000, my right hon. Friend the Member for Blackburn (Mr. Straw), who has just left the Chamber, was the police authority for London. On the first and only occasion that I criticised a Minister, I demanded that he abolish himself—at least so far as his role as the police authority for London was concerned. Happily, that has happened. He has not disappeared, which I am equally happy about—he is doing an excellent job as the Leader of the House—but it is right and proper that there are now in place other structures for scrutinising policing in London, instead of, as there had long been, a single individual who was a member of the Government.

As part of the process of the Home Secretary's being the police authority for London, we used to have annual debates on policing in London. Since the inception of the Metropolitan Police Authority, the Greater London authority and the various other elements of that family, there have been no such debates. I thought it right and proper, and the Government agreed, that this House have at least the intermittent opportunity to discuss policing in London, and I am very pleased that we are doing so today.

I am sure that all Members will join me in congratulating at the outset the staff and officers of those agencies on whom the policing of London depends, and with whom Londoners come into daily contact—the Metropolitan Police Service, the City of London police and the British Transport police—on all that they do in defending the rights and public safety of people in London. It is their professionalism, dedication, watchfulness and response that secure for us the ordered society in the capital on which our individual and collective freedoms, prosperity and well-being depend. Beyond them, I pay tribute particularly to the leadership of Sir Ian Blair and James Hart—commissioners respectively of Police of the Metropolis and of the City of London—and to Ian Johnston, chief constable of the British Transport police. I also pay tribute to Len Duvall of the Metropolitan Police Authority, to Sir Alistair Graham of the British Transport police authority, and to the City corporation for its scrutiny and oversight.

As I said, we used regularly to have such debates. It is right and proper not necessarily to reinstate an annual debate—perhaps we can debate that issue, as well—but every now and then to provide scope for London Members in particular to have an extensive and wide-ranging debate, as I hope today's will be, on policing in London.

Mr. David Evennett (Bexleyheath and Crayford) (Con): May I endorse what the Minister said? It is important that we have regular such debates in the Chamber on our capital city, which is also a major region of this country. We welcome this one, but we would like an annual one on more general London matters, as we used to have. Although policing is very important, we would also like a general debate on the health service, education and other such matters. I was unable to make that point during business questions, so perhaps the Minister could make it to his colleagues.

Mr. McNulty: Once I have sat down, I shall have extensive discussions with my hon. Friend the Member for Poplar and Canning Town (Jim Fitzpatrick)—if he is still here—who is the Minister with responsibility for London, to see whether a broader, state of London debate, rather than just a policing debate, should become an annual feature. As a London MP, I would certainly welcome that, and I welcome the hon. Gentleman's point. As I said, debates on policing in London were held and were right and proper, because one individual was the police authority. My hon. Friend and I between us will ensure that this issue is raised with the usual channels.

Mr. Sadiq Khan (Tooting) (Lab): My hon. Friend will of course be aware that since we came to power—we celebrated this week the 10th anniversary of this Labour Government—we have devolved power. For the first time, we have a Mayor of London and a Greater London authority. Given my hon. Friend's close involvement with the GLA and the Mayor, he will of course know that they regularly debate policing, health and other such matters, and that they scrutinise the Metropolitan Police Commissioner. The Mayor also has an annual state of London debate and regularly opens up the GLA to scrutiny. Will my hon. Friend congratulate the Mayor and the GLA on the role that they play in scrutinising and discussing issues of huge concern to Londoners?

Mr. McNulty: I certainly take this opportunity so to do—in fact, I was going to do that in the next paragraph of my speech. Giving London Members the chance to have a wide-ranging debate on all issues affecting London would complement, rather than detract from, the work of the GLA, the Mayor and the MPA.

Mrs. Jacqui Lait (Beckenham) (Con): Perhaps I might build on this point. Although we are very grateful for this debate on policing, could the Minister for Policing, Security and Community Safety and the Minister with responsibility for London discuss our ability to table questions on London? It is quite difficult to get the Table Office to agree to accept such questions, because the issues are devolved. However, unlike in Scotland and Wales, they are not devolved legislatively.

Mr. McNulty: The hon. Lady makes a fair point, although in saying that I in no way traduce the work of the Table Office. As she knows, as a Minister I have not had many dealings with the Table Office of late. I do not doubt that I will do so again in the fullness of time, so I need to maintain arrangements and a relationship with the Table Office.

In 1998, the hon. Member for North Southwark and Bermondsey (Simon Hughes) and I shared the great pleasure of serving for about four months on the Greater London Authority Bill Standing Committee. I

[Mr. McNulty]

said on Second or Third Reading that whatever we passed then would not, 10 years on, constitute the form and shape of the GLA, the MPA and the various other elements because by its nature, such legislation should be organic. I also said that, if there were to be—as I felt there should—a developing scrutiny role for the GLA, including of the police, that should not obviate or impede London Members' ability also to perform that scrutiny function, not least because, as the hon. Member for Beckenham (Mrs. Lait) said, such matters have not been devolved legislatively. The combining of the two functions is to the greater glory of London and they are entirely complementary; they do not detract from each other. There is no turf competition between the MPA, the Mayor and the GLA, but this House also has a role to play.

Members do manage to table questions on London to the Home Office, not least regarding policing. Sometimes, I have to respond by saying, rightly, "Actually, you want to talk to Sir Ian Blair about that, not me." I do not think that I have ever had to say that the MPA, the GLA or some other part of the family deals with that issue, rather than the centre, and I always try to answer such questions as fully as I can. However, I take the broader point that the hon. Member for Beckenham makes. In my view, the Mayor, the MPA and the GLA need to have a greater role in scrutinising what the Government do, but that does not obviate the role and duty of London Members of this House collectively to do the same.

Like my hon. Friends, I welcome not only the advent of the Mayor, the GLA and the MPA, but the work of the latter. As the difficulties arising from the recent debate on the local government Bill have shown, some people do not understand that the MPA is unique. Naturally, it is constantly compared to other police authorities, and some people constantly suggest either that the Mayor should chair it and forge that link all the more, that it should consist just of GLA members, or that it should be abolished and subsumed into the GLA's functions. I do not agree. Although the majority of MPA members are also GLA members, and although the latter does a very important job in scrutinising the former, the MPA, thanks to its current wider and more representative composition, does a better job than it would if it consisted of just GLA members. For example, many MPA representatives of the black and minority ethnic community and of a range of other interests are not GLA members. The current blend of the two bodies works well, and it can develop and draw on expertise that goes beyond even the great skills base of GLA members.

Simon Hughes (North Southwark and Bermondsey) (LD): I share the Minister's view that the MPA's consisting of more than just elected GLA members is a good thing, and that other expertise is valuable. I have always felt that logically, once the Government set up, as they rightly did, a Greater London authority, the Mayor—whomever it may be for the time being—should automatically chair it. Most of the public think that one of the Mayor's key jobs is to ensure that London police do their job well. Security is clearly at the top of the agenda of many people in the capital city.

Mr. McNulty: I do not doubt that. The hon. Gentleman will know that we have facilitated that, if the Mayor chooses to do it. It is a matter for him, but I know that he has the greatest confidence in the present chair, Len Duvall. It is right, however, that it should be an option for the Mayor to choose to chair the authority. Colleagues who have fought the last couple of mayoral and GLA elections will know that policing and law and order are significantly high on the agenda of those elections in a way that they were not in the past, certainly in the days of the Greater London council.

Robert Neill (Bromley and Chislehurst) (Con): As someone who has fought the last two GLA elections, I agree with the Minister's point about the importance of policing and I have great sympathy with the points that he has made so far. However, on the issue of the composition of the MPA, the Minister will know that I moved certain amendments in Committee on the Greater London Authority Bill. I shall not repeat the arguments, but—unlike police authorities in the counties—the MPA precept makes up some two thirds of the total of the Mayor's precept. That provokes concern about democratic legitimacy, as people might reasonably expect that the person who delivers two thirds of the precept should be the person in charge of policing. Is that an argument for considering some way in which the Mayor could become the police authority? If there was scrutiny by the Assembly, perhaps the parties on the Assembly might recruit more candidates from ethnic minorities, or we could have a special committee, which included co-opted members, to strengthen the lines of accountability.

Mr. McNulty: I do not share that view, given that the MPA, as a police authority, is markedly different from authorities elsewhere. It is a regional police authority and cannot be compared to equivalents at county level elsewhere. Given the intricacies of the relationships and accountability flows between the Mayor, the MPA and the GLA, it is clear that the buck stops with the Mayor rather than with MPA members. I congratulate the hon. Gentleman on being returned twice to the GLA, with more success than the narrow squeak by which he got into Parliament. I congratulate him on becoming an MP—

Robert Neill: A passing phase.

Mr. McNulty: We will see. To be partisan, although not politically partisan, I welcome another West Ham fan to the House of Commons. As a member of what has been called since 1997 the Friday club, I still mourn the hon. Gentleman's predecessor, who is sorely missed.

If I may now address policing in London, I wish to touch on what has happened since 2000 and then consider some of the threats and opportunities that London faces. There is much to do on a range of issues, but the past seven years since the advent of the MPA have been, yes, challenging, but also years in which the Metropolitan police, the City of London police and the British Transport police in London have stood up to and met the challenges in ways for which Londoners should be very grateful.

Those years have seen sustained increases in funding. Uniquely—the hon. Member for Bromley and Chislehurst (Robert Neill) made a point about the precept—that

funding has been sustained through a combination of a significant local contribution and the central Government contribution. The Mayor made clear what he wanted to spend any additional police precept on and he also made clear the balance between the transport precept, the police precept and the other precepts. By any measure, he has delivered on the promises of safer neighbourhood teams on a ward basis throughout London.

I do not wish to bombard the House with statistics unduly and I shall try to limit my use of them. But I do want to set out clearly that the Metropolitan Police Authority has received an uplift in total grants of £827 million since its first year or an increase of some 51 per cent. It has needed that uplift for significant investments in people and infrastructure.

One area in which Home Office funding has been key—it is very close to the heart of the current commissioner—is the investment of £140 million in the C3i programme. That has upgraded call handling with the aim of better communications with the public, improved information for officers and a better match of resources in deployment. That global infrastructure investment is important, alongside the increase in communications at local ward level with the development of the safer neighbourhood teams. The concentration in three purpose-built central communication command centres has led, over two years, to 16 per cent. more members of the public getting through with calls and fewer 999 calls being abandoned, with an 87 per cent. response to such calls within 10 seconds. That has in turn led to more calls being resolved at first point of contact. The 999 interpreting service has been extended to non-emergency calls offering assistance to non-English speakers. The introduction of mobile data terminals to 1,500 response vehicles and new integrated borough operation functions for fast time intelligence and risk assessment means more effective response policing in the capital. Much of that work is still being implemented, but it is astonishing how getting things right at the first point of contact with the public—on the streets with the safer neighbourhood teams or in a 999 call—makes the subsequent resolution of issues more effective and efficient.

The number of police officers as of last September was some 31,000, or nearly 6,000 higher than in March 2001. Other than the Met, only three forces in England and Wales have a total number greater than 5,600, let alone have seen such an increase. Last September there were some 2,681 police community support officers and I understand that the Met has reached its target of 4,500 PCSOs for April 2007. There are more than 1,400 special constables—often overlooked, but very important—and more than 13,500 police support staff, an increase of nearly 3,500 since March 2001. Similarly, the Corporation of London has had an increase in total grants of £44 million or nearly 60 per cent. more in the same period.

Although there is much more to do, the figures for crime reduction reflect that investment. It is important that we look not only at inputs, but at the results of that extra investment in policing in London. Here, too, the results are on the whole impressive. Between 2002-03 and 2005-06, overall recorded crime in the Metropolitan police area fell by 8.9 per cent. and by 15.9 per cent. in the City, which equates to nearly 100,000 fewer victims of crime a year in London. In particular, recorded burglary fell 9 per cent., vehicle thefts by 21 per cent. and criminal damage by 15 per cent. I know, à la the King's college report, that much of the decrease in the number of burglaries is because of greater awareness and better home alarm systems, but that should not detract from the police's performance. I also know that better technology and more in-built mechanisms to prevent car theft have contributed to the fall in vehicle theft, but that should not detract from the success of the police in London and elsewhere in addressing that problem.

Justine Greening (Putney) (Con): The Minister mentions recorded crime figures. Is he aware that between 2004-05 and 2005-06 the British crime survey has said that the percentage of crimes recorded by the police fell from 47 per cent. to 42 per cent.? Across the board, only 30 per cent. of crime makes it into police figures. Is he confident that he can draw such conclusions from a data set that does not come close to having half of the actual events included in it?

Mr. McNulty: As I said, I do not want to use statistics too much today, and I certainly do not want to have a row about them. The interplay between recorded crime and the British crime survey has been known for a number of years—

Justine Greening Will the Minister give way on that?

Mr. McNulty: In a moment—it is customary to allow a question to be answered. Many commentators now invoke the BCS, after the minor blip upward of 2 per cent. over the past few quarters, even though they spent the previous 10 years rubbishing it because they did not like the numbers that it produced. I take the point about the difference between recorded crime and the BCS, but we are finding that some low-level, high-volume crimes are being reported much more often now that the safer neighbourhood teams are on the streets throughout London. However, none of that detracts from the very good work being done by police officers in London's 32 boroughs, and in the City, to drive down crime.

Simon Hughes: I spend a lot of time trying to use the media to convince people that crime in London is generally coming down, but does the Minister agree that much remains to be done? For example, the media often try to make things sound as bad as possible, and people in political parties put out leaflets suggesting that crime is worse than ever before to increase the fear of crime for party political ends. Should not all parties make sure that they do not exaggerate matters for cheap, local purposes?

Mr. McNulty: Of course I agree with that. The hon. Gentleman has a slightly distorted view: he represents Southwark, one of the few areas run by the Liberals and where everyone else is in opposition. However, in the most non-partisan way that I can manage, I suggest that he looks to the mote in his own eye. The worst people in London for doing what he describes are the Liberal Democrats. I can give him chapter and verse about that, but I am not just a partisan politician and I do not want to miss his broad point.

[Mr. McNulty]

Collectively—the media included—we should not indulge ourselves in playing up people's fear of crime. Much remains to be done, though: I meet Sir Ian Blair regularly, and he would agree that, even though the changing nature of London society raises challenges in different areas, it is fundamentally wrong to over-egg the pudding. My borough of Harrow is never above 29 or 30 in any list of crime and safety, but the perception of crime there is through the roof. I love the *Harrow Times* and the *Harrow Observer* to bits, but if I took to heart everything that they say even I would never leave my home.

Everything is hugely exaggerated, but that does not mean that we should underestimate the fear aroused even by a lower level of crime, and we must not forget that very serious crimes can have a profound impact on localities. I take the point made by the hon. Member for North Southwark and Bermondsey (Simon Hughes) about what people in the ranks of all parties do, but it is just that his party excels at such things. Our responsibility is to have a proper debate about law and order and crime.

Richard Ottaway (Croydon, South) (Con): The Minister is entitled to take credit for the improved crime figures. Communications have improved, and the safer neighbourhood schemes are making a difference. Even so, the figures show a clear problem with street crime, and particularly with young people attacking other young people and stealing phones, iPods and so on. Does he consider that there need to be changes to the present structure? What is his approach to that problem?

Mr. McNulty: I do not dispute that, nationally as well as in London, crimes by young people on other young people are the hardest elements to shift. I shall say more about that later, but the record of the Metropolitan police in respect of street robbery initiatives is as good, if not better, than any other force. None the less, the matter remains very difficult: in every set of quarterly crime statistics, the number of such crimes seems always to rise, or at least not to fall as much as other categories.

However, I do not believe that crimes by young people on other young people can be resolved by yet another piece of legislation, and I would say that the same is true about crimes involving guns, knives and gangs more generally. After the latest horrendous round of crimes involving guns and knives in London, we made it very clear that we will do what is necessary in terms of legislation, but that our approach needs to be broader. We must look at how we do what we do, how we engage with young people and how we can work with communities to ensure that such crimes do not happen. We need to get it through to people that carrying knives is not clever or brave, or even terribly useful for purposes of defence, and that gun crime should be outlawed.

We also need to understand the consequences of the successes that we manage to achieve. For example, it is well known that the Trident programme in respect of gun crime in the black communities across London has been enormously successful. Now we have to consider whether our success with getting guns away from adults has led to even younger people getting hold of firearms and using them. I am not sure about that, but investigations are in hand. However, we must get the whole of society fully engaged in tackling knife and gun crime, and in tackling the crimes that young people commit against each other.

The theft of mobile phones, iPods, MP3 players and the other things that people in our acquisitive society carry around with them is a key element, but there is more to it than that. The hon. Member for Croydon, South (Mr. Ottaway) is right to say that we have still to crack all the problems of street robbery and the violent and non-violent crimes perpetrated by young people against each other. However, those are problems that need to be addressed collectively, with contributions from people in education and other disciplines.

Some formidable initiatives doing precisely that are being taken in boroughs across London run by all parties. A range of voluntary and community organisations funded by the Government are doing a huge amount of work to assist in that goal, and the police are looking at the matter in much more detail.

Kate Hoey (Vauxhall) (Lab): Earlier, my hon. Friend talked about the very welcome investment that has gone into the Metropolitan police. We all welcome those extra resources, but has any thought been given to how the extra policing needed by the Olympic games will be paid for? Will the money come from central Government, or will London ratepayers have to pay additional charges?

Mr. McNulty: My right hon. Friend the Secretary of State for Culture, Media and Sport announced her spending plans recently, and they included the overall police and security budget. Sir Ian Blair and his Metropolitan police colleagues are looking at that in more detail, but the Government start from the premise that the games are national activities that happen to be taking place in London. As a result, central Government will provide the funding for them.

The starting budget for the Olympics contains elements to cover security at the sites being developed for the games, rather than policing. Over the course of this year, we will be firming up what the policing budget should be, and working out what needs to be spent now to ensure that the 2012 Olympics will be safe for everyone.

The games are a real opportunity for London's police and population to celebrate everything that is so wonderful about London. After all, it is the only world-class city—and I say that with due respect to Tokyo, New York, or anywhere else. Those cities are very nice, but I am London born and bred.

The figures speak for themselves, but of course I accept that they do not tell the whole story. We must also take account of the impact of crime on communities, and work to develop new ways to respond to crime in London. However, murder is down by nearly 4 per cent., grievous bodily harm by over 6 per cent., common assault by nearly 10 per cent., and crimes involving offensive weapons by 8.7 per cent. In addition, gun-enabled crime is down by more than 11 per cent., Trident gun crime is down by 15 per cent., and knife-enabled crime is down by almost 4 per cent. Again, however, the Met faces daily the impact of each and every one of those crimes on communities and individuals.

Justine Greening: The Minister has just said that common assault is down, but the figures for reporting that crime show a fall of only 9.7 per cent. whereas we would expect a far greater reduction—almost 20 per cent. Does he accept that those figures and the British crime survey figures indicate a proportionate rise in common assault?

Mr. McNulty: No, I do not. As I have already said, there is interplay between the BCS and recorded crime figures, and the hon. Lady may not understand the component parts. The British crime survey measures individual responses to crime rather than crime reduction, but of course people can have a nice time quoting figures from either the BCS or recorded crime statistics to fit their argument. The reality is the interplay between the two, and the fundamental point that the hon. Lady misses is that they do not set out to measure exactly the same thing. The BCS is not a measure of recorded crime, which the police do in a different way. London deserves a bit better than a rather foolish debate about the interplay between the BCS and recorded crime figures.

The development of neighbourhood policing in London over the past five years is the jewel in the crown. It has different nuances for each borough, which is entirely appropriate. A framework of six, with one sergeant, two police officers and three police community support officers in each ward, is a far-sighted neighbourhood policing method. That the model may be adapted for different areas and that—shock, horror!—Bromley's safer neighbourhood team may do things differently from Harrow's or that the teams in Bermondsey and Tower Hamlets might work differently despite their proximity only goes to show the responsiveness and substantiveness of the model. As the teams bed in, I hope that boroughs will learn from each other about best practice rather than it being spread only from ward to ward.

Just as important as the visibility of the safer neighbourhood teams and the work they do on a daily basis are the imaginative ways in which they talk to and respond to the ward communities they police across London. The work of safer neighbourhood teams, either at ward level or in clusters of wards, can be extraordinarily powerful when aligned with environmental and other council services in the borough in a neighbourhood management approach.

The Metropolitan police has a good record on diversity over the past five years and a good story to tell. The work force are more diverse than ever before. One of the useful by-products of the development of the PCSO model is the increasing number of recruits from black and minority ethnic communities, especially in London; there is also a stronger gender balance than in the routine force. The same can be said of special constables, where the Met has exceeded its target of 25 per cent. recruitment from BME communities and achieved a figure of 30 per cent. Recruitment of police officers in London, especially from a BME background, remains a challenge, however, so I hope that with the advent of the National Policing Improvement Agency many of the issues formerly dealt with by Centrex will be looked at in some detail.

The British Transport police, too, does a fine job in London. The BTP is the responsibility of my right hon. Friend the Secretary of State for Transport, but it would be remiss of me not to mention the service in a debate on policing in London. The BTP's responsibility for our railway and underground systems is a discrete but significant task. The routine safety of passengers and their sense of security and well-being and the terrorist threat require a robust response. In a single year, London Underground carries more than 1 billion passengers and, on 8 December 2006, for the first time ever, carried 4 million passengers on a single day. The BTP certainly does not lag behind developments in the Met and other forces; it does a fine job.

Ms Dawn Butler (Brent, South) (Lab): Does my hon. Friend agree that the safer stations campaign has been extremely successful? The Mayor of London ensured that there were 89 more British Transport police and that stations were better lit, which has meant that people can travel more safely.

Mr. McNulty: I agree absolutely. The BTP has interpreted neighbourhood policing by working with the Mayor to increase the BTP presence, with PCSOs, throughout the network, not least—so that I avoid being described as partisan for north London—on the south London rail network, where that presence may be needed more than on the tube, which is usually far busier. The introduction of such a scheme on Southern led not only to increased revenue for the rail company but a greater sense of security at work for rail staff—importantly—as well as for passengers.

Mr. Khan: Will my hon. Friend congratulate Southern and South West Trains, whose work in partnership with the local police, council and businesses, led to Balham, Earlsfield and Wandsworth Common stations all receiving accreditation and a safe station award? Not only does that make crime figures actually go down, but it makes passengers feel safer—a point which my hon. Friend referred to earlier. That is the twin challenge we face: being safe and feeling safe.

Mr. McNulty: I am happy to congratulate the BTP in that regard and apologise to my hon. Friend for making his point before he was able to do so, which is something I did earlier, too.

The BTP has a key role working with the Metropolitan police to counter the ongoing threat of terrorism in London. Although no one says that things could not be better, the efforts of the BTP have achieved positive outcomes. Last year, total recorded crime on London's railway and underground networks fell by 8 per cent. The detection rate for crimes of violence against the person and for robbery—two issues of real concern on the network—are up by 5 per cent. and 8 per cent. respectively. Finally in this section of my speech, the Airwave system is being implemented underground—an initiative colleagues may want to discuss.

I do not want to detain the House for too much longer, so I am trying to whizz through as much as I can to allow other Members to speak. However, it is right and proper in debates such as this for Ministers to take as many interventions as possible so that Members can make their points at this stage.

[Mr. McNulty]

As I said, London is a unique city with unique issues, which bring unique threats. Terrorism is thus rightly an element in a debate on policing in London. The focus is across London rather than simply on the west end. The Metropolitan police has a strong role in the national dimension of the counter-terrorism effort, as well as specifically in London. The Met's seven-point plan, Operation Delphinus, identifies the need to engender trust and confidence in all communities, which will in turn provide opportunities to create local environments that are hostile to terrorists. Delphinus will ensure regular contact with local partners, obtaining and disseminating information in compliance with the national intelligence model, as well as initiating a two-way dialogue to address community concerns—with the emphasis on two-way. We must ensure that all officers—whatever their role within the policing network in London—play their role in the counter-terrorist effort. Local forces will always remain the first responders in the case of a successful terrorist attack.

As I have said, gun and knife crime is a particular concern in London.

Richard Ottaway: Before the Minister moves away from the issue of terrorism, may I return him to the subject of the Olympics, which was brought up by the hon. Member for Vauxhall (Kate Hoey)? As he knows, specific and detailed security plans were drawn up before the 7/7 bombings on the London underground, but to what extent will those plans be changed and reviewed as a result of what happened?

Mr. McNulty: I say to the hon. Gentleman—I mean this in the strongest terms—that the plans will be reviewed, reflected upon and analysed all the way up to and including 2012. That must be the case for security and policing. Much of what the Metropolitan police does between now and 2012 will be coloured and influenced by the multinational event that will take place then. That is the way to proceed rather than to have a blueprint of policing and security that was part of the bid book and that will not be deviated from at all. The plans must be organic and responsive, not least for the reasons that he suggests. I agree with him and happily give the assurance that the process will be ongoing all the way up to and including 2012. In the same way, other elements of policing will be coloured by the fixed event that will take place at that time.

Robert Neill: I am grateful to the Minister for giving my hon. Friend the Member for Croydon, South (Richard Ottaway) those assurances, but may I raise another related point? The Minister has referred to the overground network in south London and that is relevant to those of us who represent areas that do not have a tube. However, as we develop a security strategy in the light of the greater potential risks with the Olympics and everything else, I hope that he and other Departments will take on board the importance of ensuring the security of the overground rail network just as much as the security of the underground. I say that given what happened in Madrid where the overground commuter network was targeted. We need to ensure that there is security at the sidings and depots, which are sometimes quite distant from London, where the trains are stabled and on the busy overground commuter lines. I hope that those points will be fully factored in.

Mr. McNulty: I think that those points will be factored in. The commissioner is clear that the police and security plans for the Olympics must be all-embracing and London-wide and include all elements of the transport network. They must not simply be a police and security plan that covers the sites where events will be held and the transport corridors between them. The plans will be developed in the light of a particular focus being on London in August 2012 and in the run-up to that.

I could go on about several other issues, but I have probably spoken for long enough. Drugs are an important dimension of policing of London. If colleagues raise that issue, I will happily respond at the end of the debate. I wanted to touch on police reform and on productivity and efficiency on which the Met has a good news story. We need not only to bed in the neighbourhood policing model for London, but ensure that it is sustained. I will shortly hold a range of assorted workshops with the presence of the Metropolitan police. The workshops will not only deal with ways to reduce bureaucracy—about which we shall do what we can—and with the efficiency of the performance framework and targets set by Government, and how policing is aided rather than hindered by them, but with a range of other issues. Given the strength of the Met's contribution to national policing, what happens in the Met will have implications elsewhere.

I wish to make two final points. Colleagues will know that the Home Secretary has announced a review of policing under the chairmanship of Sir Ronnie Flanagan. It will look at four key areas—neighbourhood policing, level 2 services, bureaucracy and local accountability—and all the issues associated with them. While the Government and other commentators struggle with local accountability, we all start from the premise that we need some form of local accountability to complement—not to challenge—the accountability that we have in London through the overarching strategic view that is provided by the Metropolitan Police Authority and the Mayor.

There are some strong and developing informal models—safer neighbourhood teams and local community panels—but as more and more resources and responsibility are devolved to basic command units and the boroughs, we should do more about the accountability of the police and other public services at the borough and BCU level. I do not know what the full answer is, but I do not think that it is borough watch committees all over again. I do not think that the answer is borough police commissioners who are somehow accountable for policing but not responsible for it, but I commend everyone for at least thinking through what the local accountability model should be to complement the strategic model provided by the Mayor.

Simon Hughes: I have long held the view that, as we now have safer neighbourhood partnerships in every borough in London as well as overall partnerships, the logic of having separate police and community consultative groups, which are leftovers from the era of the riots that Scarman inquired into, is past its sell-by date. We need one borough-wide forum in which the leader of the council, the person who runs the courts and any prisons in the borough and the police chief are accountable on a regular basis to the community—businesses as well as residents. I hope that Ministers

will be positive about encouraging the review to consider a more streamlined system that will save many people a lot of time and money and that will be more effective.

Mr. McNulty: I accept the point that there needs to be some sort of streamlining. The police and all other bodies must become much better aligned. However, I am not sure whether that will be done through the development of crime and disorder reduction partnerships, the local strategic partnerships when they are successful—they are not always successful—or through an amalgam of the two joined by local area agreements and extra funding from Government if people achieve targets. None the less, I agree with the starting premise that there needs to be greater accountability, but across function and not simply of the police at BCU or borough level. Councils increasingly have a huge role in all these matters and not least in the environmental and other issues raised by safer neighbourhood teams that are more properly the responsibility of the council rather than the police. As I have made clear, I am struggling to find the answer, but just know that there must be a greater degree of accountability and community response.

I am very grateful for the interventions thus far and hope that they presage a lively but thoughtful debate. I emphasise that we are not meeting today under the cloud of some great crisis. We can reflect on a good deal of success and, importantly, on a good deal of resilience and flexibility from the Metropolitan police and other police forces in London in responding to the needs of London communities as those needs grow, change and develop. The issues of policing London—now and in the future—are complex and policing can be done well or it can be done indifferently. I hope that the House will take this opportunity for what it is—a space to discuss and debate the issues of the day and the challenges of tomorrow in a constructive way.

I repeat what I said when I started. We owe a great deal to the men and women of the three forces that I have mentioned—officers and staff. I commend the commissioner, Sir Ian Blair, on all that he has done in terms of leadership and vision for the Metropolitan police and the men and women of the police forces throughout London. We rely on their skill, resourcefulness, integrity, willingness to serve and bravery on a daily basis. The House collectively—not just London MPs—and the country should be enormously grateful for the policing that they provide to London in such a selfless way, because that matters to the entire country. I commend to the House the Metropolitan police, the British Transport police and the City of London police for all that they do.

12.59 pm

Nick Herbert (Arundel and South Downs) (Con): I join the Minister in paying tribute to the work of officers of all ranks in all the forces that operate in London: the City of London police, the British Transport police and, not least, the Met. The Met is the largest force in the country. It receives a quarter of the national policing budget and has approximately a fifth of all the sworn officers in England and Wales—30,000 out of 140,000. Any debate about policing in London therefore becomes quite an important index of the shape of policing in the rest of the country.

Mr. Andy Slaughter (Ealing, Acton and Shepherd's Bush) (Lab): The hon. Gentleman mentioned the 30,000 police officers in the Met. Does he accept that that is an increase of more than 20 per cent. on when the Mayor of London was elected and will he congratulate the Mayor on that?

Nick Herbert: I will come to the point that the hon. Gentleman raises later.

Founded by Sir Robert Peel in 1829, the original establishment of 1,000 officers policed an area within a 7 mile radius from Charing Cross and a population of fewer than 2 million. Today, as well as providing territorial policing for a population of 7.2 million and covering an area of 620 square miles, the Met has capital city functions such as policing national demonstrations and protecting royalty, diplomats, politicians and Parliament, and key additional responsibilities, including counter-terrorism. The performance of the Met is critical to the safety and quality of life of millions of our citizens—not just people who live in the capital, but those who travel to work here.

The Met and the Metropolitan Police Authority state their ambition to make London the safest major city in the world. That is a fine and proper ambition. They draw attention, as the Minister did, to recent falls in residential burglary, criminal damage, violence against the person and the total number of offences. I am happy to say unequivocally that those are welcome improvements. They should not be underestimated and I will say more about them shortly. But we must not be complacent. The overall story in London in the last decade is rather less impressive—to use the Minister's word—than some of the recent developments suggest.

Yes, there have been significant falls in burglary and motor vehicle crime, but, as the Minister conceded, much of that is a consequence of technology that makes those crimes harder to commit. Those falls should therefore have been expected, as independent think-tanks have recently reminded us. In addition, the burglary rate in London is still 2.8 times higher than that in New York, for example. More seriously, according to the Met's figures, there were just under 130,000 offences of violence against the person in 1998-99, but more than 182,300 in 2006-07—an increase of more than 52,000 or 40 per cent. in a period of roughly a decade. Is that an impressive record? In 1998-99 there were 2,285 gun-enabled crimes, but in 2006-07 there were 3,375—an increase of 48 per cent. Is that an impressive record? In 1998-99 there were about 26,000 robberies in London, but in 2006-07 there were well over 45,000—an increase of 74 per cent. The robbery rate has more than doubled since 1991. Is that an impressive record? I do not think so.

Those rises in some of the most serious crimes should be seen against the background of what has been, as the Minister quite correctly told us, a significant increase in investment in the Metropolitan police. Since 1997, budgeted net revenue expenditure has gone up from £1.8 billion to £3.2 billion. That is a huge real-terms increase of more than 40 per cent. We have to strip out the settlement last year of more than £250 million for counter-terrorism—for reasons that all of us in the House understand. But even if the additional spending on counter-terrorism is excluded, the budget has still increased by more than 30 per cent.

[Nick Herbert]

in the last decade. It is Londoners who are largely paying for that increase in policing. In 1997 the police precept for a band D property in London was £63; in 2007-08 the police precept for a band D property in London will be £223.60.

In answer to the hon. Member for Ealing, Acton and Shepherd's Bush (Mr. Slaughter), who asked who should take the credit for funding additional police officers in London, my response is: Londoners. They have paid richly for that. In 1997 the Met received £162.7 million from precepts on local authorities; in 2006-07 the police precept generated more than £600 million. As the Minister pointed out, that extra funding has delivered almost 4,000 extra officers—up from 26,000 to 30,000—and 2,500 new police community support officers. The Minister told us that the Met has just hit its target to recruit a total of 4,500 CSOs.

That is welcome. But here is the story of the last 10 years: Londoners and London taxpayers are paying much more; resources have increased by a third; there are 8,500 more officers; there has been a 20 per cent. increase in the total work force; and yet overall crime—on the figures that were supplied to us by the MPA and the Metropolitan Police Service last week—is at the same level now as it was 10 years ago. There were 921,603 offences in 1998-99; there were 921,779 offences in 2006-07. So, with a 20 per cent. increase in the work force and a 30 per cent. increase in resources, the level of crime is the same. If I were a Londoner, I would say that that was not very good value for money.

Kate Hoey: The hon. Gentleman mentioned earlier the increase in gun crime. Does he agree that those of us on both sides of the House who, when the ban on handguns was introduced, said that it would make no difference to illegal guns on the streets, but only discriminate against law-abiding, decent pistol shooters who could no longer compete legally in this country, have been proved right?

Nick Herbert: I am not going to get drawn into the dispute about the ban on handguns. I will say later that I think that some of the changes that have happened in relation to violent crime were predictable and predicted. There has been insufficient action to date to deal with them.

Simon Hughes: There is an important debate to have about the value that people get for the resources that are put in. The hon. Gentleman is absolutely right about the huge extra resources, and that was the view of ordinary Londoners and their political representatives across all parties. But could it be that it takes a while for the resources to have an effect? To be fair to everybody, including the MPA and members of all parties, the total crime figures have come down consistently for the last five years. They went up for the five years before that. We are where we were 10 years ago, but the trend now is much healthier than it was 10, eight or five years ago.

Nick Herbert: Yes, I was going to come to that point shortly, but I am happy to engage with the hon. Gentleman now. The case can certainly be made that the increase in police officers in the last few years and the introduction of safer neighbourhood teams has had a positive effect, both in providing reassurance to the public and in reducing some crimes. Other crimes have not been reduced; they have increased. We must address those serious issues. There are important questions about the number of police officers on the beat, their visibility and mechanisms to ensure that they can remain there. We do not know whether the trend is going to be sustained. It is important that we apply value-for-money tests to arguments that are put to us about falls in crime and that we see those falls in context. Before we pat ourselves and the MPS on the back too much for the performance over the last couple of years—I did welcome some of the reductions—it is wrong not to see that in the context of the last 10 years.

To jump ahead further, let me raise something of which the MPS does not like to be reminded: the comparison of the performance of the New York city police in the 1990s with that of the Metropolitan police during the past decade in which their resources have increased significantly. In the 1990s, there was a significant—42 per cent.—increase in the work force on the streets in New York, which was about twice the increase in London. However, crime fell by a huge 75 per cent. over that period, so there was a disproportionately large fall in crime in New York in the 1990s.

Ms Karen Buck (Regent's Park and Kensington, North) (Lab): If we are going to have an informed debate, surely we must make the point that demographic factors were a far greater determinant of what happened to crime in New York than police resources. We need to ensure that we consider not only police resources and total investment, but a range of demographic, social and cultural factors that have an impact on levels of crime.

Nick Herbert: The hon. Lady raises an interesting point that is often made to argue against the impact of the policing changes made in New York in the 1990s. Factors such as changes to the abortion law are often cited as being responsible for part of the reduction in crime, but those changes also applied in the rest of the United States. A recent study conducted by an eminent criminologist that is summarised effectively in the latest Conservative party policy document on this issue—I am happy to send a copy to the hon. Lady—shows that at least half of the 75 per cent. reduction in crime in the 1990s could be attributed only to changes in policing. The two fundamental changes in policing were an increase in accountability regarding the management of data and precinct commanders—many of those lessons are being learned in London, but are yet to be learned in the rest of the country—and an increase in police numbers.

Mr. Slaughter: I know that my local Conservatives and Conservatives in the Greater London assembly have consistently opposed and voted against increases in support for the police in London. Do Conservative Front Benchers share that view? It is all very well for the hon. Gentleman to talk about value for money, but does he support the increase in the number of police officers and CSOs in London or not?

Nick Herbert: The hon. Gentleman does not seem to have spotted that I am making an argument in favour of an increase in police numbers. Increasing the number of police on the streets is important. It had an absolutely fundamental effect on the amount of crime in New York and it may be starting to have an effect on levels of crime in London.

Robert Neill: Perhaps we can lay to rest this canard that is trotted out by the hon. Member for Ealing, Acton and Shepherd's Bush (Mr. Slaughter) and the Mayor of London—it seems to be believed by only the two of them. I have proposed most of the alternative budgets of the assembly's Conservative group. Conservative alternative budgets and some of those put forward by the Liberal Democrats would have made more resources available for policing. For example, we suggested that if the Mayor cancelled the western extension of the congestion charge and the Uxbridge tram, several hundred more police officers could be made available to police London's transport network, yet Labour assembly members rejected that proposal last year.

Nick Herbert: I am extremely grateful to my hon. Friend for making that point. Since the hon. Member for Ealing, Acton and Shepherd's Bush and I seem to agree about the importance of investing in police officers on the beat, will he set out his position? Hammersmith and Fulham council is conducting an important experiment in which it is increasing the number of police officers on the beat by delivering 24/7 policing and massively strengthening the existing neighbourhood policing teams, which do not work across 24 hours. As the hon. Gentleman well knows, the council is increasing the numbers in two target wards by five times, so each team will have a total of 30 officers, rather than six. At the same time, the council is reducing its council tax. Does he support that particular increase in police officers on the beat?

Mr. Slaughter: If I get the opportunity to make a speech, I will deal with the hon. Gentleman's point in some detail. He attended a conference at Hammersmith town hall to talk about the subject. The many members of the public who came to the conference expected to be able to express their views on policing, but instead listened to two hours of political speeches from five members of the Tory party that would have put Stalin to shame. The police and the public hardly got a word in—I hope that we are not going to hear more of that today.

Nick Herbert: We will be hearing many lectures on Stalinism from the Labour Benches over the next few months. I am sorry that the Home Secretary is not in the Chamber to hear the hon. Gentleman's remarks. Hundreds of people attended the summit at Hammersmith. There is massive support for the pilot schemes that the council are introducing to put more police on the beat at less cost to the taxpayer. However, it appears that the hon. Gentleman does not support the policy.

Susan Kramer (Richmond Park) (LD): May I ask a very parochial question? Will the hon. Gentleman speak to his colleagues in Hammersmith and Fulham and ask them to ensure that the policing teams stop crime, instead of encouraging criminals to cross the bridge into Barnes, which is in my constituency? That pattern of behaviour is driving those on our side of the river absolutely insane.

Nick Herbert: If the experiment is successful, perhaps other boroughs will decide to invest some of their resources in the people's priority—reducing crime—rather than complaining about experiments.

Justine Greening: May I bring my hon. Friend back to his original comments about policing numbers? An interesting article in "Metline", the London police officers' magazine, says that following increased investment in the US in homeland security, many states that had seen a decline in crime have experienced a dramatic rise. That suggests that a change in resources for the front line can move the trend both ways. Crime goes down when there are more officers, but up when there are fewer.

Nick Herbert: My hon. Friend's point gives us a warning. With the honourable exception of those people who do not seem to support an increase in the number of police officers on the beat, hon. Members will have to ensure that neighbourhood policing is anchored, with its resources sustained and police officers remaining in position. Given funding pressures, the frozen Home Office budget and calls to increase spending on security, as has happened in the United States, there is a danger that neighbourhood policing will not be anchored. Enhancing local accountability is therefore important because it is one of the most potent ways of ensuring that people get the officers on the beat whom they are entitled to expect. They have wanted that for a long time, even though national politicians were slow to catch up with the idea.

People believe the simple truth that officers on the beat not only reassure communities, but reduce crime. There is now empirical evidence from this country to support that view. After 7/7, officers were transferred from some outer London boroughs to inner London so that people could be reassured by additional police officers on the streets. The transfer resulted in a big drop in crime in those inner London boroughs. That demonstrated to the establishment, which had denied people for so long the increased officer numbers on the streets that they wanted, that more officers were an important factor in reducing crime.

Ms Buck: The hon. Gentleman says that he is in favour of local accountability as a means of anchoring neighbouring policing, but he said earlier that he was unhappy with the idea of Londoners having to share the cost of additional policing. Is it possible to support local accountability while simultaneously opposing local financial accountability?

Nick Herbert: The hon. Lady misunderstands me. I was making an argument about value for money and pointing out that the increase in resources that is claimed for London has largely been funded by London taxpayers and council tax payers. They want a return on their investment. Value for money in our public services is an important concept to which we Opposition Members subscribe, even if the hon. Lady does not.

[Nick Herbert]

The fact is that London remains a high crime area, although we may have arguments about statistics. I would say to the Minister that I believe, and we have formally proposed, that the time has come to put the publication of the statistics on an entirely independent basis. The Statistics Commission criticised the Home Office for the way it spins the figures that are produced, but we should also consider the fact that there are two different measures of crime. The British crime survey is valuable in some respects but problematic in others because it does not measure key crimes. There is also the problem of the trading and spinning of statistics once they are published by the Government. That makes it difficult for everyone—Members of the House, commentators and, most of all, the public—to know what is really going on. If we are to measure the performance of police forces fairly, we should have robust and independently produced measures of crime in which we can all have confidence.

We propose that responsibility for the figures be taken out of the Home Office and given to an independent body. That would assist us greatly in debates such as today's, and it would enable Members of all parties to make points without the basis of their claims being challenged. Let me tell hon. Members a few home truths about crime in the capital city which cannot be disputed. There is 30 per cent. more crime in London than there is nationally. We might expect that in a capital city with a large concentration of people and a great deal of economic activity, but people are also 30 per cent. more likely to be mugged in the capital than they are in the rest of the country. That is despite the fact that there are far more police officers in London. The average population per officer outside the capital is 372; in London it is 239, or, to be fair, 262 if we allow for the commuters who travel into London every day.

As we heard, the detection rate in the Met has improved in recent years, and, in fairness, that is a significant improvement and should be welcomed. It is good news, if the fact that 78.9 per cent. of crimes are undetected can be classed as good news. However, it remains the case that the Met's detection rates are consistently worse than those of other metropolitan police forces, even though crime levels and trends across urban forces are similar. That is an important discrepancy that we should debate. Greater Manchester police's detection rate is more akin to the national average of 24 per cent., and that is significantly higher than the rate in London.

I welcome the improvement in the Met's detection rates, but we should be cautious about how that improvement has arisen. There are two particular concerns that I shall draw to the House's attention. First, it appears that an increase in sanctioned detections has been achieved partly through a significant increase in the number of cautions issued by all forces, including the Met. For example, in London last year the police issued more than 14,000 cautions for serious crimes, including assault, robbery, burglary, car crime and hard drugs offences. The cautions were then counted as sanctioned detections, enabling the police to claim that their performance has improved, but I doubt very much whether the victims of those crimes would consider the offenders to have been really been brought to justice.

The second way that forces may be improving detection rates is by considerably increasing the number of penalty notices for disorder that are issued. I do not have to hand the figures on the number issued in London, but there has been a significant increase nationally, so I can confidently say that there will have been a big increase in the proportion locally, and that may well correspond with a falling-off in the number of offenders brought to justice who are accounted for through convictions in court. If we consider that half of those penalty notices are not actually paid, in the first instance, by the person who has been given the fine, it is deeply questionable whether penalty notices should count towards the number of offenders brought to justice at all. Some of those enforcement tickets are being used to deal with matters such as serial shoplifting, although it is quite inappropriate for them to be used in that way.

Mr. Evennett: My hon. Friend is making a powerful case—*[Interruption.]* If Labour Members will listen, they will find that it is a powerful point. In my constituency, people feel that offenders are not being brought to justice, and although the figures that have been published are going down, people feel that criminals are not being punished, and are getting away with it. That is the point that my hon. Friend is making powerfully.

Nick Herbert: I am grateful to my hon. Friend, and I agree with what he says. The Labour Members who appear to be disagreeing need to tell me whether they think that someone who is given a penalty notice for disorder and a fine for an offence, and then does not pay that fine, should count as an offender brought to justice, because that is what is happening. If we were victims of those crimes, however minor they may seem, would we be happy for them to be accounted for in that way? Yet that is one way that forces are increasing their detection rates, so there is a distortion.

That distortion emanates from one of the biggest problems affecting policing: the increasing amount of central direction and the increasing number of targets placed on the police, as on other public services. Those targets and the excessive reporting that goes with them damage morale in police forces. They also make the police perform to targets and undertake what they might otherwise think were not particularly valuable policing activities. Fishing for easy detections, as opposed to tackling more difficult offences, is exactly that kind of distortion. Before we debate the issue again, we need figures that demonstrate what proportion of the increase in detections amounts to offenders being brought to justice, and what proportion is accounted for by administrative devices. Without the figures, it is difficult for us to judge.

I welcome not only the specific falls in crime in the Met area in the past few years, but the recent improvements in trust and confidence in the Metropolitan Police Service, as measured by its opinion surveys. Those are important, too. However, the fact is that more than a quarter of Londoners still do not feel safe walking alone in their area after dark. Four out of 10 Londoners do not have confidence in London policing, and they do not feel that the police do a good or excellent job. Some 12 per cent. have a fear of violence in their local area.

We may say, "That is only 12 per cent.," and of course it is perfectly possible to put the figure the other way round and say that the overwhelming majority of people do not have a fear of violence, but it still means that there are 900,000 people in our capital living in fear of violence, and that is unacceptable. That suggests that reversing the high tide of crime remains a fundamental challenge for the Met, and the commissioner was unwise to suggest last year that people now leave their doors open because they feel safe in a way that they have not done for 25 years. Frankly, to put it as kindly as possible, that was a little previous.

Justine Greening: Certainly, in my constituency, people do not feel safe leaving their doors open. I assume that the statistics that my hon. Friend just read out about people's attitudes do not include information gained by interviewing children who are 16 and under. We know that a huge number of the victims in London are secondary school children, and presumably, had statistics on children been included, the facts would have been much more negative.

Nick Herbert: My hon. Friend is absolutely right, and one reason why there is a problem with the British crime survey, and other surveys that interview adults and not children, is that so much crime, particularly robbery, is committed against younger people, and we are not picking that up. That is obviously a problem.

Robert Neill: Is not the point that my hon. Friend the Member for Putney (Justine Greening) made about young people reinforced by the fact that the deputy Metropolitan Police Commissioner, who stood in for the commissioner at the last Metropolitan Police Authority meeting, provided members with information that there had been a worrying increase in the number of cash-in-transit robberies and a movement away from snatches? In particular, concern was expressed that more young people are involved in cash-in-transit robberies, rather than the snatching of mobile phones that took place in the past. In other words, they are snatching more valuable property, and does that not cause concern that we are failing to capture the full extent of the involvement of younger people, for all the reasons set out by my hon. Friend the Member for Arundel and South Downs (Nick Herbert)?

Nick Herbert: That is an interesting point. One aspect of performance in relation to crime in the past year about which we should be concerned is the increase in robbery. The Met, to be fair, drew attention to that itself. My hon. Friend is right that a big component of that increase relates to cash in transit, not personal robberies. It is often characterised as crimes such as the snatching of mobile phones and so on, but it can be crimes against businesses that result in harm to employees. It is something about which the security industry is increasingly concerned, and it probably merits a separate debate in future, because specific action may need to be taken. In particular, those crimes against businesses need to be recorded separately so that we can monitor what is going on.

Mr. McNulty: Next week or the week after, a substantive conference will be held at which banks, individuals involved in the security industry, and, importantly, local authorities will come together. I would be very happy to make sure that Members who have participated in our debate and have expressed concern about cash and valuables in transit receive a record of the outcome and any subsequent actions.

Nick Herbert: I am grateful to the Minister. I think that I recall receiving an invitation to the conference, which I hope to attend. As ever, I look forward to his contribution.

Simon Hughes: The hon. Gentleman was about to complete his sweep of different types of crime, but may I just ask him whether he agrees that there is a worrying trend? It is apparent not just in London but in other places—it is, however, absolutely clear in London—that the crimes that have gone up in the past 10 years and are most worrying are all violent crimes: murder, gun-enabled crime, robbery, violence against the person and rape. There will be an endemic problem in our society if we do not turn that around, as the problem of more people being more violent more often is afflicting both London and the rest of the country.

Nick Herbert: The hon. Gentleman is right. The fall in many crimes, as the Minister conceded, was expected because of technology, but the increase in other crimes, such as mugging, is particularly serious and worrying for the public. The fact is that the Government knew that that was going to happen, because a strategy document produced by the Prime Minister's strategy unit in December 2002 noted that London had a particular problem with mugging and street crime. It noted that mugging occurred principally in 10 London boroughs—the figure is 60 per cent.—and that an increase in violent crime was likely. We should have seen that coming to a greater extent than we have done, but everyone in the House would concede that the solution to the problems does not lie just with the police. I agree with much of what the Met commissioner said in his interview in *The Guardian* this morning, and that the solutions are wider than a simple question of enforcement. Enforcement is important, as, of course, are sufficiently robust penalties, which the Government have now accepted in relation to knife crime. Police officers on the streets are important, but what is going on has wider societal implications, which my right hon. Friend the Member for Witney (Mr. Cameron) has constantly tried to impress upon us. The solutions lie in what the Prime Minister used to want to discuss—the causes of crime—so the point made by the hon. Member for North Southwark and Bermondsey (Simon Hughes) is well made. I suspect that we will be preoccupied with the issue a great deal in the next few months.

I have been talking largely about the importance of getting police officers on to the streets, and I welcome the fact that, in London, the development of neighbourhood policing teams funded by Londoners, with one sergeant, two police constables and three police community support officers in 630 wards has been rolled out ahead of schedule. In 87 wards, the number of PCSOs will increase further, which is important if we are to develop the kind of policing that the public want and that operates successfully in Chicago, for instance, as I have seen for myself in the Chicago alternative policing strategy, on which much of this is modelled. There is still a problem with the

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visibility of police officers, and the survey to which the Met and Metropolitan Police Authority drew attention shows that, astonishingly, it is still the case that less than half of London's population see a uniformed presence on the streets every week.

The development of neighbourhood policing must address that problem. One way in which we can ensure the effectiveness of neighbourhood policing teams is to take a resolute—and, I propose, steely-eyed—look at the effectiveness of PCSOs and what they do. PCSOs are an important development and component of neighbourhood policing teams. I understand the reason why PCSOs should not have certain powers—it is to avoid their abstraction into police stations and to maintain a constant presence on the streets—but it is important that people see PCSOs engaging with them. There are specific problems to which commanders are alive and that need to be addressed. For instance, is it really necessary for PCSOs always to patrol in pairs? The Metropolitan Police Commissioner, Sir Ian Blair, proposed at one point that there should be proximity policing so that police officers and PCSOs could patrol on either side of the street. They would still be in safe reach of and each other, not only would that effectively double the police presence on the streets but it would encourage them to engage with the community much more. Given that the Government have legislated to allow greater powers to be given to PCSOs, we will have an ongoing debate about the extent to which PCSOs should be given greater powers to make them more useful while avoiding their being taken back into police stations.

That leads me to reform. In the past, we tended to have a debate about the need to increase the visible police presence on the streets, thinking that that purely involved an increase in resources and the hiring of more police officers. All political parties fell into the trap of believing that that was the only way of increasing the presence of police officers on the streets. However, a considerable diversion of police officer time as a result of the bureaucracy and the way in which they have to record and process crime confronts the police.

Ms Butler: It is part of the accountability process.

Nick Herbert: Accountability does not have to be bureaucratic. The fact that, on the Government's own figures, police officers spend more time filling in forms than they do on patrol is a problem, and I thought that it was understood by Members on both sides of the House.

Mr. Khan: I thank the hon. Gentleman for giving way—he has been generous in accepting interventions. Does he not accept that one reason why there were so many miscarriages of justice in the 1970s and '80s was the lack of paperwork by police officers? One reason why there are far fewer miscarriages now and why the public have more confidence in the police is the paperwork that they have to fill in, whether it is notebooks, the paperwork for the transfer of a prisoner from a cell to a custody suite, or interviews that are recorded. Those are some examples that protect the police from allegations of miscarriages by the public.

Nick Herbert: I would caution the hon. Gentleman against making the argument that all the paperwork is essential to ensure the proper operation and monitoring of what the police do. We all agree that there should be transparency and accountability in officer performance. The introduction of the Police and Criminal Evidence Act 1984, for instance, was an important development in ensuring that that took place. However, much of the paperwork that has been generated is not about that—it is about reporting back to central Government to fulfil the requirements of central targets, policing plans and so on. It is not just me saying that—it is the police. That is the first element that we need to address.

Massively inefficient processes are operating in police stations. The hon. Gentleman mentioned police officers filling in notebooks and forms. Several forces, including the Met, have very disjointed IT systems, so that officers have to key in data repeatedly. That is examined in detail in the latest policy document published by the Conservative party's police reform taskforce, which maps out the various obstacles to efficient working. To be fair, the Government have recognised this too. Although they have constantly over the past 10 years promised bonfires of regulation, they now seem to understand that the additional bureaucracy that is being created is deeply damaging to the morale and effectiveness of police officers and needs to be taken on. I understand that that will be part of what Sir Ronnie Flanagan will look into, and I welcome that.

The danger is that for as many forms that are cut by anti-bureaucracy taskforces and so on, more are introduced. The Met's own anti-bureaucracy taskforce claimed to have abolished 100 forms in the past 12 months, but admitted that a further 135 had been created. The Government have introduced a new form—the stop form—which, because of the time that it takes to complete, has created a significant impediment to the police's ability to stop people. Once such things are introduced they are much harder to sweep away. We have said that we will not keep the stop form, because it is a serious impediment to efficient police performance, but will keep the stop-and-search form.

Mr. Slaughter: Does the hon. Gentleman accept that 75 per cent. of neighbourhood policing teams' time is spent on visible community policing? Although that figure could be better, he is somewhat behind the times in his approach. Does he agree with what my local Conservatives, with whom he seems to be very much in bed, are saying about stopping the reporting of stop and search in order to reduce bureaucracy? Surely that is a dangerous route to take. In the name of opposing bureaucracy, they are removing checks that were introduced for a very good reason.

Nick Herbert: The hon. Gentleman is wrong. Even patrol officers are spending more time on paperwork than they are on patrol. Neighbourhood policing teams consist in half part of police community support officers, who are not having to do all this reporting.

One of the paradoxes of the way in which modern policing has been constructed is that we have created a new class, or category, of police officer who has fewer powers than a sworn police officer but is out on the streets while sworn officers are in police stations tied up

in all the bureaucracy. If we are to have a debate about how we structure policing in future, we might like to reflect on that. We need to have a close look at the extent to which sworn officers are doing things in police stations that could be done by civilian officers.

A large number of police forces, including the Met, continue to have tasks run by police officers when they do not need to be. In my local force, Sussex, custody suites—an important part of police operations in which a great deal of bureaucracy is involved—are contracted out to a private supplier, and only the custody sergeant in the custody suite is a sworn officer. That has been a great success. There is no opposition to it in Sussex, and it is helping to deliver a better service and value for money. However, in many custody suites in the Met, as I saw for myself, those services are still run by sworn officers. Is it necessary to have sworn officers doing many of the tasks that they do? Another example is that of bail. A significant number of criminal suspects are on the run after skipping bail—more than 4,000 in London, including more than 500 serious and violent offenders. Could we employ the private sector, for instance, to pursue people who skip bail?

Important work force modernisation projects are going on throughout the country to assess the potential for driving up productivity of hiring civilian staff to do clerical work and, beyond that, case-building work that sworn officers do not need to do. The Treasury says that implementing such work force reform could lead to a 20 per cent. increase in productivity. It would not only lead to better value for money but release sworn officers on to the beat. That will become increasingly important, particularly against the background of tighter financial settlements for the police.

Justine Greening: My hon. Friend is making a valuable point. My experience locally is that because of constraints on back office resources, Putney police station opens for only three hours a day. It is pretty difficult for people to report crime when the police station is open at the very time when they are generally at work in London. That is possibly one of the reasons why recorded crime is going down.

Nick Herbert: Other important factors in relation to the accessibility of the police need to be addressed. Another result in the survey that we were given showed that fewer than half of Londoners feel informed about local policing.

One of the factors that is bound up with that is whether there should be a single non-emergency number in London to assist people in reporting crime, raising concerns and so on. That was a manifesto commitment by the Government. I have seen for myself the effectiveness of a non-emergency number in cities such as Chicago. The pilot schemes of the 101 number have been successful. They revealed an enormous latent demand, with members of the public taking advantage of a service that was not available before so that they could ring up and ask for help, whether from the police or from partners. I agree with the Minister that it will be important to ensure that partners work more closely with the police and deliver an holistic approach to reducing crime in their areas. However, the 101 number has effectively been shelved and will not be available in London. The Mayor of London has expressed concern about that. He wrote to the Home Secretary, saying:

"I am extremely concerned that the Home Office has decided to delay Waves 2 and 3 of the implementation of the"

101 number, "including London."

He goes on:

"To be a truly world class city that hosts the Olympics in 2012, should the Capital not have the facilities that New York and Paris boast?"

He argues:

"There has been an unprecedented enthusiasm across the political divide in London, and across the various London agencies to implement one of our major manifesto commitments. I am concerned that we will lose the goodwill, and therefore the opportunity, to introduce this valuable service to everyone who lives in, works in or visits London."

The House should not underestimate the significance of what a single non-emergency number can achieve. It can not only dramatically improve the service that is available to the public but provide a way of ensuring that services are delivered seamlessly and that partners work more closely together.

Robert Neill: Does my hon. Friend accept that on this issue the Mayor of London is, for once, right? His concerns are reinforced by the cross-party views expressed in a report produced by the Commission on London Governance, which was set up jointly by the London assembly and the London boroughs. It heard compelling evidence of the value of a 101 number, and all parties on the Association of London Government, as it was then called, and the assembly supported it. Does he share my hope that the Minister will try to persuade his colleagues to reconsider this?

Nick Herbert: I am grateful to my hon. Friend for the cross-party cover with which he has provided me. Of course, I agree with him.

Before I leave the issue of work force reform, there are other significant ways in which the Met must play a leading role in ensuring value for money and the efficient use of taxpayers' resources. There are concerns, which the commissioner raised, about the number of officers—nearly 2,000—on restricted duties in the Met. The commissioner correctly argues that that is potentially divisive. There is concern about the number of officers who take time off, which amounted to an average of almost three weeks last year, costing £36 million. More than 2,000 officers were off for more than 28 days. Some tough management decisions will be necessary to ensure that the additional resources that local and national taxpayers have provided to all police forces, including the Met, are deployed effectively.

Let me deal with the last key point about the way in which the Met's performance will be important in future. It comes under the heading of accountability, which we have discussed. The Minister also raised it. The introduction of the post of Mayor and the role that he has played in helping secure additional officers and enhance the accountability of the Met locally have been beneficial. That system replaced arrangements whereby the Met effectively answered to the Home Secretary and it constitutes a significant advance. The model attracts Conservative Members to extending such arrangements to the rest of the country, where possible, or to finding some way of replicating it where there are no mayors.

[Nick Herbert]

However, I question the Metropolitan Police Authority's claim that the Metropolitan police have become democratically accountable to Londoners for the first time. A body that is partly appointed cannot claim to be democratically accountable and the boroughs are losing out on the accountability to which they are entitled. In a debate in Committee on the matter and in his intervention, my hon. Friend the Member for Bromley and Chislehurst (Robert Neill) made effective points. He said that the MPA collects a large share of the precept but some of its members are not elected.

The arrangements for the Met's accountability are slightly over-complicated. They need to be tackled in future and that will probably mean transferring accountability to the elected Assembly, which can be more representative of Londoners. I am sure that methods can be found of including the expertise of unelected individuals, but those who argue that appointed individuals should fulfil functions on the MPA miss the point of what will happen in politics and structures in future. I believe that more authority will be vested in people who are elected and have legitimacy. The public no longer find it acceptable that people over whose position they have no influence should make many decisions about their lives.

Plainly, Londoners would like more borough accountability. That is clear from all the surveys that have been conducted. However, there will ultimately be a problem of determining who runs a police force, and formal mechanisms of accountability at borough level would therefore probably be a step too far. I agree that increased answerability of borough commanders and more effective partnership arrangements are the way forward.

At the most local level, more could be done to increase the police's accountability. That could happen through, for example, more regular beat meetings that are open to the public and not held only with selected people. Such meetings should be more widely publicised. Conservative Members have discussed creating a right to policing so that people would know that they could meet their local police officers.

Providing information about crime levels in real time could also increase accountability. The Met now makes much more information about crime available on its website to local residents, but it is not in the same league as a city such as Los Angeles, where the police department publishes impressive maps that are available to the public and show crimes that have been committed in their neighbourhood in the past 24 hours. It is a powerful tool for the public, whereby they can express their concern about crime, know where it is happening and hold the police to account.

Much more must be done in future. The trend in developing safer neighbourhoods is the right one. I am happy to credit all concerned: the commissioner, the Mayor for partly enabling it to happen and, above all, the public, who wanted it for some time and funded it. However, it has not gone nearly far enough and there is something to learn from cities such as Chicago where such strategies have been in place for longer and trust has built up between the public and local police officers, who are known in their communities. That knowledge is especially important.

I have left myself little time to talk about a subject that I suspect other hon. Members will cover: the specific challenge of gangland crime. The report presented to the MPA today reveals that at least 171 gangs operate in the city. Some involve younger children and even young women. It is plainly a serious problem, which is not unique to London, but will require a specific combination of legislation, enforcement and social action. We make a mistake if we believe that only one of those components will tackle the problem.

I cannot conclude without mentioning the importance of counter-terrorism to policing in London. As the previous director general of the Security Service reminded us, the threat is at an unprecedented level and increasing. I pay tribute to the work of the Metropolitan police, as well as the security agencies, for helping to thwart various plots and bring the perpetrators to justice. The Metropolitan police are devoting a great deal of attention, energy and resources to confronting the threat. We and all Londoners support them in that.

However, when mistakes are made—they have been made—it is important that lessons are learned in a transparent and timely manner. There has been a delay in inquiries into the tragic shooting of de Menezes and the Government continue to stand in the way of an inquiry into the allegations about whether the Security Service knew what was happening before 7/7. It is important to discuss those issues. That does not undermine the Security Service or the police in any way. When possible, an open, transparent and informed debate about such matters would help build confidence and do much to arrest the sort of media attention that currently focuses on them.

Two years ago in his Dimbleby lecture, Sir Ian Blair called for a national debate on the future of policing. He asked what sort of police service we want in future. I welcome the way in which the Minister introduced the debate and engaged in that discussion. I welcome the fact that Sir Ronnie Flanagan will conduct a review about increasing local accountability and reducing bureaucracy, which is deeply problematic for delivering more effective policing in future. Conservative Members have contributed substantially to the debate with the publication of our 250-page policy report, which proposes constructive and sometimes bold solutions.

When we are perfectly properly and constructively critical of the performance of police forces and ask them to do more, it is important to acknowledge not only the challenges that they face but the contribution that officers make and the way in which they try to do their job. As my hon. Friend the Member for Welwyn Hatfield (Grant Shapps) revealed last week, having obtained information through the Freedom of Information Act 2000, well over 3,000 officers in the Met were assaulted last year in the performance of their duty. Nearly 14,000 were assaulted in the past five years and a significant number of officers in the City of London police were also assaulted. In all our debates about policing and crime levels in London, and when we express concerns on behalf of Londoners and the public that there should be value for money and that the fight against crime should be stepped up, we should not forget the work of police officers on our behalf. They remain the thin blue line between us and the breakdown of law and order.

1.59 pm

Ms Karen Buck (Regent's Park and Kensington, North) (Lab): May I begin by reflecting on the comments made by the hon. Member for Arundel and South Downs (Nick Herbert) about trust in statistics, because that issue lies at the heart of not only this debate, but most of those on crime and policing. I am not unsympathetic to the idea of more independent collection of statistics, but it is unarguably true—the hon. Gentleman's comments demonstrated the fact—that, regardless of how the statistics are collected and by whom, how they are used nevertheless comes down to individuals, whether they be in the media or in politics. That is open to a great deal of varied interpretation and occasional quite blatant misinterpretation.

I noticed from the statistics quoted by the hon. Member for Arundel and South Downs that the baseline year—the important issue for comparison of statistics—varied widely between 2000, which saw the introduction of the Metropolitan Police Authority and the election of the Mayor of London, and 1997, when 10 years of Labour Government commenced. In one case, the hon. Gentleman quoted figures based on 1991. Of course, that choice is very significant, because depending on which year we choose as the baseline year for studying historical trends, we find very different things in different circumstances.

The figures that the MPA uses for historical perspective give us the ability to track changes in crimes over one year, three years or five years. That will provide enormously varied results, reflecting what we all know—that there are patterns of crime that go up and then, we hope, come down as we bring resources to bear on them. For example, the figures for gun crime show that London saw a 21 per cent. reduction over the five years between 2002 and 2007, falling to an 8 per cent. reduction—still significant and important—if we take the two years between 2005 and 2007. The figures for robberies, which are a matter of enormous concern, show a significant increase, as all London Members will know, reflecting a rise in street robbery between 2004-05 and 2007. I hope, however, the increase of only 1 per cent. recorded over the course of last year, which reflected the fact that the police have been targeting that particular pattern of crime, will be a sustained trend.

If we want a mature and balanced debate about the resources required to tackle crime and about the factors that drive criminal behaviour, it is important to recognise that, whoever collects the statistics and however they are presented, the use of those statistics in debate must also be taken into account.

Justine Greening: The hon. Lady is making some valid points, but it brings me back to my previous intervention. If we took into account the decline in the reporting of muggings, we would see an underlying increase in them. My concern in all this is that it is difficult for police officers and inspectors to allocate resources when, because of the lack of reporting, they do not have a clear picture of what is happening. Does she agree that that is the fundamental problem with all these statistics?

Ms Buck: I agree with that up to a point, but we also heard earlier great concerns expressed about the administrative burden on policing, which leads to the conclusion that we should be collecting less data, so we need to understand that, too. I am all in favour of ensuring that we collect robust local statistics that allow us to gauge comparative performance over time and between regions. We need to discuss thoughtfully how to achieve that, but we also need to be responsible in the way that we report crime.

We heard in the opening statements earlier about the way in which we politicians tend to use stories about crime to support our campaigning information. That is a matter of great concern. We often hear at the highest level, often including in this place, some thoughtful reflections on crime trends, but it has to be said that, at the local level and in local elections, we often see literature put out by candidates that is, frankly, at odds with that more considered approach of local authorities and Governments. I am not going to make a party political point—though, frankly, I could—but we need to take a good hard look at ourselves, particularly when parties are in opposition, which is when the temptation to behave in that way is greatest. If we are to have a measured debate about what works, it is no good posing candidates in front of those yellow signs that the MPA use to signify a crime simply in order to make a powerful impact, particularly when that crime—serious and unpleasant though it may be—is wholly unrepresentative of what is happening in a community over time. If we do not do something about that, we will have a serious problem.

I believe that the figures for crime and policing in London clearly demonstrate one crucial thing—the relationship between increased resourcing for the police and reductions in crime. If we use the year 2000 as our baseline, there have been dramatic achievements of which we should be very proud. The MPA, the Mayor and all the individuals on the front line of policing deserve considerable credit. That does not mean that every single crime that occurs is not a serious and sometimes devastating event for the person who is a victim.

It is very difficult for politicians to find the narrative that manages to celebrate success on the one hand, while on the other not appearing to underplay the consequences of crime for the significant number of people—I fear that we will always have them—who find themselves victims of crime. The consequence of not finding the right narrative is, as we saw in the comments of the hon. Member for Arundel and South Downs, a corrosive sense that nothing works. I have already said that the hon. Gentleman acknowledged some achievements, but his underlying thrust was that substantial resources have gone into policing in London without achieving anything. I am afraid that that is not true and that if such an impression is allowed to go unchallenged, it reinforces the public's confidence that nothing that we or Governments of any complexion do can have any impact on the situation.

Mr. Khan: To be fair to the Conservative spokesman, the hon. Member for Arundel and South Downs (Nick Herbert), he said that utopia does exist in New York, Los Angeles or Chicago.

Ms Buck: I accept that, but the truth is that even in those cities, the challenge of the narrative remains—how to identify and celebrate success while acknowledging that many serious crime problems still remain and impact disproportionately on certain communities.

Susan Kramer: Just to reinforce a point, I lived for 18 years in Chicago, so I am probably one of the few people here who has had three acquaintances murdered, and had a gun put to the head. My general advice for both Labour and Conservative Members would be not to exaggerate.

Ms Buck: I thank the hon. Lady for her intervention. It is certainly true that we can and should always learn from good practice in other areas, including other countries, and constantly refine and evaluate what we do in order to improve. Police numbers and police resources—and, indeed, the machinery of criminal justice and enforcement processes—are only one part of the story, as the hon. Member for Arundel and South Downs acknowledged. In New York, demographic change had an impact, though we can disagree about the extent. Demographic changes have an impact here too. London is a growing city, and it is becoming a younger city, which has an impact, as do other social changes. Sadly, economic growth tends to equate with certain levels of violent crime, often because people drink more and alcohol-fuelled crime can rise in those circumstances. In recessions, certain kinds of property crimes have a tendency to increase. All those factors have to be taken into consideration.

Our experience since 2004-05 tells us that neighbourhood policing works. Westminster has 25 neighbourhood police teams, and my experience is that that can be equated with a significant fall in crime. I congratulate all the police working in Westminster on their very real achievements, including a 7 per cent. drop in recorded offences in the past year alone. That feeds into a welcome sense among members of the public that their neighbourhoods are getting safer. A major piece of research carried out by the neighbourhood police in the Harrow road ward, one of the more deprived wards in my constituency, found that 80 per cent. of those questioned said that there had been "a noticeable drop" in crime since the introduction of that team and of the crime-fighting family of neighbourhood wardens and neighbourhood police. That is exactly what we want.

People have a tendency not to believe statistics, regardless of their source. They want to see visible policing and they want to know through word of mouth that there has been a change in their community, and all of those things are undoubtedly flowing from the introduction of neighbourhood policing. People's perception of crime—and their willingness to believe that their streets are safer—is an important end in itself. It is a long way from being where we would ideally like it to be, but it is certainly improving.

The improvements in neighbourhood policing and the significant reduction in people's chances of being a victim of crime have been secured with, rather than against, the communities in which they are happening. We should not understate the importance of that. We all know that assertive policing and the use of stop and search have their place as tools of effective policing, but strong personal relationships, a good understanding of the community, the ability of the police to recognise people—especially young people—and know them by name, and good community intelligence have an even more important role. Those things cannot be achieved in a year or two years, but they are undoubtedly happening. I see it for myself on the streets and I very much welcome it.

That is also partly a reflection of the increase in the number of black and minority ethnic officers in the police and among PCSOs. Such appointments are sometimes decried as being a form of political correctness, but the reverse is true. They are essential to achieving policing by consent in communities. One in five police trainees at Hendon are now from black and minority ethnic communities, compared with one in 17 five years ago, and the safer neighbourhood teams reflect the communities in which they operate even more than the general police service. That is absolutely marvellous.

We would still like to see some improvements, however, many of which I am sure would attract cross-party support, although they would not be resource-free. The members of the public who talk to me and respond to local surveys say that they want to see neighbourhood police teams patrolling later into the evening—that is one of the most important things—and very early in the morning. The Prince of Wales junction in my community has a serious problem with drugs and antisocial behaviour. My hon. Friend the Minister visited the area when he came to inspect the neighbourhood policing in my constituency a few months ago, and I am grateful to him for that. The early morning drug dealing, between 5 and 6 o'clock in the morning, is a real problem. It is recognised by the residents, but the way in which the police teams are structured at the moment does not always allow them to respond to it.

Another common complaint, which was highlighted in a recent survey, is the answering of the phone by the police. We need to bear down more effectively on the level of responsiveness. Neighbourhood police teams giving out their mobile numbers works very effectively and is hugely welcome, but when people ring their local police station—not in an emergency, but as part of their involvement in tackling antisocial behaviour and identifying patterns of drug use, for example—they want to know that their calls will be answered.

I want finally to talk about children. There is no doubt that the experience of children as victims of crime—and, to a certain extent, as perpetrators—is beginning to be recognised, as we have seen from the high-profile media debate over recent months. However, it is not properly recognised either in statistics or in its implications for public policy. Two teenagers, Kodjo Yenga and Jevon Henry, have been knifed to death in my constituency in the past few weeks. Although the statistics do not appear to show that knife and gun crimes are worsening overall, people's perceptions are somewhat different. One in three Londoners believe that knife crime is at an all-time high. That perception is a worry, and young people in particular are picking up that perception. Tragically, the fear of crime is driving too many of them to carry weapons in the misguided belief that it is all about self-defence. Others carry weapons in the misguided belief that it confers status in a respect culture.

We need to do a great deal more to understand why young people behave in this way. I do not think that we will ever know the extent to which the situation has changed. Many people talk about their childhoods in tougher areas 30 or 40 years ago, and say that everyone used to carry a knife at that time. We cannot say with absolute confidence that society or childhood are more violent than they were, but there is undoubtedly a perception that that is the case.

Intelligence-led stop and search is incredibly important in this context, as are enforcement and punishment, but the real issue is to understand why young people are vulnerable to being drawn into the gang culture and into carrying and using weapons. The projects that work with young people, including Working with Men, Boyhood to Manhood, and Kids Company—the most famous example—are doing stunning work, but it has to be recognised that they do not reach one in 200 of the communities that they need to reach. We have already heard about the extent to which local authorities are putting resources into policing, but my worry is that the voluntary and community projects that work with young people are vulnerable to reductions in local authority spending, despite the fact that they play an important preventive role.

The prevention agenda is not a soft option. People sometimes say that youth clubs, sports and so on are a soft option and that the way to deal with youth crime involves tougher sentencing and more prison places—

Nick Herbert: That is what the Prime Minister says now.

Ms Buck: I do not always agree with my Prime Minister. The truth is, however, that he and this Government have put all the investment into the expansion of these services, so let us look at records rather than take words out of context.

In Westminster, we have taken an integrated approach involving the police, the sports unit, the youth service, Positive Futures and the use of Government money to establish a significantly improved level of youth and sporting activity. Last summer, the summer action programme—with support from Positive Futures—recorded a 50 per cent. drop in youth crime during the time in which it was operating. At Easter, we ran a Unity in the Community football tournament that took 500 young people, most of whom were not involved in any formal activities, off the street and into a football programme. The police teams said that they spent the entire weekend patrolling the streets but could not find any young people. Why? Because they were all engaged in activities that are not always on offer.

So, when people say that this is a soft way of approaching crime, let us look at the statistics. When we provide these services, we get young people off the streets and the estates and youth crime falls. That is something that every local authority needs seriously to consider, because the level of provision is not only patchy at the moment but highly vulnerable to the financial pressures that we are now facing.

2.20 pm

Susan Kramer (Richmond Park) (LD): I join the Minister and the hon. Member for Arundel and South Downs (Nick Herbert) in congratulating the Metropolitan police, the City of London police and the British Transport police. I was especially pleased that the Minister mentioned the specials, because their work in our communities, such as going out on patrol at uncivilised hours of the night and handling community events, is absolutely vital. The boroughs of Richmond and Kingston, in which my constituency lies, would not be able to function without them. I am glad that they got a tribute, as they are often overlooked.

I also echo the Minister's comments about safer neighbourhood teams, which are the crown jewel of London policing. I say that with particular pleasure, which I shall explain in a moment. For a period, however, the safer neighbourhood teams were not fully staffed—they were officially rolled out, but manned by one, two or three people, rather than being up to proper strength. There was a genuine risk of creating a great sense of disillusion within communities, because the teams were not visible or able to carry out the necessary tasks. It is an enormous relief that this year, finally, the teams have been rolled out at full strength, pretty much across London—I hope that I am not leaving out anywhere that has yet to get a full-strength team—which is essential.

Mr. Khan: Will the hon. Lady congratulate the Mayor on rolling out the teams one year ahead of the original plan? As she is well aware, the original plan was to roll them out in April 2008.

Susan Kramer: As the hon. Gentleman should know, I will be delighted when all the teams have been rolled out. I did criticise the Mayor, however, for the promise that they would be rolled out sooner than actually happened. In the first few years, all those teams were promised, but they did not transpire. I am therefore glad that the Mayor has caught up.

In relation to safer neighbourhood teams, visibility on the beat is critical. In community after community, however, there is still a desire to see traditional police out on the beat. It is crucial that safer neighbourhood teams do not become the only contact that the police service has with people in the community. The policing role should not be obscured, and pressure on resources has moved it off the agenda at the moment. I suspect that that is not a positive development in the long term.

Justine Greening: The hon. Lady has raised an interesting point. The danger with the safer neighbourhood team model is that most of the uniformed officers out on the streets will not be able to arrest anyone. Half of them are police community support officers anyway, and arresting officers go back to the police station the minute that they arrest someone, and spend the rest of their shift there. Is there not a danger that people will start to see uniformed officers as not having the powers that they would like them to have?

Susan Kramer: As long as the hon. Lady accepts that PCSOs have an important role, and that their visibility and presence on the street are hugely important, I will agree that the other aspect is also necessary, which was my point about resource. PCSOs establish a relationship with youngsters, and that is crucial in heading off crime. In my community, PCSOs interconnect with small shops and businesses, so that an alert is given if shoplifting or other activities are happening. That has had a visible impact on the sense of security in those shops and among shoppers who gather continuously in Kingston, Richmond or some of the smaller shopping parades, where PCSOs are constantly available.

Safer neighbourhood teams also have the time to play a crucial role in encouraging many of our older citizens to take steps to become more secure, for example, by installing better locks. In that area, I also

[Susan Kramer]

congratulate the Metropolitan police on managing to increase the representation of people from the black and minority ethnic community to a more respectable level: about 21 per cent. Relationships cannot be created unless the faces that people see represent a cross-section of the whole London community. Over time, such relationships, by creating confidence in the policing authorities, can begin to help penetrate the gang culture and other underlying problems.

Even on the anti-terrorism front, safer neighbourhood teams have contributed a great deal. Immediately after 7/7, politicians dashed down to my local mosque on the first Friday to make it clear that we did not regard people going to the mosque as somehow alien. We wanted to be there in case anything untoward happened, and the safer neighbourhood teams were there too. Safer neighbourhood teams continue to be there regularly on Fridays to get the message across that everyone in the community has the protection of the police and policing services. That has been terribly important in maintaining, certainly in Kingston and Richmond, a positive feeling across the many different ethnic groups.

Simon Hughes: I endorse everything that my hon. Friend has said about safer neighbourhood teams. She, I and many others have argued for that model over the years. In relation to the point made by the hon. Member for Putney (Justine Greening), the solution to the problem of losing police officers from the beat, and just having community support officers, is modern technology. That technology will deal with the processes that result in police officers having to go back to the police station for the rest of their shift.

Susan Kramer: I fully agree with my hon. Friend's comments, and I shall deal with that point later.

There are some general issues that require attention across London, because while I love the safer neighbourhood teams, they are not absolutely perfect. The issues were somewhat addressed by the hon. Member for Regent's Park and Kensington, North (Ms Buck). Many teams work until midnight and, occasionally, until 2 am. In our culture, however, some of the worst behaviour takes place at 3 or 4 o'clock in the morning. Many teams no longer work on Sundays, but in some areas, particularly on sunny Sunday afternoons, that is a time when youngsters who have been out drinking start to get out of control. Flexibility must be part of the future vision, especially as policing numbers have now increased to a reasonably respectable level.

I said that I had some personal satisfaction about the issue of safer neighbourhood teams. Several Members have congratulated the Mayor of London on safer neighbourhood teams and PCSOs, and as the Liberal Democrat candidate for Mayor of London in 2000, a community safety force was part of my platform. On every hustings across London, I got it in the neck from the Independent candidate Ken Livingstone, the Labour candidate Frank Dobson and the Tory candidate—first Jeffrey Archer, until he was arrested, and then Steve Norris—because it was considered a classic, foolish Liberal Democrat notion of policing. We were told constantly that PCSOs were simply police on the cheap. They are not, and I hope that that has been scotched. We were told that trying to organise a community safety force was nonsensical, and that we did not understand modern-day policing.

Immediately after Ken's election as Mayor, he came up to me and said—I cannot do his accent—"Susan, I am a magpie, and I'll 'ave that policy." Well, I'm very glad that he 'ad that policy, and that it has been a success. We often hear that the Liberal Democrats did not support the idea, but in fact they stood and argued for it at a time when everyone else thought it reasonably daft.

Mr. Slaughter: Perhaps the hon. Lady can be slightly clearer on this point than the Conservative Front Bench. Will she also point out that no Liberal Democrat candidates for seats on the Greater London authority or in local boroughs have ever gone around decrying the increase in the police precept to pay for the wonderful idea that the Mayor has implemented?

Susan Kramer: Ironically, I have never heard of any such candidate doing so. The hon. Member for Bromley and Chislehurst (Robert Neill) was right: counter-proposals to the Mayor's budget have typically included more money for policing. Such counter-proposals are usually the result of the two Opposition parties' joining forces on a single budget: that is the way that the GLA works. In this instance there would have been an extra £20 million for policing, much of it provided through the transport budget.

That was one charge against the Liberal Democrats. There are many others, and Members are well used to hearing them. There is a theory that if a statement is made often enough, no matter how untrue it is, it will eventually stick, and that is one of the statements that falls into the bucket.

Policing on public transport is crucial in London. The British Transport police has been mentioned, and I appreciate what it does, particularly at overground stations and on the overground routes that go through my constituency. However, it should be recognised—here I again give credit to the Mayor—that Transport for London was willing to invest in a transport operational command unit so that more policing resources could be devoted to public transport of every kind, including the underground and buses. I have seen members of the unit working in my constituency when there have been crises. However, there are a number of problems. TOCU tends to work according to a "hot-spotting map" that depends on the reporting of crime and is frequently inaccurate because events are not anticipated. We need to think about where resources are allocated, and the unit's operation and manning should also be improved.

In October 2006 the Mayor proposed a "transport safer neighbourhood" team, or series of teams. More detail was to follow, but not enough has appeared. Presumably, the aim was to provide a more co-ordinated and coherent safer neighbourhood scheme through intervention in the transport system, but issues have arisen in connection with the scheme's structure. London has always had a problem because of an inadequate number of sergeants. That was one of the problems with the safer neighbourhood teams, but in the case of the transport teams there is one sergeant to a team of 18. There are problems with the "on the ground" command structure, and there seems to have been no discussion

about how the transport teams will integrate with the safer neighbourhood teams or anyone else. Much conflict and confusion surrounds what seems fundamentally to be a good idea. As with all policing, implementation matters. The idea matters too, of course, but if the implementation is not right, the idea is discredited.

One of the various roles of the transport police is to focus on school letting-out times, which in my community, at any rate, are among the tensest times of the day. There has been much discussion of youth-on-youth crime, and these are the times when it is at its most prevalent. They are also the times when the community feels most under pressure. A group of youngsters who emerge from school, released for the day, may allow their behaviour to become completely out of hand.

The teams have done well, but we have not gone far enough in coping with behaviour of that kind. As others have said, it cannot always be dealt with in the context of policing, and indeed it cannot always be dealt with in the context of schools. On key bus routes there should always be a second person whose primary job is to ensure that there is security on the route. On some bus routes there is a high probability of antisocial behaviour, perhaps on the part of youngsters or perhaps on the part of late-night drunks. Bendy buses are almost an invitation to fare evasion.

Ms Butler: Will the hon. Lady join me in congratulating schools in Brent that have appointed a sort of prefect to go out on the buses during school hours? Young people are, in a way, policing themselves.

Susan Kramer: That sounds an ideal arrangement. As the hon. Lady will know, however, in many parts of London it has not been sufficient. Most ideas have been tried in those areas and have not worked; we need to become more aggressive.

I am very conscious that young people have a terrible reputation which most of them do not deserve. We need to turn that around. One way that we can do so is to focus on, and deal with, trouble times and trouble spots. In certain situations, having a school bus rather than a policing strategy might provide the right answer—for example, having a special bus in circumstances in which many youngsters leave a location to travel to a destination some distance away that is not well served by public transport. Ironically, Transport for London will put on school buses for private schools with strange travel patterns—with pupils who travel unusual journeys. We must look at providing that service for at least one or two key schools in the state sector.

Resources can be found. My party has said that we should scrap the plans for an identity card system. If that were done, we would have the necessary resources to put into police deployment. I also agree with the hon. Member for Putney (Justine Greening) that resources would be freed up if we were to deal with the whole red tape issue. However, I wish to make a cautionary statement. My daughter's partner is a black American and when they visit us from the United States I am very aware of how difficult it still is in London to be black and, perhaps, someone who does not dress conventionally, such as in a suit. My daughter's partner—my son-in-law, as it were—is regularly stopped. That happens at immigration control—the Minister knows about that topic—and he is also regularly stopped by police who might just happen to be looking for someone of his description. He is followed in almost all the shops he goes into, too. That is utterly wearing. He has been unaware that he has the right to have a piece of paper from the police explaining why that is happening; he will know in the future. There is pressure in respect of having that piece of paper. It is rarely offered; it has to be asked for. We must be careful about discarding such pieces of paper.

Mr. Khan: There are further points to be made in addition to those about the individual merits of scrutiny and a system that creates transparency. As an employer, the commissioner will be able to see where there is best practice. There might be areas with a diverse population where stop-and-search figures are not high, and other areas where the population are not so diverse but stop-and-search figures are very high. If that is the case, questions can be asked about whether the police in the latter areas are properly implementing the law in respect of stop-and-search.

Susan Kramer: I agree. Information is key, especially in the highly sensitive times that we are living through. Knowing that history teaches us that this system has not always been fair and that a great cultural change is necessary, if we are to have a fair system for all it is incumbent on us to ensure that we have the information that we need, and that the commissioner has the information that he needs to monitor the system.

When I speak with police officers, by far the major complaint is the paperwork that gets done at the police station. The core of the problem is not the content of what has to be written down, but the endlessly non-communicating IT systems that require that that is done time and again. I cannot believe that it is beyond the wit of man to pull all the relevant strands together and free up police time. I am glad that Sir Ronnie Flanagan will be looking into this. No Member thinks that it is clever that the moment an officer makes an arrest they will probably be off the streets for the rest of their shift. That does not make sense, and there must be a way around it.

Business crime is key in London, but we have not yet addressed it. I accept that in the City large-scale and highly organised business crime receives a great deal of attention and considerable resources from the City police and the Serious Organised Crime Agency. However, there is also a great deal of business crime in the rest of London. That is inevitable in a city that is as wealthy as ours and that has so many small businesses. Fraud in that area is not addressed in anything like a meaningful way by the Metropolitan police. The Minister must address that. He might have constituents with similar experiences to those of some of my constituents. They might, for example, have been defrauded by someone who has set up a company as a builder, started a job and deliberately taken the cash for it, and then worked for only two days before disappearing. Such a person might then have done the same thing to someone else—perhaps to someone who lives across the borough boundary, so that the crime falls within the scope of yet another police unit. I have spoken to many firms that are the victims of serial liquidators—people who start doing business with them, take the cash, do not deliver the service and go into liquidation. I have spoken to business

[Susan Kramer]

after business that has gone to the civil courts and secured a judgment, only to find it impossible to enforce it. I have asked one layer after another of the Met how such crimes can be addressed, and it is clear that the necessary resources are not available.

I fully accept that the process is very time-consuming, and that it is necessary to go through computer records and, sometimes, to understand a range of financial issues. Such crimes do not have the immediacy of crimes against the person—the victims have not received a blow to the head—but people often lose crucial savings as a result, and families are put under stress and companies collapse. They look to the police and to the system for justice, but it simply is not available. Under the present structure and given the current level of resources, I see no way that it ever will be available.

One underlying problem—this feeds back into our discussion on statistics—is that there is no line item that captures such crimes in the British crime survey; they fall into the category of "other". The police, being human beings and knowing how the press will report the next set of crime statistics, inevitably focus their attention on the eye-grabbing statistics, be they on robbery or murder, which of course matter greatly. Because there is no line item for such fraud and no police focus on it, a significant number of criminals have sussed out this gap in the market, as it were, and decided that they will fill it. They know that they can function with impunity, as long as they keep the scale of each separate little activity at a level that will not trigger an adequate police response. That is not fair to the people of our city.

Justine Greening: The hon. Lady is making an important point. Although there is clearly an opportunity to involve local businesses in safer neighbourhood panels, which frequently consist only of residents, in my experience they are often not involved. They seem to feel that such panels are indeed for residents only, so they set up their own business forum, with which the police then work. Does the hon. Lady agree that much more work needs to be done to ensure that small businesses in particular are integrated into safer neighbourhood panels?

Susan Kramer: Small businesses in the communities in my constituency have been integrated effectively into safer neighbourhood teams. However, those teams deal not with fraud but with shoplifting, graffiti and other such issues that are appropriate for them to deal with. These conversations between residents and small businesses—I did not mention this in discussing safer neighbourhood teams—are excellent. They provide detailed feedback in both directions, which those teams then genuinely use to guide their actions and to determine the issues on which they place their emphasis. They really work well.

I agree that when one steps back to a level larger than the ward and starts dealing with more complex crimes than those dealt with in the safer neighbourhoods arena, the whole communication structure breaks down. I have looked at how the accountability issue is dealt with in some parts of the United States, and direct accountability is incredibly effective at engaging the public and local businesses. I am very pleased that the Minister talked about a desire to find the right way to achieve that in a UK and London context. That is the missing piece in the current puzzle.

Others have talked about the Met's performance, and I do not want to reiterate figures, but it is fair to say to the Met that the general trend of rising crime that we saw after the creation of the MPA can legitimately be attributed to the lack of resources, which took time to build up. I am pleased, as is my hon. Friend the Member for North Southwark and Bermondsey (Simon Hughes), that that trend seems to have turned a corner at some point during 2002-03 and is beginning to get on the right track. However, we are all conscious that very serious violent crimes—grievous bodily harm, robbery—are falling outside that pattern.

I am sure that the whole House is distraught at the violent crime that we have seen among and against children. After all, teenagers are just children who are 1 ft taller. Such crime has rightly caught public and media attention. I do not suggest that there are easy solutions and I agree that the issue is more complex than can be solved by a policing solution alone. However, somewhere in the picture of the general rise in violent crime and the copycatting of violent crime by youngsters, drugs and alcohol are playing a significant role, but we do not address those issues. When we do address them, we focus on drugs and do not deal with alcohol. I am appalled that in my community much of what is called the drugs and alcohol budget contains practically nothing for alcohol issues, as it is nearly all ring-fenced for drugs issues. However only a tiny portion of the community abuses hard drugs, compared with the portion that abuses alcohol. I am not arguing that we should cut the drugs budget, but we should also give serious consideration to the alcohol budget.

This is not a debate about dealing with offenders, but behind much of the rise in violence and the gang culture—because gangs have a leadership that tends to be older than their membership—is a pattern of reoffending that is getting worse, not better. Someone else will know the statistics better than I do, but for the group of young men aged between 19 and 25 who receive short-term sentences the reoffending rate is some 92 per cent. It might just as well be 100 per cent. That suggests that things are going desperately wrong. It is crucial to tackle the issues that I have just mentioned, and if the glib notion that tougher penalties would do it had been true, all the numbers would have been falling. Instead, the complexity of the issues has been increasingly exposed.

Like many of the people in my constituency, I bang my head at the difficulty of getting through to the police on a non-urgent issue. I know that they have been trying hard to improve, but it is a nightmare. In 2003, my colleagues on the London assembly did a survey of every police station in London to check the response rate to non-urgent inquiries. Of the 132 police stations they called, they were unable to contact anyone at 52 of them and of the remaining 80, 30 took more than a minute. Perhaps a minute is not so bad for a non-urgent call. They repeated the experiment in March 2007, when one would have thought that all the improvements in communication that have been talked

about would have taken effect, and the pattern was very similar. No significant improvements had been made. That cannot continue. Part of the problem is technical and part is resources, but it is not something that we should have to live with. The Met confesses that in 2005-06, 52.3 per cent. of calls were not answered in the target time. How many of those are never answered at all is an interesting question. It is an underlying problem, which undermines public confidence.

The issue of terror in London, especially after 7/7, will always be centre stage in any consideration of policing. Others will probably cover the issue in much more detail, but the post-7/7 review identified the failure to achieve really good co-ordination of the emergency services—an issue that took the London assembly some effort to tease out—and that must be addressed. The one thing that we cannot do is allow such lessons to go unlearned. I and many other people are very worried about terrorism in the context of the 2012 London Olympics. The threat is so great that there can be no bigger policing challenge than that involved in protecting the games against terrorism. It is therefore crucial that all the lessons are learned.

I turn now to the use of closed circuit television. It is one of the many tools available for keeping London secure, but a lot of my constituents are desperately concerned about its expansion, and about the addition of listening and speaking devices to the cameras. The Information Commissioner has described that innovation as "talking CCTV".

Of course we must monitor and anticipate crime, and try to prevent it from happening, but a balance must be struck. We cannot turn London into a city in which people feel that they are constantly under surveillance. London must remain healthy and thriving, and the next step with CCTV may be going too far.

Contributors to this debate have argued repeatedly that the presence of police on the streets is what has reduced crime. Similarly, the work done by the police to build relationships with local people has helped to engender trust, identify underlying problems and create a much stronger sense of community. That is the direction that we must pursue, rather than surveillance.

I conclude by saying that I and my party very much appreciate the work that the police do throughout London. The city is much safer than it was some seven years ago, when the London assembly was first introduced. The Government deserve our congratulations, but the most dangerous thing would be for us to sit back and say that everything has been done, as there is a great deal still to do.

2.52 pm

Mr. Andy Slaughter (Ealing, Acton and Shepherd's Bush) (Lab): The Mayor's office, the MPA, the Metropolitan Police Commissioner and local forces always provide us with a lot of briefings for debates such as this. I am grateful for that, as the information shows that, in both the short and medium term, there have been substantial falls in almost all types of crime, and substantial increases in the numbers of police officers and PCSOs. I am pleased that that has been acknowledged by the Liberal Democrats.

Moreover, the figures show that there are many more officers from ethnic minorities. For example, 21 per cent. of officers in the safer neighbourhood teams now come from BME groups. The achievement is very significant, and I wish that the official Opposition had been able to give it a more ringing endorsement. I accept that the Liberal Democrats did so, although they also claimed credit for all the ideas. Perhaps some of their ideas do get pinched, but thank God the Liberal Democrats are never allowed to implement any of them themselves, as we would never get anywhere then.

I notice that the Conservative Benches are almost completely empty, but I hope that any speech made from them will acknowledge that crime statistics are very flexible and can be made to prove anything. Instead of going through endless figures, therefore, I shall share with the House some of the profound thoughts sent to me in preparation for this debate by Colette Paul, one of my borough commanders in Ealing. Normally, I would just plagiarise her and pretend that her words were mine, but instead I emphasise to the House that her comments are her own and not the Met's.

Colette Paul states:

"We need to challenge the balance between national crime targets and what local people want...Over concentration on meeting targets skews"

the business of policing.

She continues:

"Targets are useful in terms of giving direction but quite often they conflict with each other or overlap in certain areas."

Her view is that there should be four main indicators: crime detection, which we should continue to improve; crime reduction in general, rather than specific crime targets; victim satisfaction; and public attitudes. That is a sensible approach, which, as she says,

"would lead to some considerable leeway for innovation and creativity and local response to local issues and would ultimately lead to an even better relationship between public authorities and communities."

That message is probably accepted on all sides, including the Government. As the borough commander concedes, targets are important in that they show relative and absolute performance, but over-concentration on them is bad, so I hope that we can all move towards a greater degree of local policing.

Another red herring—or false lead—is that sometimes, as my hon. Friend the Member for Regent's Park and Kensington, North (Ms Buck) said, politicians follow the media, who in full cry are as unhelpful as they can be on these issues. Reference was made to the interview given by Sir Ian Blair to *The Guardian*. I have not read all of it, but I have heard the reports that led the news. It is slightly unfortunate that once again the media has gone for the idea that there is a gang culture and a rise in gangs. Sir Ian was reported as saying—I hope accurately—that there could be a child protection issue. That could be right in some cases, where behaviour amounts to criminality or where there is serious disruption in families, but I cannot see how delinquent behaviour in general can be dealt with through child protection measures. The media's absolute focus on issues such as gang culture may be making the problem worse.

[Mr. Andy Slaughter]

My hon. Friend mentioned the death earlier this year of Kodjo Yenga, a young man who was her constituent but was killed a few yards outside my constituency in Hammersmith Grove. I shall say nothing about the case, because four children, two of whom are 13 years old, have been charged with the murder and that extraordinary and tragic event is before the courts, but it was extremely rare—I cannot remember a similar case. There was another tragic death, of Kieran Rodney-Davis, in Fulham about three years ago, but such events, thankfully, are rare.

There was no particular evidence of a link to gang culture in either case. I talked to my local police officers in Hammersmith and Fulham about that point and their response was that although there is organised criminal behaviour by young people, which is a serious matter, it may not amount in all cases—certainly not in my constituency—to the gang culture that we are told may exist in other parts of London or the UK, and certainly exists in the United States. We need intelligence-led policing and local solutions to the problems, so the more that the media, and sometimes politicians who want cheap soundbites, get involved, the more unhelpful it is.

My theme is that local solutions, whether in target setting or policing, are proving to be the best. The clearest example, which has been discussed extensively in the debate, is safer neighbourhood policing. The Mayor of London introduced that programme in record time across all London wards. I have a particular interest because exactly a year ago, as I am sure the House remembers, I introduced the Neighbourhood Policing Bill under the ten-minute rule. It was the day before the local elections so the House was as packed as it is today to hear me speak.

In a past life, I was the leader of a London borough council, and I think that I am right in saying that we were the first local authority to pay directly for additional police services by introducing additional safer neighbourhood teams in wards that did not have them and introducing supplements to the safer neighbourhood teams in town centre areas. That idea has caught on and there are now many compacts between the police in the boroughs and individual local authorities.

Mike Gapes (Ilford, South) (Lab/Co-op): My hon. Friend's point about the role of local councils is crucial. Does he agree that, far too often, local authorities do not provide the necessary level of support and commitment, particularly with regard to antisocial behaviour? The police are expected by the community to be at the front line in dealing with such problems when the local authority that bears the responsibility and should take the political responsibility is often not engaged. As a result the Government or the police are blamed for problems that are, unfortunately, usually caused by Conservative local councils.

Mr. Slaughter: I am trying to be positive but my hon. Friend need not worry. There is some negative stuff coming up.

Mr. Khan: Negative but truthful.

Mr. Slaughter: Indeed. I fear that one or more Conservative councils may feature in that. At heart, I have sympathy for the view expressed by my hon. Friend the Member for Ilford, South (Mike Gapes).

To continue in the positive vein, I am pleased to say that both the local authorities in my area—Hammersmith and Fulham council and Ealing—have continued the trend with different schemes, although some are more credible and well thought out than others. However, the intention, at least, is to fund additional police resources.

In the London borough of Ealing, there is joint funding between the council and the police for additional PCSOs. It is a £2 million scheme that has been split between the two of them. It is early days, but it seems to be a good idea of which there is joint ownership. In addition, and thanks to the Mayor of London, an 18-person British Transport police team is also operating in Ealing. These are substantial resources on top of the safer neighbourhood team. I pay tribute to the partnership that is going on.

Hammersmith and Fulham council decided that it wanted to put an extra £2 million per year for the next two years into a scheme to which the hon. Member for Arundel and South Downs (Nick Herbert) alluded. I think that he underestimated the increase in numbers on the safer neighbourhood teams, because there will be an increase in two wards only from six to 35 officers in order to provide 24-hour safer neighbourhood policing.

When the hon. Gentleman made his lengthy address, he asked me a question. I think that 24/7 policing is a good idea. If neighbourhood policing has an Achilles heel or involves unfinished business, it is due to the fact that if there are six officers per ward, it is difficult to provide more than partial coverage even during core hours let alone over 24 hours. I do not think that it is a particularly innovative idea—the Labour group in Hammersmith and Fulham have had it, and I am sure that it is in the Mayor's mind—but, having established the teams throughout London, the next step is to expand their hours. Let us be fair—the scheme has been introduced in record time so far.

The Hammersmith and Fulham scheme should certainly succeed. If one is putting 35 neighbourhood officers, including an inspector, five sergeants and numerous PCSOs into one ward, it would be incredible if there was not a substantial effect. The principle is good, but the problem is that the practice is quite insane. The first problem is that one of the wards that has been chosen is in quite a prosperous area in Fulham and does not have the highest level of crime. I have no problem with the choice of the other ward. Shepherd's Bush Green is one of the three wards with the highest level of crime, and it is in my constituency. The scheme is said to be for two years, but there is no business plan or exit strategy for it, but the main point is that the Conservative council—what a surprise this is—did not want to put up any money at all.

The scheme in Shepherd's Bush Green relied on a section 106 agreement for a major developer, Westfield, to develop the Shepherd's Bush shopping centre. Somebody who knows rather more about this matter than I do is challenging, through the district auditor, whether that is a proper use of section 106 money. We have a peculiar set-up whereby the money will be given as part of the planning consent for what is going to be

one of the largest shopping centres in Europe, but, in the main part, the money will be spent before the shopping centre opens. Members can imagine what the developer thinks about that. The developer was not keen on the scheme because, in its opinion, the police would be provided and then, when the influx of several tens, if not hundreds, of thousands of people into the area began with the full opening of the centre, the police would be taken away again. The developer suspected that it would be lumbered with the ongoing cost year-on-year, which is £1 million—not an insignificant sum.

The response from the Conservative council was, "Well, don't worry. We're not going to pay it and you're not going to pay it. The police will have to pay it in the end." But, of course, the police are not actually contributing any money to the scheme. Although the police have welcomed the scheme, the fact that it is not a partnership scheme on an equal basis—unlike the Ealing scheme—raises some doubts about their commitment to it. I add in passing that in the other ward where the scheme has been introduced, there was an attempt to snaffle money from the new deal for communities scheme in a neighbouring ward. That would have meant taking money from a deprived area and spending it in a wealthier area. There was an attempt to pack the board of the NDC scheme with Tory councillors. It was only the protests from community representatives that meant that it was not possible to get away with that.

Mike Gapes: These are the new Conservatives.

Mr. Slaughter: They are pretty old Conservatives in Hammersmith and Fulham.

We have a scheme in which we have a limited period of time and intensive policing. I hope, for the sake of the people who live in that area in my constituency, that it provides results. However, some of the results that we have seen so far are proving to be detrimental. First, there is displacement of crime. We were told that that would not happen. But within days of the scheme operating, I went to a meeting of Shepherd's Bush pubwatch, which includes all the licensed premises in the Shepherd's Bush area. Immediately there were complaints that drug dealing and antisocial behaviour had simply been pushed to the fringes of the ward. Whereas licensed premises within the ward with extra funding were getting the benefit of the scheme, those immediately outside the ward were experiencing a detrimental effect. That is why I had some sympathy with the hon. Member for Richmond Park (Susan Kramer), who talked about crime going over the bridge. These things have to be thought about.

The second point—this is rather more disgraceful—is that resources are being drawn from the safer neighbourhood teams in other wards. I will digress slightly by telling Members what happened when I came out of my house the Thursday before last. I was about to get into my car and drive away, but then I thought that I had better not because there were only three wheels left on it. I remembered that I had heard quite a loud bang in the middle of the night. Several years at the criminal Bar have taught me that there is no one quite as stupid as a petty criminal, so I removed the jack that they had left while they were propping the car up to nick the wheels and kept it. As I was disposing of the car that day anyway, had they bothered to knock on my door—perhaps not at 4 am, but some other time—I would have given them £20 to take it away.

Two days later, I bumped into one of safer neighbourhood team PCs and told him that story, which he found quite amusing for some reason. I said, "What are you doing about this?" He said, "I'm not doing anything about it because I've been seconded to work in Shepherd's Bush Green as part of this super-duper 24-hour neighbourhood team." I am finding that, in all the other wards in my constituency, the small teams are being run down in order to increase the super-size team. That has reached an extreme in Hammersmith Broadway ward—which has the highest level of crime in the borough by a long way—where three of the additional officers that the previous Labour council paid for have been cut completely to fund the 24-hour teams in wards that have lower levels of crime. That is complete madness.

There was an alternative proposal from the Labour group, which involved spreading the same resource over the five wards with the most crime in the borough. In my opinion, that was a sensible solution, because although I appreciate what people say about 24/7 economies and the fact that there is crime even between 3 am and 7 am, that crime is not at the same level that is experienced at chucking-out time or in the middle of busy days. The level of policing needed at 5 am is not the same as that needed at 11 pm.

If the 24-hour teams are to be sustainable and credible in the longer term, as we would all want them to be, the resources will need to fit appropriately. Are we seriously saying that we will pay an additional £1 million a year for every ward in London? Hammersmith and Fulham is cutting £34 million of spending, so I do not think that that is very likely. People are being taken for a ride. Contrary to the protestations that the scheme is universally popular, considerable unease has been expressed from those at the top—Len Duvall, the chair of the Metropolitan Police Authority—right down to the individual sergeants and officers on the beat.

I wish that this was not a party political issue—*[Laughter.]* Unfortunately, the Conservatives in my constituency, who are ideologues, refuse to let that be the case, and I fear that the Conservative Members in the Chamber who are laughing might be falling into the same trap. I hear a lot about Chicago-style policing. If that is shorthand for increasing police numbers—I am still not sure where the official Opposition stand on that—I am sure that we would welcome it. However, if on the right wing of the Conservative party it is really shorthand for zero-tolerance, robust, night-stick policing, we will find that the language used by local Conservative politicians is offensive not only to the local population, but to the police themselves, who privately put their heads in their hands every time they hear such macho statements being made.

Nick Herbert: I must apologise to the hon. Gentleman for speaking for longer than I intended, but that was because I took many interventions, including two from him, so perhaps his observation was somewhat churlish.

[Nick Herbert]

Is the hon. Gentleman aware that the community alternative policing strategy that is being adopted in Chicago is different in many ways from the strategy in New York? It does not employ the same kind of zero-tolerance policing, although that phrase was never used in New York. The safer neighbourhoods programmes in the Met are largely based on that scheme. Has he been to Chicago to see the scheme and does he really understand what he is talking about?

Mr. Slaughter: I do not do as much globetrotting on freebies as Conservative Members. However, let me give the hon. Gentleman a word of caution: he should check what his colleagues mean. As I said earlier, someone who sups with the devil needs a long spoon, and if the hon. Gentleman is going to follow the same agenda as the Conservative party in Hammersmith and Fulham, he will need a very long spoon indeed. Given the comments of Conservatives in Hammersmith and Fulham, there is absolutely no doubt that they are talking about the sort of policing that got the police in the borough a bad reputation 25 years ago, although they have done a superb job in getting away from that reputation over the past 20 years under a number of excellent borough commanders. If the hon. Gentleman is saying that the local Conservatives are being supportive, perhaps he will explain why they are also cutting spending on youth services, which have been cited as a means of preventing crime, by more than £300,000.

I do not want to take up any more of the House's time, although it was right that I set out my concerns about the overly robust and rather disingenuous way in which policing is being dealt with by my local council, although not, I emphasise, by local police in Hammersmith. I have taken to the theme that localism is good and I stick by that. However, when localism is subverted by the vanity and extremism of local politicians—frankly, that is what we are seeing in Hammersmith and Fulham—there is clearly a problem. In general, however, localism is a good thing.

3.14 pm

Mr. John Horam (Orpington) (Con): I am delighted that the Government have chosen this subject for today's debate not only because it gives one a cast-iron reason not to go local electioneering in other parts of England, for which I think that we are all profoundly grateful.

Simon Hughes: There is time yet.

Mr. Horam: There will not be much longer, if the speeches continue to go on for quite as long as some have done. In addition, as we all appreciate, the debate gives us an opportunity to demonstrate our concern about a subject that is very high on our constituents' list of interests. I agree that the amount of resources going into policing in London has increased in the past few years—a point made by Members on both sides of the Chamber, in fairness—and I welcome that. As my hon. Friend the Member for Arundel and South Downs (Nick Herbert) rightly pointed out, it is largely Londoners, and not the Government or the general taxpayer, paying for London policing, so we can give the Government only two marks out of 10 for that. None the less, I accept that they have increased resources generally.

Incidentally, on the point about the Mayor's precept, I do not know what my hon. Friend found in his researches, but I found it almost impossible to discover the amount allocated to each London borough. Those figures are not forthcoming. My constituents would like to know how much they are getting in Bromley, and I am sure that my hon. Friend the Member for Bromley and Chislehurst (Robert Neill), whom I am delighted to see in the Chamber, would like to know the same figure, but we are denied it. I do not know whether Labour Members have the figures—

Mr. McNulty: They are readily available.

Mr. Horam: Well, they are not. I have tried to find them, and it has been very difficult. I am pleased to hear the Minister say that they are readily available; I shall certainly draw that to the attention of the Metropolitan Police Authority, and perhaps to other possible sources of those figures. It is a pity that they are so hard to find.

I accept that there are more police on the streets of London, and obviously I welcome that. I also support the concept of police community support officers; whether it was originally a Liberal Democrat idea, I do not know, but none the less, it was an extremely sensible development.

Mr. McNulty: I am sure that it was one of the parties that the hon. Gentleman has been in.

Mr. Horam: It was nothing to do with the Liberal Democrats, then; I am glad to hear that from the Minister. For once, I agree with him. The safer neighbourhood concept is clearly the right approach to take, and it is working. In that context, may I make my usual complaint in such debates, which is that Bromley does not get a reasonable share of London's police? The fact is that we are far worse off than Lewisham or Croydon, and have fewer police than either, despite the fact that ours is the largest borough in the whole of London. My constituency takes up half of that borough, so I suffer particularly badly, as does my hon. Friend, from the paucity of police on patrol, when it comes to dealing with difficult areas. An example is Biggin Hill, which is right on the edge of the London borough of Bromley, and actually a lot of police happen to reside there. It takes about 20 minutes to get there from anywhere else, and that is a recipe for local crime, because people know that it takes time to get there from other parts of Bromley, and that there are not enough police in Bromley anyway.

Leaving that aside, I accept that there are more resources for the police, and more police in London, and that the safer neighbourhood concept is right. None the less, it is clear from the debate, despite varying interpretations of the figures, that the results have been pretty patchy. The figures that the Metropolitan Police Authority supplied to all of us—we are therefore all arguing from roughly the same brief—show that the total number of notifiable offences is about the same as it was nine years ago, which is more or less when the Government came to power. There has been a decrease

in burglary and in motor vehicle crime, but an increase in robbery, gun-enabled crime, murder, and violence against the person. I accept that there was an increase in the first four or five years of that period, and that there is now a decrease; I understand the Government's point about that. However, the truth is that given the way in which we currently manage things—that is the important constraint—that decrease is unlikely to carry on unless the additional resources provided over the past few years continue to be put into London policing. The truth is that that is unlikely because, as my hon. Friend the Member for Arundel and South Downs pointed out, there are severe constraints on Government spending. It is highly unlikely that the Government can maintain the increase in spending and investment in policing in London of the past few years over the next few years, and that is the difficulty with saying that the trend will continue.

The number of crimes and the amount of antisocial behaviour that we are experiencing at the moment are far worse than has been the case historically. In 1931, to take a pre-second world war year, there were three crimes for every police officer, but there are now 44 crimes for every police officer, to put the matter in historical context. Sir Ian Blair said that we could easily leave our doors open—perhaps one could do so in 1931, but one certainly cannot do so today—which was a curiously inept comment. The fact is that, historically, the situation on crime and antisocial behaviour is extremely bad. If we compare the UK with other countries, it is very bad indeed. A recent UN survey showed, once again, that Britain was at the top of a list of about 20 countries whose crime rates were analysed. We were the worst country of the 20 developed nations that it looked at. My hon. Friend made a point about New York. When the authorities concentrated on crime, there was a massive fall in the amount of robbery and crime as a whole in New York. In the early 1990s, New York was way ahead of London, but it is now significantly behind London. One would expect the application of those resources to produce results, but it has not produced as much as we expected, even though it has produced some results in London, which is regrettable.

Anecdotal evidence from my constituency shows that there is growing criticism of the way in which the safer neighbourhood scheme operates. The hon. Member for Richmond Park (Susan Kramer) made a point about the shift system, the operation of which is not entirely sensible. One of my residents was told that if he did not like the shift system that was in operation in his area, as he lived close to the border of another scheme, which might have a different shift pattern, he could ring it up to make an application if he could not get his local team to respond. We therefore need much greater flexibility. I accept that there is a learning curve but, none the less, we are not getting police at the right time of day to deal with the drugs, crime and antisocial behaviour problems that are evident.

Another problem stems from the fact that it is difficult to man the local shops that were opened to operate the scheme. For all the hullabaloo, they are typically open for only two or three hours a day, so people believe they are completely useless and ask what the point of them is. We spent taxpayers' money on opening all those things in different wards, but they do not contribute to the solution of the local crime problem. There are therefore ongoing difficulties, which I hope that the Mayor will take into account when he reviews the system. There is clearly a difference between the resources that are put in and the outcomes, which is unsatisfactory.

The causes are interesting, and the Prime Minister himself has commented on them. Looking back over his 10 years in office, he said that his attempts to deal with the causes of crime were "misguided"—that was his word. He thought that the investment in various societal programmes such as the new deal, Sure Start, the improvement in schools, teaching and so on, would lead to a reduction in crime and antisocial behaviour. The investment has undoubtedly gone in, but we have not seen that level of reduction in antisocial behaviour. He was admitting that there had been investment, but that the way in which it had been managed was not satisfactory. That is the heart of the problem. We all agree that there has been significant investment, but it has not been managed, and the methods used to handle it have not been sufficiently good.

I point in that respect to a comment by the chairman of Kent police federation that I saw in *The Times* the other day. He said:

> "Policing has become too focused on targets set by politicians that produce figures used by the same politicians to pat themselves on the back and that produce figures only they believe...The performance culture is choking the common sense out of policing."

That is part of the problem. As my hon. Friend pointed out, targeting can be contradictory and over-complicated. Indeed, the hon. Member for Ealing, Acton and Shepherd's Bush (Mr. Slaughter) agreed, citing comments from one of his local people. The amount of paperwork and administration associated with targeting is often overwhelming. Obviously, some of it is necessary from an accountability point of view, but a lot of it is not. That centrally driven, ring-fenced approach has led to a great deal of waste and discouragement in relation to honest and common-sense policing.

I agree with the hon. Gentleman that local solutions make more sense. If we can trust people locally more than we have done, that must make sense, even though occasionally there will be mistakes and perhaps things will be pushed from one borough to another. No solution is perfect, and local solutions will have their downsides, but we need more local responsibility. We also need a shake-up of the criminal justice system. This is not simply a question of policing—the system as a whole is causing these difficulties.

As my hon. Friend said, we need not only investment but reform. As so often with this Government, investment has happened but reform has not, so we have an unsatisfactory solution from which we are all suffering.

Let me make one final point about the difficulties that we face in this country. The other day, I read a fascinating article by a reporter in *The Sunday Times* which compared homes for offending children in London and in Hamburg. It said that children in the Hamburg home typically spent an average of three years there, so the staff had a chance to turn round their behaviour. There was much less time to do that in the London home, because children spent an average of only one year there. Moreover, the approach in Hamburg was

[Mr. Horam]

noticeably more relaxed. For example, the reporter was amazed to find that some of the children got a massage before lights-out in the evening. *[Interruption.]* I do not want to hear any sniggers from the Labour Benches. The kids enjoyed that; it was part of the daily routine. When that was put to a member of staff at the London home, they said:

"There are all sorts of...issues involved...We wouldn't chance it. In everything we do, we work according to strict protocols."

The reporter is shown

"two ring folders bulging with statutory regulations and policies."

One of the managers said:

"Many senior managers in this field are more interested in reports, statistics and numbers than the individual needs of the children we look after."

That is the truth of the matter.

The Hamburg home got startlingly better results by dealing with the children in a much more relaxed, normal and human way than did the rules-bound London home. That is precisely the sort of point that my right hon. Friend the Leader of the Opposition makes from time to time. We are missing the point by spending the same amounts of money on getting very poor results because we are not treating people like human beings. This is a fundamental issue. We need to look at policing as a whole, in terms not only of the resources going in but how they are managed and handled in the course of doing the job.

3.29 pm

Ms Dawn Butler (Brent, South) (Lab): All hon. Members agree that the way in which London is policed has a major impact on the lives of all who live and work in the capital, and all who visit it. Effective policing, especially at neighbourhood level, can not only help reduce crime and the fear of crime, but enhance community relations and cohesion.

I want to consider the way in which real policies make a genuine difference to people's everyday lives. Mark Tolland, Brent's borough commander, called me in for a debrief on a raid that happened two weeks ago, when Brent police, Brent safer neighbourhoods team and, more important, the Brent community, stood up to drug dealers on the South Kilburn estate and ensured a successful exercise, which resulted in the arrest and conviction of key criminals.

The hon. Member for Richmond Park (Susan Kramer) spoke about lifting Lib Dem policies. A policy that was not lifted from the Lib Dem manifesto was that of ending the use of imprisonment as a punishment for possession of own-use illegal drugs of any class. I want to stress to the Mayor of London and my party that we must continue in the direction in which we are travelling because it is the right direction, and not adopt any such Lib Dem policies.

Last week, I was out with my safer neighbourhoods teams on the St. Raph's estate. We saw the difference that the teams were making to the community and the trust that was beginning to be built there. Statistics show a significant decrease in crime in my constituency. Total crime was down last year. Violent offences, robbery, burglary, gun crime, domestic crime, racist crime and homophobic crime were all down in my constituency. That is because of the extra investment that the Mayor of London and the Government have made in the police and public services. Total crime in Brent fell by more than 12 per cent. That is better than in the rest of London, where crime fell by 6 per cent. The reduction is also due to the work that has been done in the community.

Although I hope that we will reach the position whereby there are no murders in Brent, murders in the past year reduced by half, from 10 to only four. Gun crime fell by almost a quarter from 208 instances to 162. The hon. Member for Arundel and South Downs (Nick Herbert) asked whether our policies worked. The Violent Crime Reduction Act 2006 has worked in Brent and we are experiencing the effect of the changes through the fall in the crime figures.

Safer neighbourhoods teams were launched in my constituency on the Stonebridge estate. Nothing demonstrates better the changes in London than the effect of the safer neighbourhoods teams. A few months ago, the Opposition made some big headlines with demands for more bobbies on the beat. Safer neighbourhoods teams are the bobbies on the beat by a different name. The full roll-out across London was completed ahead of schedule in April 2006, with all the teams at the minimum 1-2-3 model by the end of December. That has had a borough-wide effect in Brent. In Dudden hill, which I visited the other day, a lady told me that she could feel the difference.

I hope that the hon. Member for North Southwark and Bermondsey (Simon Hughes), who made some pertinent points in condemning people who put out leaflets and information that sensationalise crime in the area and make people feel less safe, will condemn the leaflets that are being distributed in Dudden hill. They undermine the good work of our safer neighbourhoods teams.

Simon Hughes: If the hon. Lady lets me see the leaflets, I will give her an honest view. However, for a year before the last elections in Southwark, we had Labour leaflet after Labour leaflet that made people feel that the world was about to end and that they would be mugged and raped if they stepped outside their door. That added to the fear of crime. All those leaflets were put out by the Labour party, when crime figures generally had decreased in Southwark, as they had in the rest of London, simply because the council was Liberal Democrat run.

Ms Butler: All I can say is that the Liberal Democrats are putting out the information in my constituency. In fact, the Liberal Democrats are now being called the "Fib Dems" because of the amount of lies that are being cascaded around the area. They always try to feed this fear of crime unnecessarily. The safer neighbourhoods teams spend 75 per cent. of their working hours doing visible community policing, and between April 2006 and February 2007, they carried out more than 17,200 arrests.

We heard the hon. Member for Arundel and South Downs asking earlier whether what has been achieved is anything to be proud of. Well, let me tell him some of the things that we should be proud of. As I said, more than 380 crack houses were closed and we are proud of

that. More than 750 antisocial behaviour orders were issued, and we are proud of that. We carried out 4,900 prolific persistent offender interventions, and we are also proud of that. We issued more than 3,300 penalty notices and visited more than 36,200 crime victims—and more. All that has resulted in a 6 per cent. overall drop in crime in the London area.

Justine Greening: Does the hon. Lady have any views on how much crime has fallen as a result of the downgrading of the classification of cannabis?

Ms Butler: The hon. Lady makes a point about cannabis, but where crime has fallen, it is not just in relation to drugs. It relates to all forms of crime. As regards cannabis, most of the police and the safer neighbourhood teams still take it very seriously. We do not have a Lib Dem policy of not arresting people or not putting them away for illegal use of drugs. That is not what has had an effect. What has had a real effect—and I think it is really important to acknowledge it—are the safer neighbourhoods teams. There is still further to go, but those teams are having a profound effect in ensuring that crime and the fear of crime is reduced. The hon. Member Lady should acknowledge that in some of her interventions.

I would like to conclude by talking about some of the key achievements in my Brent constituency. We have had an early warning system for retailers, who have invested in an alert box. More than 100 of them have been purchased and they are working very well. Many of my hon. Friends have talked about the importance of early interventions with young people, and we have set up a Brent partnership unit, working together with the rugby football union and Kingsbury school sports partnership, to deliver coaching sessions as well as crime prevention messages in many schools, including Preston Park, Fryent and Kingsbury Green primary schools.

We had a particular problem in the constituency with knife and gun crime, so the community has worked hard with the police to tackle it. Not Another Drop was launched in 2001 and has been extremely successful in getting the message across. A march takes place and is growing bigger every year. There is also the Don't Trigger campaign, which is organising a march from Ealing hospital to Acton park on 12 May. It deals with all forms of violent crime and how to work together to stop it.

There are some very good people in Brent. For example, there is Raj Kohli, the chief inspector involved in the partnership, who works to build up good relationships within the community. Then there is Patsy Hopkins who, along with other mothers, has lost a young child to violent crime, and speaks passionately to young people about how to combat crime and work towards safer streets and a safer society. Bethan West has done a lot of work with Not Another Drop and is now moving on to other things; she has done some incredible work in the constituency.

The Labour Government have been relentless in their funding of the police over the past 10 years and have adopted policies to ensure that Britain is kept safe. Maria Arpa was awarded £750,000 by the Chancellor to run a mediation project with the police, involving people who have committed crimes. It will have a powerful effect on crime reduction in all areas. The Government have invested more than ever before in new services and new facilities. For example, they invested in the youth opportunities fund and the youth capital fund, which my hon. Friend the Member for Ealing, Acton and Shepherd's Bush (Mr. Slaughter) spoke about. They mean that young people have activities to do after school. In a debate on crime in London, it is important to recognise that 10 years of Labour investment has helped Britain become a safer place.

3.40 pm

Mr. David Evennett (Bexleyheath and Crayford) (Con): It is a pleasure to be able to participate in the debate. As I said in an earlier intervention on the Minister, it is good that we are having a debate on policing in London, and I only hope that we can have more regular debates on London, perhaps on an annual basis, to discuss all the issues affecting it—good and bad.

So far, this has been a high calibre debate, and one thing that has emerged from it is that it is also our job to highlight the good things. Indeed, the hon. Member for North Southwark and Bermondsey (Simon Hughes) said that we should not always talk about the bad things, and that we should go on about the good things as well. We will have the opportunity to do that if we hold general debates about London issues, and I urge the Minister to put pressure on the Leader of the House to arrange for us to have regular debates on London every year, as we used to do. If those debates are of as high a quality as this one, we will be able to get across the message about the good things that are happening in London—in policing or whatever else—as well as all the other issues that must be discussed.

I listened to the Minister with great interest and I agreed with many of his points. There has been an increase in resources and in police numbers, both of which are to be warmly welcomed. There has also been an increase in the number of police community support officers—they are doing a very good job—and recorded crime is down. But a problem in my area—and in other areas of London where friends and relatives live—is that, regrettably, people do not believe the figures. The general public think that the figures are manipulated, with the result that, even where it is obvious that things have improved, they do not believe it because they do not feel it. Their quality of life has not been enhanced because they do not feel it, and because they hear stories about crime. I shall talk in a moment about the press, which the hon. Member for North Southwark and Bermondsey also mentioned.

People matter, and we must not forget that we are talking about people today, not figures. I congratulate my hon. Friend the Member for Arundel and South Downs (Nick Herbert) on his excellent speech, in which he put forward many arguments and some statistics—not too many—and highlighted the value-for-money issue, which my constituents are very concerned about.

There have been falls in some serious crime, and we applaud that. We applaud the Government, the police, who have done such tremendous work, the councils and the local community groups. All have played a part

[Mr. David Evennett]

in the reduction of serious crime. However, we have not heard so much today about the other side of the argument. Certain problems have got worse, including antisocial behaviour, binge drinking, drug crime, problems on public transport, vandalism, graffiti, and the fear of crime. Those are the real issues that my constituents and others across London are concerned about. Serious crime levels may have reduced, but the lower-grade crime that impinges on people's quality of life has not gone down. In many ways, it has increased the pressures on constituents and families, to the detriment of their quality of life.

Justine Greening: One thing that always strikes me about statistics is that people do not just get 1 per cent. mugged; they get 100 per cent. mugged. We are constantly being given the probability of being the victim of a particular crime, but such statistics are not helpful when people actually experience crime. They experience it either at zero or 100 per cent.

Mr. Evennett: My hon. Friend makes a good point, and I am sure that she will elaborate on it if she catches your eye later, Madam Deputy Speaker.

I have to be honest: I was rather sceptical about police community support officers when they were first introduced. Indeed, I took the matter up with my borough commander. However, I have to say that I have been converted and convinced. The PCSOs are doing a brilliant job as part of the teams, and the work that they are putting in is very good. My hon. Friend the Member for Arundel and South Downs mentioned their importance, and suggested how they could be developed further, which is something that we should be looking at. I am just a little concerned that London might not be getting the numbers of PCSOs that we originally hoped for. I understand that the planned increase in numbers has been cut—I know that the Minister will tell me that it is still increasing, as he always does in his good-humoured way. PCSOs are the eyes and ears of the police—they provide a reassuring presence and report back—and they do a marvellous job. If the increase in numbers is not as we hoped, however, that will be a disadvantage.

My hon. Friend the Member for Orpington (Mr. Horam) highlighted superbly how outer-London boroughs are often disadvantaged compared with some inner-London boroughs. Resource is always an issue.

My borough of Bexley has seen great improvements. Our new borough commander is doing a tremendous job and working with the new council—I do not want to get party political, but it is a new Conservative council—elected in May 2006. To be fair, it is building on the work of the previous, Labour, council. The police, council and community groups are working extremely well together on the community safety programme, which is having a positive effective on Bexley. I commend all who are involved in it.

Our local free sheets, the *News Shopper* and the Kent Messenger Group's *Bexley Extra*, have been fair in highlighting the improved crime figures, although that reduction is, of course, in recorded crime. None the less, they are presenting a balanced picture, and the press are too often criticised for only covering bad things, and putting tragedies on the front page. Last week, however, one of the front pages said that Bexley is a great place to live. Crime is lower, and other good things were also highlighted—perhaps its two Members of Parliaments, I do not know—to show why it was a good place to live.

I also pay tribute to the roll-out of the safer neighbourhood teams, which has been completed in all 21 wards in Bexley. All have at least six dedicated officers, and two of mine have more than that. Christchurch ward, in Bexleyheath town centre, has 10 officers, because particular issues there require extra support. Obviously, I pay tribute to the team in Barnehurst ward, where I live, as they have made a tremendous difference by being out and about.

There was a time when people said that they never saw the police. Now they see the police on a regular basis, and on foot. I have raised the issue with the borough commander, and of course police must have the mobility provided by cars when they have a large ward to cover. But nothing reassures the public more than to see, as the hon. Member for Brent, South (Ms Butler) said, bobbies on the beat. The term is old-fashioned, but seeing police walking around still provides a sense of security, which is positive. Of course, we need technology and improved mobility to deal with incidents, but seeing police walking around is reassuring. If we are to overcome the fear of crime, which, apart from localised antisocial behaviour and other matters that I have raised previously, is the biggest issue, the police must be seen walking on the streets.

Partnerships are also relevant. Money is not the only issue, although it is important, and we are concerned that the Home Office budget will not increase as it has done previously, and that that may have consequences for policing in London. That is a debate for a different day.

The other issue that I want to highlight is the fear of groups of young people on public transport, perhaps at the end of school time, when pensioners are also around. Sir Ian Blair and the Mayor came down to launch the scheme for police community support officers to travel on buses. There is a great fear of crime on public transport. I have visited a number of secondary schools in my constituency to talk to sixth forms, and have been surprised to learn that a good many sixth-formers are also frightened of crime on public transport. I have the privilege of being a governor at Townley grammar school for girls, and those girls are very worried about going home on mainline trains.

Mr. Khan: The hon. Gentleman has raised a point that is of real concern to my constituents. Is there not a double whammy, in that young people are not only more likely to be stereotyped and demonised by the media and, dare I say it, politicians, but more likely to be victims of crime?

Mr. Evennett: That is true. Teenage lads and girls on their way home are particularly vulnerable, yet the media highlight only the few. It should be borne in mind that the majority of youngsters are good and well behaved; it is the minority who are causing the

trouble—the fear, the antisocial behaviour, the drunkenness and the bingeing.

Some girls want to go to pop concerts, and it is great that they do. Others may want to go and hear serious music or visit the theatre. However, they do not like to come home on the train after 11 pm because of their fear of crime. There is fear on buses too, among drivers as well as passengers. Those based at Bexleyheath bus garage have experienced intimidation and aggression. It may be crime at a lower level, but it is serious nevertheless. Do people want to be on a bus at that time of night? They should think of the bus driver. All those problems must be dealt with. We want more people to use public transport, but it must be safe or they will not use it.

There is a local policing matter which, I know, concerns my hon. Friend the Member for Bromley and Chislehurst (Robert Neill) as well. Many of my constituents travel through the Blackwall tunnel during the morning rush hour. Recently the contraflow was closed by TFL and the police, who were concerned about safety in the tunnel. Unfortunately, their action was not properly thought through. People who drive so badly that they could cause a serious incident in the Blackwall tunnel should be punished severely, rather than the contraflow being closed. The closure has had consequences for people getting to work, and for traffic throughput during the rush hour.

Apart from anything else, such actions make the police unpopular. In general they have become very popular because they are giving the public what they want, but in my area there is continuing concern about transport—not just about the safety of the travelling public, but about such matters as TFL's closure of the Blackwall tunnel contraflow without any serious consideration or consultation with those involved. That is not good news if we want the public and the police to go on working together.

Graffiti and vandalism have increased dramatically on Bexleyheath broadway, as has bad behaviour, which is why there are more members of the community safety team in that area. I pay tribute to those who are working so hard in Bexleyheath to overcome the problems of binge drinking, antisocial behaviour and vandalism, and also to Bexley borough council, which has made a big effort to get rid of graffiti more quickly.

I know that a number of other Members want to speak, so I shall bring my few remarks to a conclusion. There has been progress, but there is much more to do. Conservative Members are concerned about how we make sure that quality of life issues are dealt with effectively. That difficult issue involves education, councils, communities and national Government—it involves all of us.

It is important to get across the point that if people think that their quality of life is threatened by what might indeed be lower levels of crime, they will react and become more fearful, and the result will be that they lead less happy lives. We are involved in this for people—not statistics. Over the years, the Minister and I have bandied about statistics on many issues, and I have a lot of time for him, but some Government statistics are manipulated. We must think about people because people matter, and we must make sure that their quality of life is improved. That is what we want to do, and that is why this debate has been of such high quality. We do not want to be party political. We are trying to improve our city, London, and that means us working together. There have been great speeches so far, but we need more action on the quality of life issues.

3.56 pm

Mr. Sadiq Khan (Tooting) (Lab): When the hon. Member for Bexleyheath and Crayford (Mr. Evennett) commented at the beginning of his speech on how important it was that this debate on policing in London was taking place on the Floor of the House, and how much he welcomed that, a mischievous thought ran through my head. I recently became the Parliamentary Private Secretary to the Leader of the House, and it occurred to me that I might take credit for this debate taking place—that I might take the glory for that. However, I cannot do so for a number of reasons, not least because the Minister with responsibility for London was mainly responsible for the debate taking place on the Floor of the House, along with the Minister for Policing, Security and Community Safety. They were keen for us to have a proper debate on policing in London in this Chamber. It is the right place for it.

Six hours is not long enough to do justice to the subject of policing in London. The police service in London is now just that—a service. It was not always thus; it used to be a police force. As a result, the responsibilities of the police have changed. The content of the conversation that we should have about the police service has changed, too. There are at least 8 million Londoners, and it is estimated that there are a further 500,000 non-citizens in the city. Therefore, there are huge pressures on our police service. Also, at least 40 per cent. of our Londoners are ethnic minority.

As well as that diversity, socio-economic demographics are in play in London. There are inner-city parts of our great capital city, and there are the suburbs and outer boroughs. Members in all parts of the House have commented on the different needs of different parts of the city. There is also the City of London, and the west end and commercial parts of the city, all of which bring different problems and challenges to our police service.

I want to begin by paying tribute to the Mayor of London, the Greater London authority and the Metropolitan Police Authority, who do a great job in investing in our police service and in holding it to account. Previously, the Metropolitan police and the commissioner were accountable only to the Home Secretary. We have changed that. The MPA holds the Metropolitan police to account in an open, transparent way, and that is welcomed. I also pay tribute to the commissioner, Sir Ian Blair, and police officers, who do a sterling job serving our communities throughout our city, and the safer neighbourhood teams, which are a recent innovation and an additional member of our family of police servants who do a great job.

The hon. Member for Richmond Park (Susan Kramer) congratulated the Minister with responsibility for policing on his comments about special constables. In Wandsworth, we are blessed with having fantastic specials. One of our specials, Fred Ahmed, has now been a special for more than 25 years. Recently in the

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House of Commons there was an attestation ceremony at which more than 20 specials were sworn in, and recently in City Hall the GLA member Murad Qureshi organised for a further 30 specials to be sworn in, who will help police in Wandsworth make our community safer. Local authorities across the city do an invaluable job working in partnership with police officers and borough commanders. Civilians also play a huge role in preventing crime.

I want to begin by discussing police numbers. We cannot escape the fact that there has been a significant and much-needed expansion of police numbers in London. At the end of 2000-01, there were 25,430 police officers; as of this February, that figure had risen by 5,487 to 30,917, which equates to a 22 per cent. increase. Furthermore, we now have police community support officers. There were zero before 2000; now, there are almost 4,000. As my hon. Friend the Member for Regent's Park and Kensington, North (Ms Buck) said, in comparing statistics the baseline from which we start is very important. Should we compare current figures with those from 1991, from 1997 or from 2000?

Those in the Chamber who complained—most of them were Members of Her Majesty's official Opposition—that the number of police officers is not increasing fast enough, or that we are not getting enough CSOs on to our streets fast enough to make our communities safer, should ask where the money and the investment is coming from. They cannot criticise the Mayor for standing by a manifesto commitment to increase precepts and to use the money to pay for more CSOs and police officers, and then criticise him again for there not being more CSOs and police officers. The same point applies to general taxation. They cannot say that there are not enough police officers, and then say that they want to share the proceeds of growth by offering tax cuts, while investing in public services and police officers. Police officers and CSOs cost money, and that money comes via taxation—both local precepts and general taxation. When we hear expressed these mock concerns about there being not enough CSOs and police officers, we must carefully consider whether those expressing them are sincere or are simply playing party politics.

Justine Greening *rose—*

Mr. Khan: On that note, I give way to the hon. Member for Putney (Justine Greening).

Justine Greening: I am grateful to the hon. Gentleman for giving way. I note that he talked about the number of officers across London. Does he share my concern that the baseline number—the important figure—not of CSOs but of fully trained, uniformed officers in Wandsworth has fallen in the past decade? Does he agree that it is time that we got those 80-odd extra officers back on to our local force and out there tackling crime in the community?

Mr. Khan: I am extremely grateful to the hon. Lady for allowing Members to hear the kind of party political propaganda that is used in Wandsworth, and I shall tell her why. *[Interruption.]* She is heckling, but I cannot hear her.

Justine Greening: It is a fact.

Mr. Khan: The hon. Lady needs to take account of the fact that the formula by which officers are allocated was drawn up before 1997. Secondly, we in Wandsworth have the benefit of the territorial support group—a pool of officers who go from borough to borough and area to area. The third point that the hon. Lady needs to take into account is that London now has 5,500 more police officers. Fourthly, every single one of the 20 Wandsworth wards has benefited from having one sergeant, two officers and at least three CSOs. The Tooting ward, which I represented for 12 years, has one sergeant, two officers and seven CSOs.

Fifthly, when emergencies occur, officers from other boroughs come to Wandsworth's aid. Last Saturday, I commemorated workers memorial day by attending the unveiling of a plaque in Battersea, and while there I was reminded that police officers from other parts of London came to Battersea's aid in its time of need, back in September 2006. Sixthly, the hon. Lady needs to explain the following situation. The Mayor of London and the GLA—both elected by the people—can decide, via the MPA, how officers are allocated. However, the Merton and Wandsworth GLA member, who is a Conservative, fails to be the advocate and champion of Merton and Wandsworth that I hope a Labour GLA member would. However, I digress with my six points. I could have gone on much longer, but I know that time is short.

It is also worth discussing safer neighbourhood teams. I welcome the congratulations for the Mayor expressed on both sides of the Chamber, save by the only Member who has spoken who does not represent a London constituency. I do not blame him for that as it is not his fault. It is worth bearing in mind that the Mayor stood on a manifesto to introduce safer neighbourhood teams and he has implemented that commitment at least a year ahead of time.

In Tooting, all seven wards have a full complement of safer neighbourhood teams. In Tooting ward, we have the excellent Sergeant Lisa Hurley, who leads from the front. She walks the streets, is on first-name terms with people and is putting the bobby back on the beat. When my constituents, neighbours and friends comment on how nice it is to see an officer on the street, they do not point out that his or her uniform is not the same colour as that of a police officer, or that the number of pips on the shoulder is different. They welcome the uniformed presence and it has made a big difference to the perception of safety in Tooting.

Parts of Tooting do have problems with antisocial behaviour. We have laws to give the police more powers to take action against problems, and contact points, funded by the Mayor, in hotspots where they are needed. There are problems in the town centre and I hope that we will soon have a dispersal zone, so that the minority of young people who cause problems can be dispersed, and a contact point for the police on the high street, which could be of great benefit. Another example is in Earlsfield and Wandsworth Common, where Sergeant Ben Bond is working with local sports clubs and residents to ensure that young people have constructive things to do. At school times, police officers cycle up and down streets around secondary schools. Young people are bigger than they were when I

was young and some people can feel intimidated by them—sometimes with justification. Low level antisocial behaviour—not necessarily criminal—can be deterred by a uniformed male or female police officer or PCSO cycling up and down the road, and that can be a huge benefit to the area. It is also worth noting that the Mayor not only fulfilled a manifesto commitment, but ensured that it happened at least a year ahead of time.

My third point relates to crime figures. Crime in London has fallen. There are those pedants who play numerical gymnastics and claim that using this or that criterion proves that crime has not fallen or has not fallen fast enough. However, the official figures show that overall crime is down for the fourth year in a row. It fell by 6.3 per cent. last year, meaning that there were 62,000 fewer victims of crime.

The hon. Member for Putney made the point that each crime is 100 per cent. to the person involved. That is true, but 62,000 people have been 100 per cent. prevented from becoming the victims of crime. As she said, every crime is very serious. Well, 62,000 very serious incidents have been prevented by the policies and investment of this Government and the Mayor. The number of violent crimes fell by 6.1 per cent. over the past 12 months in London. There were fewer hate crimes last year compared to the year before. Total recorded crimes fell by 12 per cent. between 1999-2000—I use that baseline because that was the year before we had a Mayor—and 2006-07.

In Wandsworth, the figures are equally impressive. If one compares the 12 months to December 2005 with the 12 months to December 2006, total crime is down, as is violence against the person, robbery, domestic crime, racist crime and homophobic crime. Those are real crimes that have been prevented and real victims who have escaped the pain and suffering that they would have experienced. Not only are we stopping crimes taking place, but the presence of the safer neighbourhood teams is contributing to a decrease in the fear of crime and of becoming a victim of crime.

My fourth point concerns diversity. We need to remind ourselves of how the police in this great city were perceived 20 years ago, and even more recently. Lessons have been learned from the murder of Stephen Lawrence, from the Macpherson inquiry and from other racist murders and, as a result, the Race Relations (Amendment) Act 2000 places a positive duty in respect of race relations on all public authorities, including the Metropolitan police. Indeed, the Met now has a race equality scheme, which it observes in both letter and spirit, and its recruitment and retention have both improved.

People remember the sus laws in force before 1984, and the stop-and-search approach was an improvement on them. We now have stop and account, and the hon. Members for North Southwark and Bermondsey (Simon Hughes) and for Richmond Park both noted that young black people now have more positive experiences of the police, instead of the negative ones of the past.

Those young black people know that the relationship between the police and the public goes both ways. That relationship is not always negative, because the police [illegible] seen as the public's partners—a perception that [illegible]s that people who might have been victims of police misconduct in the past are today more willing to come forward and report crimes. In the end, partnership working is what policing by consent is all about.

For the first time ever, we have an independent police complaints system. One of the biggest complaints made by alleged victims of police misconduct in the past used to be that the police investigated themselves. All that has changed, thanks to this Labour Government, and the improvements in terms of representation and diversity mean that the people who police our great city represent the city that they police.

No debate about policing in London can escape the question of terrorism. This week, the long-term investigation that was Operation Crevice achieved a great success. Huge amounts of resources had been invested in it; dozens if not hundreds of lives were saved, and five convictions were secured. That was a victory for due process and the whole anti-terrorist operation, but there is no escaping the fact that our security services have to succeed every time if they are to keep us safe, whereas a terrorist need succeed only once to inflict huge suffering on us. We saw what happened on 7/7, when we were not so successful.

Over the past couple of years, our community police officers have done a fantastic job in building bridges between the various communities that live in London. At the Tooting Islamic centre there is a police contact centre, where police officers are able to meet young Muslims and black people in a positive way. The youngsters can get their property marked and report crime, and they can talk to the police about local matters. The centre does a wonderful job, and is a huge boon for the local community.

However, there have been two anti-terrorist raids in Tooting in the past couple of years, with squads such as SO13 making arrests in the middle of the night. After a few days, though, everyone arrested was released without charge, and it is clear that such incidents can have a negative impact on the local community. The local police had done wonderful work over the preceding weeks, months and years in building up relationships but that can be undone if the aftermath of such raids is not conducted sensitively.

Just as recruitment and retention among community support officers and police officers have been improved, so we must improve recruitment and retention among the specialist officers dealing with anti-terrorist operations. Notions about policing by consent and by partnership are no less relevant in counter-terrorism operations than they are in other areas of police work.

As a south London MP, I cannot escape talking about problems to do with guns, knives and gangs. People who do not come from the area assume that such problems are the only thing that happens there. For example, the manager of my parliamentary office comes from Crewe originally—I do not hold that against him—and a few weeks ago his mum and dad telephoned him because they were petrified about the fact that he was working in London. They were scared that he might be the victim of a gang, a gun or a knife.

It is true that a disproportionate number of shootings and stabbings have taken place in south London, but the police deserve congratulation on the

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excellent work that has been done with Operation Trident and the other specialist operations. Originally, I was nervous and unconvinced about the idea that a specialist operation team should look at black-on-black crime. I am still worried about the perception that the problem affects only one part of our community. If the problem is not regarded as a mainstream one, will it receive the mainstream resources, attention and focus that it needs?

We must not stigmatise young black people in certain areas as a consequence of that operation. After a shooting in south London, the BBC asked me for an interview, which I was happy to give, but the BBC would conduct it only if I agreed to stand outside the victim's school. I explained that to do so would be terrible because it would stigmatise the school—the implication of the images would be that the school was linked to gang culture. The BBC refused to film anywhere else, so I did not give the interview.

There are good projects throughout south London. In Tooting, the Yahweh Christian Fellowship is doing excellent work to counter gangs, knives and guns. It is important that we do whatever we can to help in such work, but we must not turn policing into a convoluted, cumbersome process whereby our police officers become social workers.

Customer care is a problem. If the police service is really to be a service, the quality of care provided to consumers must be top rate. People should not have to wait for hours to be seen at the front desk. Phones should be answered, as the hon. Member for Richmond Park said. Police stations should be used to lock up people arrested for criminal offences, not to hold asylum seekers or as overflow prisons. As well as focusing on recorded crime, the police should pay attention to detection rates; it is important that we do not sacrifice crime detection for increased confidence in the recording of crime.

Increasingly, yellow boards are put up when a crime is committed. We understand why—to persuade witnesses to come forward and report anything suspicious—but the problem is that the boards create the impression that there is loads of crime, which breeds people's feelings of insecurity. We need to square that circle to achieve the right balance so that we find witnesses to crime without scaring people and making them think their area is more crime-filled than it really is.

Accountability is important and it can prevent miscarriages of justice, but we need to streamline some of the paper trails that our police officers have to follow. Technological advances mean that some of the typing could be outsourced and police officers could use handheld PDAs—personal digital assistants—so that they can get on with that they do best.

Prison overcrowding is not directly related to policing in London, but it is of concern. I speak to police officers who are increasingly frustrated that when people leave prison there is nowhere for them to go; families and friends are no longer in touch so they turn to the criminal fraternity. It is hardly surprising that the reoffending rate for people within two years of release from prison is more than 66 per cent.

In conclusion, policing in London has not reached a utopian position by any stretch of the imagination. Ten years is not enough. Indeed, I question whether we will ever reach that position—Los Angeles, Chicago and New York have not achieved the utopian perfection that some people claimed for those cities. However, we have been tough on crime and the causes of crime. I do not think that Sure Start, the new deal, parenting classes, raising children out of poverty, investing in our youth services and regenerating our town centres—I could go on—are anything but dealing with the causes of crime.

The other important thing is that we have dealt with crime itself. The police are grateful for the new antisocial behaviour laws, and use them. There are longer sentences where appropriate, faster justice, so that courts deal with people more quickly, and investment in CCTV. Most important for my constituents and me, we have higher numbers of community support officers and police officers in London than ever before; it is no coincidence that it came about through the partnership of a Labour Mayor and a Labour Government.

4.19 pm

Robert Neill (Bromley and Chislehurst) (Con): It is a pleasure to speak in this debate, which I welcome. I endorse the comments made by the Minister and by my hon. Friend the Opposition Front-Bench spokesman about the desirability of having the debate. It is a shame that more people are not here, but I hope that it gets the publicity that it deserves. It is an important issue for many of us in London.

I am sorry that the Minister with responsibility for London has just departed. I pay tribute to him and to the Minister for Policing, Security and Community Safety for securing this debate. I was about to observe that there was a continuity of West Ham supporters on the Government Front Bench, a continuity that I can only hope will be replicated in results over the next couple of weeks.

Mr. Khan: Ever the optimist.

Robert Neill: Dead right.

It is a serious debate because, as the Minister suspected, this has been the top issue in the seven years that I have served on the London assembly and in the two elections that I have fought. It has consistently been the top issue in my postbag and I think that virtually all other assembly members would say the same. That is not surprising because, for many people, the ability to feel safe and secure as they go about their lives in our city is arguably the very first social service. That applies to everybody in London regardless of background and circumstance. It is hugely important that we get things right and I am glad that the debate has largely been a measured and thoughtful one.

As well as being an assembly member, I am a member of the Metropolitan Police Authority, and that appears in my declaration of interests. I certainly recognise that good work has been done by the authority and by its chairman, who also has the advantage of taking the same sensible view of football as me even though we otherwise do not quite agree. In

particular, I recognise the excellent work that has been done by the men and women of the Metropolitan Police Service and the other two police forces. Both the City of London police and the British Transport police deserve recognition. I have certainly found their work invaluable and I know that my constituents do, because many of them use overground trains to commute to the City of London. It is important that we take an holistic look at all the policing agencies in London. The Met is the main feature, but it is not the whole picture.

A number of important points have been made, and I will not repeat them. However, the views expressed by my hon. Friends the Members for Orpington (Mr. Horam) and for Bexleyheath and Crayford (Mr. Evennett) about the position in the outer London boroughs, the perception of crime and the concerns that go with that are especially pertinent and are mirrored by people in my constituency and, I suspect, much else of suburban London. I pay tribute to my hon. Friends because, while I have been an assembly member, I know that both have worked tirelessly to raise these issues.

The valid point has been made that London is not only a large and complicated city, but a very diverse one. It is diverse not only in its socio-economic and demographic make-up but in spatial and geographic terms. Not only are priorities different in different parts of London, but policing responses need to be different as well. That raises two concerns that have already been touched upon by my hon. Friend the Member for Arundel and Shoreham.

Nick Herbert: Arundel and South Downs.

Robert Neill: I apologise to my hon. Friend; I am behind with my knowledge of constituency boundaries.

The concerns relate to the many central targets that borough police commanders have to deal with. Far too much of my excellent borough police commander's time is taken up with chasing those targets, and the targets that are set centrally and largely by the Home Office are frequently not the priorities that are most germane to people living in the London borough of Bromley.

For example, we all agree about the key serious crimes—no one argues about that—but there is a centrally imposed target about the theft of bicycles. Any theft is important, but that is not a big issue for us. However, we can think of crimes that, in Bromley, we would put higher up the league. Greater flexibility for my borough commander, in consultation with the local strategic partnership, to set his own suite of targets for the problems in Bromley would be a real advantage for us.

That is one point: greater flexibility to reflect the diversity of London would be valuable. Another point relates to the question of resourcing. Police officers are allocated to the borough command units—I do not include the response units and the other central units—on the basis of a resource allocation formula, which is worked out by the Metropolitan Police Authority by means of a system that, I think it is fair to say, is marginally more transparent than the Schleswig-Holstein question, although I suspect that there is not much in it. That formula has been reviewed periodically and there have been some changes, but it seems to me and, in particular, to my hon. Friend the Member for Orpington, that there is a problem.

Bromley is geographically the largest London borough. I am glad to say that it does not have one of the top levels of crime by any manner of means, and I would not pretend otherwise. Part of the formula reflects needs and demand, so that might mean that Bromley will get fewer police officers. But the formula does not adequately reflect the fact that a good half of the borough is green-belt land. In the southern part of the borough in particular, police officers—the safer neighbourhood teams and the response teams on the borough command unit—have a large amount of physical ground to cover. My hon. Friend made the point about its taking 20 minutes to get a response team from Bromley police station in the centre of Bromley down to Biggin Hill. Added to our limited total number of police officers, that means that, at times of stress, it is extremely difficult to cover the demand.

On a Friday or Saturday night, the majority of police officers in Bromley will be engaged in dealing with what are largely public order issues in Bromley town centre. Those issues have been fuelled by the increase in the drinking culture, which—I am sorry to make a partisan point—recent legislation has not helped. The officers are under a lot of pressure and are doing their best—I am not knocking them—in difficult circumstances. However, that means that the more suburban and outlying parts of the borough are hard put to get a decent response. The resource allocation formula does not adequately reflect the needs of geographically large London boroughs. I would hope that something could be done to reflect those needs.

The formula also does not adequately reflect the fact that Bromley—I suspect that it is not unique in this—is a net importer of crime. Something like 70 per cent. of the people arrested in the borough of Bromley do not reside there. That applies right across the range of crime. It applies to the professional burglar, who thinks that there might be quite good pickings, and, equally, to public order offences. Bromley town centre, in particular, and, to some degree, Beckenham attract people who travel in from further away in London. There is a night-time economy. Bromley is also a substantial commercial centre and there are shoplifting offences and other thefts associated with that. The current measures, which reflect Bromley's normal resident population and its own internal deprivation, and other indices, do not capture the demand that Bromley's police officers have to deal with. I hope that it would not be impossible for the formula to take those factors more accurately into account.

I accept that there have been extra resources. All of us on this side of the House recognise that. As the leader of my party on the London assembly for most of the last seven years, I supported that. That is why I was glad to lay to rest the canard from the hon. Member for Ealing, Acton and Shepherd's Bush (Mr. Slaughter). We are happy to support extra resources for the police, but—this is not unreasonable and it is not being critical of the police—we want to ensure that we get the best possible value out of those resources. That is the key issue.

People in Bromley probably contribute more in gross council tax than people in any other borough in London, but we have the lowest or second lowest ratio of police officers per head of population. I expect the ratio to be at the lower end, because it is not the busiest borough in

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crime terms, but the gap is marked. Many people, including those involved in crime and disorder reduction partnerships locally, believe that the difference in the levels of policing between ourselves and our neighbouring boroughs of Lewisham, Greenwich and Croydon is one of the things that causes the displacement of crime into our borough. People in Bromley feel that they are not necessarily getting a fair deal.

Another point related to making the best use of resources is the question of working practices, which my hon. Friend the Member for Arundel and South Downs (Nick Herbert) rightly referred to. When Sir Ian Blair was appointed Metropolitan Police Commissioner, he made a great deal of the importance of the service review. He was right to do so and I made it clear at the time that my friends in the assembly and I would support him if he went through with the review. I appreciate that other priorities have arisen, such as counter-terrorism measures, but it is important that we do not lose sight of the service review.

North America is probably our best comparator, albeit not the only one. Many forces in north America get much more bang for the policing buck, which comes back to such issues as single manning and proximity policing. When I visited New York recently, I met members of the New York police department. Single manning is well established there, despite a culture in which there is probably a greater threat of violence to police officers on the streets than might be the case here. It has also been rolled out in Chicago and elsewhere. It is interesting that police officers there are encouraged to spend much less time in the precinct house. Such buildings are usually much smaller than those in this country and do not have such things as canteens. Officers are encouraged to take their breaks in the local deli—or the local café, as we would put it—so that they are seen out and about in the community to a greater extent.

We should be prepared to consider such an approach, although that would require hard discussions with the Home Office, the Treasury, the Police Federation and representative bodies of the senior ranks. If the Met is to lead the way, as I hope it will, hon. Members on both sides of the House and people at all levels of governance in London will need to be prepared to give it political support. I hope that the Minister will reassure us that the commissioner and any successor will have the support of the Government—I know that he will when we shortly come into government. I hope that the Mayor and others will also give such political back-up.

I have pointed out some important large-scale issues. Bromley's real concerns were addressed by my hon. Friend the Member for Orpington, so I will not repeat them. However, I want to make two further short points. My hon. Friend the Member for Bexleyheath and Crayford talked about the Blackwall tunnel. The tunnel affects my constituents. As far as the police are concerned, the risk is reputational, but if there is a question about safety, it should be debated. I am sure that the Minister will pass this on to the Minister with responsibility for London. We were concerned to discover recently that the likelihood of the closure of the Blackwall tunnel, apparently on police advice, was discussed with the London borough of Greenwich and the Highways Agency on 18 January, yet not a word was said to any of the other London boroughs, the London assembly or any other partners until about a fortnight ago, or less, when the contraflow was closed with less than a week's notice. The lack of transparency is our real concern. If discussions were held on 18 January, it would have been mature if Transport for London had brought everyone into the loop and held an open discussion. Such an approach would have given the police's case greater weight.

South-east London does not have a tube system, so the overground is hugely important to us. I recognise the value of the work of the British Transport police and I recently had useful discussions with Ian Johnston, its chief constable. We face the problem that the transport police are extremely thinly stretched. The London south division of the BTP runs from the river down to Bournemouth. About 420 police officers cover the whole of the network, so there are really not enough to go around. If an incident is reported at a station in Bickley or Bromley, it is likely that BTP officers will have to go by train from Victoria or Lewisham, which makes the response time virtually impossible. If BTP officers cannot respond, they have to try to farm out the call to the local Met police, who might be tied up anyway. There are thus real problems with passengers' feeling of security on the overground network.

I am not one of those people who think that the issue would be solved by integrating the British Transport police and the Met—I am not that interested in structural change—but we should consider much closer operational integration; a lot of good work has been done that way. It ought to be possible to make it much easier for Metropolitan police officers to get on to British transport property to pursue those who are breaking the law, subject only to safety issues, such as rail currents. I hope that there can be more good will and flexibility between the forces, so that we can resolve any boundary issues.

Another concern that we have about security on the railway network involves closed circuit television. The position in relation to CCTV on our overground trains varies significantly. Some of the London commuter networks have 100 per cent. CCTV coverage of their rolling stock, and that is obviously desirable. The train operators One, c2c, Central Trains and Chiltern Railways are all virtually at the 100 per cent. mark. I am troubled to find that South Eastern Trains, which covers my part of the world, has less than 50 per cent. of its carriages covered, and that is the lowest of the lot. That really is unacceptable. If we want to encourage people to use public transport, they have to feel safe and secure doing so. Southern Railway next door manages 100 per cent. coverage on its commuter units. There can be no justification for that massive discrepancy between broadly similar networks.

Although there is CCTV on virtually all our railway stations, I discovered that it is not necessarily always monitored, and monitoring is the key thing that gives people a sense of security. We know from underground networks elsewhere that it is possible, if there is proper monitoring, to send out voice messages in the station. I have heard the message, "Stop smoking on the station." There should be a bit of investment in providing that kind of service from a central control

room. Letting people in railway stations know that they were being watched would be a real reassurance, is not expensive and is technically feasible. That is a simple, practical suggestion.

I know that it troubles the BTP that it does not have adequate input into the way in which franchise documents for rail companies are drawn up, and in ensuring that security issues are given adequate attention. It is important that when a company bids for a rail franchise, making sure that the system is safe, secure and will reassure people is top of the list. It is not too difficult to write that into the documents. It would be helpful—perhaps the Minister can take this back to his colleagues—if we acted on BTP's suggestion that one of its senior officers be seconded to the Department for Transport to work with the officials responsible for drawing up the rail franchises. That would help us to ensure the more holistic approach to which I referred; again, that is hardly costly, and it would be a bit of joined-up government.

I have touched on just a few of the issues to do with policing in London; it is a huge topic and we could go on for a long time. I hope that I have demonstrated that a great deal of good work is done, but the last thing that anyone, regardless of their party, wishes us to do is rest on our laurels. I think that it is 72 per cent. of the Mayor's precept that is taken up by the Metropolitan police; I undersold the amount earlier. Of course, part of the costs of policing transport services is added on to the fares paid by my constituents. All that we want is to make sure that the most rigorous attention is paid to getting the best value for money out of that valuable public investment, and to make sure that the police are freed up from the need to deal with centrally imposed targets, so that they can produce something far more closely tailored to the needs of their communities. That, ultimately, is the point.

We all accept that if policing is to work, it has to be done with the consent and agreement of the local communities. Communities can work closely in partnership with their police officers, and there are good examples of that among the safer neighbourhoods teams, but we should go further. I hope that the Home Office will consider taking on board the Commission on London Governance's recommendation that there be a statutory right for local councillors to be consulted about policing priorities in their area. They should be consulted in their ward, as opposed to simply through the scrutiny panel process. I do not think that that is unreasonable, and I am saddened that the Minister should shake his head. Labour members of the Commission on London Governance did not have any trouble with it.

Mr. McNulty: There may be appropriate accountability structures that we need, but I would certainly not favour one that isolates local councils from communities and residents panels. I have read much of the document, and I support some of it, but councils should work alongside residents panels in their interaction with the local police.

Robert Neill: There may be less between the Minister and myself than I thought, but the fact is that councillors should have the right to be there, as they have a democratic mandate. I am a little concerned by the guidance produced by the Metropolitan Police Service on the setting up of safer neighbourhood panels, which appeared at times almost to discourage councillors or keep them at arm's length. I hope that the Minister will make sure that the message is sent out to the Met that that is not the way to deal with the issue. If we link our police officers in with the community and its democratic representatives, that can only be to everybody's advantage. On that note, I shall conclude; but I hope that the Minister will be able to pick up some of the points that I have made.

4.41 pm

Simon Hughes (North Southwark and Bermondsey) (LD): I sense that the centre of British political interest may be somewhere else today. None the less, I welcome the opportunity to debate policing in London, which we used to have annually when the Home Secretary was the police authority. We have not had a formal opportunity to do so for seven years, although there have been debates on policing generally as well as on matters specific to London policing.

This has been a worthwhile debate, and I am grateful to the Government for facilitating it. I sense that there is huge consensus, and we have heard some very good contributions from Members on both sides of the House. I do not have the time to respond to all the points that have been made, but we have all taken them on board. I hope that the Minister and the Under-Secretary of State for Trade and Industry, the hon. Member for Poplar and Canning Town (Jim Fitzpatrick), who has ministerial responsibility for London, find that encouraging and that when the report of our debate reaches the MPA—obviously, its officials will read it, as will the Mayor and members of the assembly—it will see the broad themes that unite us much more than the issues that divide us. It is easy for these debates to become party political, but that has not been the case today, apart from the odd spat, which is a good thing.

I am pleased, too, to have the opportunity to follow my hon. Friend the Member for Richmond Park (Susan Kramer), who represents an outer London constituency, while I represent an inner London constituency. There are differences in perspective, which has been reflected in our debate but, again, there is much that we have in common, particularly—I shall come on to this in a second—the development of safer neighbourhoods teams, for which she was right to claim the original advocacy and which, in all boroughs and constituencies, have made a difference, and can make a bigger difference yet.

We have heard lots of statistics in our debate, and we have benefited from being given a common statistical basis—that has not always been the case in the past—by the Metropolitan Police Authority, which we have mainly used. Something that no one has said explicitly on the record is the fact that all those statistics are set against the background of a considerable growth in the London population—it is growing both in absolute numbers and in diversity. If we are seeing in general a reduction of crime, it is in a city that is growing, which is an encouraging sign. Broadly, the statistical conclusions are as follows: the population of London is going up—it is the biggest city in Britain and in Europe, it is still growing, and it will grow more—and police numbers are up. Rather oddly—I have not heard an explanation for this—in the last full year for which we have figures

[Simon Hughes]

and which ended effectively a year ago, the figures dropped a bit. They were about 30,000, but they have come down a little bit—perhaps the money was spent on community support officers—although they may have picked up again in the year for which we do not yet have the complete figures. Until last year, however, the numbers had been growing, and CSOs, whom we had never had before, are now generally welcomed. Crime is generally going down—sadly, serious and violent crime is still going up—and detection is going up, but it is still worse in London than elsewhere. That is understandable, because London is a much more difficult place to police. However, the challenge for all of us is to say that London still has far too much crime. Crime overall must come down considerably and detection rates must go up much more. For me, the judgment is not about how much money we put in, or even how many police officers we have, but the results. We could double the number of police officers, but the crucial thing is whether they do the job that we need them to do, in conjunction with all the other agencies. As many others have said, they are not the only agency with responsibility—that is now being understood much better than it used to be.

There is still too much fear of crime. Indeed, there is more fear of crime than there is crime. People think that crime is worse than it is. I made a point earlier that I felt obliged to make on behalf of my colleagues when they were fighting the election in Southwark last year. We all have a duty not to talk crime up. With respect, a lot of the media in London talk it up quite enough already. We must ensure that we are accurate when we report the position locally, in our boroughs, across London or across the country as a whole. I am perfectly happy to trade statistics about the growth in violent crime throughout the country. The Government have overseen that, although it is not entirely their responsibility. I hope that we will all, as politicians, resist the temptation to misuse the statistics in a way that suggests that crime of any sort is worse than it is.

Some people say that 90 per cent. of crimes are committed by 10 per cent. of people. Those serious, serial offenders are the people we need to target. At the back of any police station, one will often see a group of photographs and a list of names of the people whom the police know are likely to be the suspects in, say, a burglary or robbery, and I am afraid that that is often the case. Dealing with reoffending, which is far too prevalent, is as big an issue in London as anywhere else.

Let me make a short technical point about crime statistics. When I shadowed the Home Secretary and my colleagues and I received the regular monthly, quarterly, six-monthly and yearly statistics, one of the frustrations was that there were two simultaneous sets of statistics—recorded crime and the British crime survey. However theoretically understandable that is, it does not help the general understanding of what is going on. Some time ago, the right hon. Member for Norwich, South (Mr. Clarke) asked me to nominate somebody on behalf of my party to be on a working party to deal with crime statistics. I nominated somebody and they attended a couple of meetings. The group came up with a report, but its work still has not reached a conclusion. I think that there is now another working party.

We need more coherent and less confusing statistics. I understand all the different academic assessments. As the hon. Member for Putney (Justine Greening) says, crimes involving people under 16 are not reported. It is not helpful if the statistics are confusing. For years, I have made pleas locally in my borough when police officers come to police and community consultative meetings or other meetings to go through the statistics. They often give only those for the previous month compared with the month before, and only in a certain bit of the borough. I say, "Let's just have the spreadsheet that shows everything that tells me how Southwark is doing compared with Lewisham on one side and Lambeth on the other, and how it is doing compared with this time last year." That should not require anybody to have to do the work locally. It should be done by a central department that could pull down the figures and make them available so that any member of the public is able to see them as well. We need simple comparisons and simple statistics. I urge Home Office Ministers to ensure, not only for the Met, the City of London police and the British Transport police but for all police services, that we have clear and easily comparable statistics as soon as possible.

In all the welter of statistics, there has been a common assessment of what is the most serious and worrying feature—the growth in violent crime. The tables that the Met gave us show that the murder figures have come down in the past three or four years but are still higher than they were when this set of figures began in 1998-99. Gun-enabled crime went up considerably, nearly doubling, and has gone down only in the past year. Robbery has gone up and down over the years, but it has doubled in the eight-year period and increased in the past two years. People are worried about that on the streets, where it is one of the greatest causes of fear. Burglary has decreased considerably, for all the reasons that we know, and that also applies to motor vehicle crimes. People are protecting their property better, and that is good and encouraging.

However, although violence against the person has decreased in the past couple of years, it has increased hugely—by about 50 per cent.—over the eight-year period. Rape has also increased, although it has been decreasing in the past few years. Convictions for rape form a small percentage of the allegations; 5 per cent. is a pitiful figure for the country. I guess that the same trend applies in London.

The fundamental problem is how we break out of the culture in which primarily young people, but also others, believe that using guns and knives is acceptable. We all agree that many of those crimes are related to drugs, alcohol or both. As my hon. Friend the Member for Richmond Park said, we must concentrate on alcohol-related crime. It happens not only on Thursday, Friday and Saturday nights but at all sorts of other times. Tackling drug-related crime, which happens because someone is either on drugs or committing the crime to feed a habit—or, in the case of dealers, trying to make money out of exploiting people—is central to reducing violence in London.

A friend runs an eminent Christian charity in Peckham called XLP, which has been running for 10 years, and got the Queen's award for a voluntary sector organisation. When I asked him to describe his perception of the trend in youth crime in those 10 years, he said that,

when he started, people had guns or knives—mainly knives—because it was cool. They then moved on to using them for crime, but now many youngsters pick them up out of fear. That is a serious concern. Young people are most frequently the victims of gun and knife crime. They are both the protagonists and the victims.

We must look beyond the young people and start with the families. Northern Ireland is a more peaceful place because the women in particular said that violent behaviour was unacceptable. Mairead Corrigan, who became a Nobel peace prize winner, and others rose up. They told their fathers, brothers, boyfriends, fiancés, husbands and children that violence was unacceptable. In the end, families have to say, "This is unacceptable." Of course, it is more difficult if one has a big family or is a single parent, but the message must be conveyed. Peer group pressure, family leadership and school leadership are fundamentally important.

It is also important, when possible, not to exclude kids from school. Exclusions affect some communities worse than others. There should be better educational opportunities, training and work. Some fantastic work, which has been applauded, takes place. My friend the hon. Member for Vauxhall (Kate Hoey) and I are in an area that includes the Lambeth and Southwark sports action zone, which does excellent work in engaging young people, especially young men, in using their energies. If they participate in community games and sport, and estate-based sports, thereby finding pride, self-satisfaction and respect, they do not have to do other stuff for pride, self-satisfaction and respect. I went to the Downside Fisher boxing club annual dinner the other day. Youngsters who box are not into drugs and drink because the discipline required to do well in boxing means that they train and do not drink, do drugs, smoke or stay out all night. By and large, they have to live a disciplined lifestyle.

At a lower level, people in all our constituencies regularly complain of antisocial behaviour. There are some huge gangs—of an extraordinarily large size—in Southwark. We all have a responsibility to challenge antisocial behaviour, although it is sometimes a bit risky and I do not commend it to vulnerable people. I agreed with the leader of the Conservative party when he said last week that we have a duty to remind people that manners and respect matter. Lack of manners and respect is partly a consequence of not having grandparents and an extended family around as children grow up. Some of the immigrant communities are much better at ensuring that their youngsters understand manners and respect because the extended family is around. Irish families used to be good at that and now that often applies to Caribbean and African families. However, everyone has a responsibility for ensuring that respect matters.

Terrorism has been a huge blot on London's recent history. In commending the police as a whole in the three forces that we have talked about, I particularly commend those who deal with anti-terrorist matters. I have been able to have some close quarters experience with them over the years, and they do a fantastic job. Yes, of course mistakes are made—more often due to intelligence than the police—but they do a commendable job.

The one thing that we absolutely have to do is prevent the sort of victimising of communities that results from the sort of press and PR exercises that make a big story out of raids in certain parts of the capital city, as we saw in east London, which then start tarnishing whole communities. I do not know where these stories come from. Peter Clarke, the deputy assistant commissioner—there are so many people with titles below the commissioner these days that I get confused—or the guy in charge of anti-terrorism matters in the Met criticised the leaking of such information last week, as it hinders the police. We really must stop trying to sell these raids and anti-terrorist activities in advance. If people are arrested, then charged and convicted, it is a story; but the investigation should not be the story in the same way. There is no benefit from making it look as if a whole community is involved.

I shall say just two sentences about something that has barely been mentioned. It appeared in the "metline", one of the Met police magazines. This week's or month's edition regrets the fact that traffic policing has almost disappeared. We may all be victims of traffic policing at some time, so this is a sort of double-edged sword to help make the argument. If we want a capital city that works, people cannot be allowed to sit in box junctions without being clobbered; people have to behave, so traffic policing is important. One thing that has happened in that context is that we now see lots of police on push bikes, which I think is a great initiative. There were not really any in London two years ago, but now they are all over the place. It allows the police to be more flexible. New York city police did it years ago and saw the benefit of it.

I have a few organisational points. The Minister was responsive to the need to get our structures better. The hon. Member for Regent's Park and Kensington, North (Ms Buck) made a very strong point about safer neighbourhoods teams, which are great, but as she and my hon. Friend the Member for Richmond Park said, they have to be at the times and places where they are needed. We have to move the police from a culture whereby they do three shifts of equal numbers every day to one that says, "Look, you don't need to do much community safety policing between 8 in the morning and 3 in the afternoon; you need it much more between 3 in the afternoon and 3 in the morning". That is what the communities tell us. The communities rather than the police must lead that. The combination of police, community support officers and neighbourhood wardens—including specials, which are very important—is crucial and each borough must be allowed to work out the balance of those extra people paid for by the local authority as it chooses. There will be different answers in different parts of London's 33 authorities.

I put to the Minister my point about the need to get the old order changed to the new order of where we have consultation locally. The age of the police and community consultative group has probably gone now that we have safer neighbourhoods partnerships. I think that we could have something that allows residents, councillors, businesses, the voluntary sector and others to meet, so that there are not lots of little meetings that actually say the same thing, but more effective meetings.

It is important to make absolutely clear—the hon. Member for Bromley and Chislehurst (Robert Neill) made this point—that accountability applies not just to the police, but to the local authority in the same place,

[Simon Hughes]

representatives of the court service and offender management teams, prisons, borstals and other young persons institutions if they are in the local authority area too. The public can then get the people in front of them on a regular basis and there cannot be any buck passing. The police cannot say, "It is nothing to do with us; it is the council" without the council being there. Every council now has not only a leader but a person responsible for community safety. I am really keen to commend this to Ministers as a way of securing proper accountability. There are lots of responsibilities. One point made by the Met police commissioner this morning is that social services have a role to play. That is a council responsibility, so the council leader—or somebody on the council executive—needs to take responsibility for it.

Robert Neill: I very much agree with that point. The hon. Gentleman might be interested to know that we have had great success in the health field in Bromley by bringing together the agencies involved in health care in exactly the way that he suggests. For want of a better term, it is known as the health cabinet. Does he think that a similar cabinet that pulled together the agencies dealing with crime, disorder and community safety would be worth pursuing?

Simon Hughes: Absolutely. We need to be imaginative and to look at best practice. We cannot be prescriptive, but there needs to be a core legal statutory structure, and I hope that we can agree on that.

Recruitment has been great. The Met is not recruiting at the moment—I do not think that the City of London police are either—although the British Transport police might be. I think that they were when I looked at their website last week. Pending the ability to recruit more—because they are full at the moment—we need to ensure that the numbers of cadets and specials are expanded if possible. We also need to continue to encourage the Met and the other forces to improve their gender and ethnic mix. My hon. Friend the Member for Richmond Park made the central point that they are still miles behind when it comes to reflecting the population of London in that regard. We need to determine whether the Met still has that culture. A constituent came to see me yesterday—a police officer—complaining about homophobic attitudes towards him in the London police. So we have still not completed the cultural change that we need for a London police force.

Just a little thing: about six months ago, a constituent came to see me who wanted to become a special constable—or perhaps a PCSO, I cannot remember—but they had been told that they could not do so because they had a tattoo. That view seems a bit 1950s; we really need to move on if such things are still a serious barrier—*[Interruption.]* No, the tattoo was not on their forehead. It was not visible when they came to see me.

Susan Kramer: Not a swastika?

Simon Hughes: Nor was it a swastika. This a serious point, but a little one. I am not trying to make a big point. I was assured that it was a perfectly respectable tattoo—that is what his wife said, anyway—in a perfectly respectable place. I am just trying to make the point that there should be no artificial barriers to people joining.

On borough numbers, Southwark has the third largest number of police after Westminster and Lambeth. Lambeth has an anomalous Commissioner's discretionary extra number, which Southwark has always been jealous of, because we too have important central London sites, not least City Hall. That agreement has been in place for some years. I repeat the plea—it is non-party political; it comes from the three borough MPs, the GLA member, councillors of both colours and our police commanders—that, until we get 1,000 police, we will not be able to police the borough properly. We have massive numbers of tourists, an increase in businesses and very good regeneration and redevelopment, and we are still up for increasing police numbers in Southwark. I am sure that other boroughs will make the same plea.

On estate strategy—buildings and things—no one likes the idea of police stations being closed. Several in my borough are under threat, and the community are not happy about that. I understand the argument for thinking through these issues, but Tower Bridge, Rotherhithe, Camberwell and East Dulwich are all under threat, and I must tell the Minister that we will not persuade the public unless better alternative provision is put in place before the present provision is threatened. A police station that was built 150 years ago might not be in the right place for policing now, but closing police stations without opening alternative provision is not the answer. There have been good initiatives: we have the Blue in Bermondsey, the police shop, which has been useful in its day.

I repeat that bureaucracy needs to be reduced, and the best way to do that is through information technology. We are all agreed that this must involve moving speedily towards the police being able to enter a person's details as they arrest them and to hand over the rest of the process—ideally to civilians. It does not take a police officer to enter all the details on to a computer in a police station or to do all the jobs in and around the custody suite. I know that the Police Federation is unhappy about some of those proposals, but when a volunteer can do something, we should have a volunteer; when a civilian can do it, we should have a civilian. We should keep the police for the key policing tasks.

We need to negotiate a satisfactory agreement on two issues. It is never satisfactory for police officers to come in one minute and leave the next, whether they are community officers or borough commanders. The tenure issue is really important: people should be given enough contact—in a way that is compatible with their career—to enable them really to be part of the community, and to stay if they want to. People should be rewarded financially if they stay, as much as if they go somewhere else, if they are doing the policing job well. And, of course, they have to answer the phone when they are called. My hon. Friend made the point that, unless the police are really responsive when people call, people will not believe that they are doing the job properly.

It is always a difficult issue, but I support Millwall, not West Ham, and am proud to do so. We nearly got into the play-offs, but not quite. We will be on our way up again soon, and the FA cup final will come round again, and I hope that next time we will win it. At the other end of the spectrum, on my constituency boundary, I have the Ministry of Sound, which was the target of the prospective attack discussed in the Crevice trial the other day.

We have never come to a happy accommodation about how to negotiate the extra policing that the private sector needs for its events. There is a certain public duty to make sure that people going to football, rugby or tennis events get looked after. An additional responsibility might have to be borne, however, by the person putting on the event and making money out of it. I am keen that the position should not be as unclear as it is now. Responsible businesses are always willing to pay their contribution, but we must make sure that that is also shared as a public responsibility. Sport, events, clubs, bars and social life are as important a part of London's success as its commerce.

I thank the three police services and, through the Home Office, encourage them to develop their good initiatives. As everybody has said, however, there should be no complacency. There is far too much crime, and not nearly enough detection; we have a long way to go.

5.6 pm

Justine Greening (Putney) (Con): I am delighted to have the opportunity to contribute to the debate on an issue that is often uppermost in the minds of my constituents and is one of my top priorities as an MP.

There is a great deal of concern about crime in my part of Wandsworth, which is Putney, Roehampton and Southfields. I have been out on the beat with my local police, as, I am sure, other Members have. Last week, I met police at both the police station in Putney—which was open when I went there—and a new base, which is welcomed by police, in the Roehampton area on the Alton estate. There were some problems with its opening, but it is finally now open, and I hope that there will be a much quicker response to crime on that estate as a result of officers being on site.

I want to discuss the statistics briefly before making my main points. It is not playing politics to point out the limitations of the statistics. It is incumbent on all of us to recognise and take steps to address that if we are to have good information on policing and crime on which informed decisions can be taken, both in this place and by local borough commanders at the grass roots.

The briefing sent out by the commissioner was a classic case: what appeared to be a clear-cut story of crime falling across London was highly challengeable in a number of areas, and could be interpreted to give exactly the opposite impression when combined with other figures. The front page stated, "Crime continues to fall", and then underneath in brackets—probably in font size 4—were the total notifiable offences. Three years of figures were provided. In 2004-05, just over 1 million offences were notified. In 2005-06, 984,000 offences were notified. Last year, 921,000 offences were notified.

Let us look, however, at the British crime survey figures used in the latest Home Office statistical bulletin, "Crime in England and Wales 2005-06". To remind Members of its purpose, page 1 states:

> "This bulletin brings together statistics from the British crime survey and crimes recorded by the police to provide a comprehensive account of the latest patterns and trends in the main high volume crimes."

Therefore, it does precisely what we need in bringing together recording and the British crime survey. Page 57 of the document clearly shows, if we compare it with the previous year's document, that the overall recording of crime, which is reflected in the British crime survey, seems to have gone down from 32 to 30 per cent., which is almost a 10 per cent. fall. If we applied that to the figures that I read out for 2004-05 and 2005-06—the years to which the 32 per cent. and 30 per cent. figures refer—we would expect to see a fall in crime, because we would expect to see the underlying level of crime less reported in last year's statistics than in those of the year before. Had the drop from 32 per cent. to 30 per cent. been reflected in the figures, we should have seen crime in London falling not from 1,015,000 offences in 2004-05 to 984,000 in 2005-06—which the commissioner says represents a success—but to 951,675. That suggests to me that during those two periods the amount of underlying crime in London has increased. We do not have the statistical bulletin for 2006-07, which would help us to understand what last year's figures mean. It will probably not be published until July 2007.

I was told earlier that I was picking holes in the statistics. I recall that when crime as recorded by the police rose during the first few years of the Labour Government, the Government's main explanation was that people were reporting more crime. It seems that the same logic does not apply when crime is falling. I do not criticise the Metropolitan police, but I do wonder whether we have a clear picture of what is happening in the city when such a small amount of crime makes it into the figures recorded by the police. The bulletin, which refers to the whole country, suggests that just 30 per cent. of crime is recorded, but I think the position may be much worse, particularly in London. We know that in London crime is committed disproportionately more against young people, particularly secondary school children aged between 11 and 16. I myself know from a freedom of information request that I issued last year that the victims of a third of muggings in London during that year were secondary school children, and also that nearly 49 people suspected of carrying out muggings were themselves aged between 11 and 16.

Younger children are far less likely to report crime, for all sorts of understandable reasons. They are often concerned about what will happen to them. They are scared of becoming involved in a legal process that they do not really understand, which could lead to their appearing in court and having to give evidence. For many teenagers that is an understandably scary prospect. Bulletins of this kind should really carry a "health warning". Perhaps we should agree that when we discuss crime statistics in future, we should make clear what the recorded statistics are and what is the level of recording, so that we can better understand whether or not we are seeing an holistic picture.

[Justine Greening]

I know that detection rates in London have risen, and that is welcome. Of course a sceptic might say that, because a little less crime is being recorded, the crime that is making it into the figures may have a more compelling evidence base, and that is why people are going to the police. However, we need to be clear about the overall level of crime in London that may be being addressed. We know that about 21 per cent. of muggings make it into recorded police figures. We also know that the police will detect those responsible for around 13 to 14 per cent. of the muggings that they record. When the two figures are put together, it suggests that across London perhaps 2 to 3 per cent. of suspects are ever detected. The total crime figures reveal a similar pattern. If across London about 30 per cent. of crime is recorded and there is an overall detection rate of 21 per cent., that suggests that perhaps only 5 or 6 per cent. of the total crime that is being committed is ever addressed by the police—partly because they are not able to address all crime. I know how hard my local police work in tackling crime, so I do not think that such figures have anything to do with lack of effort by the police.

I raise those points because we have discussed why there is a massive gap between what the public think and what the statistics show. I suggest that the argument I have just outlined goes a long way towards explaining why there is a huge chasm between what people think about crime and the evidence of the crime statistics. It might well be the case that the public do not want to hear discussion in this House about reassurance policing and whether we should try not to concern people unnecessarily about crime, but that what they want to hear is a sensible debate about the fact that far too much crime goes unaddressed, and also that crime is endemic in certain areas.

In large tracts of the country and many of our constituencies there is not a substantial amount of crime, but I am concerned about the areas where there is a lot of crime, and I am also concerned that in some areas crime is endemic. If it is being tackled to the extent that I have outlined in terms of actual crime and detection rates, it is not at all surprising that people are so concerned.

A clear trend has emerged over the past decade, which is revealed in the figures. Crime has moved out of the home and on to the street. That is understandable because the economics of burglary have fundamentally changed. It is a lot harder to get into people's houses. Home Office statistics on security measures show that there have been dramatic rises in the proportion of people with burglar alarms—that has risen by 50 per cent.—and with deadlocks. The proportion of people with window locks has risen from 68 per cent. in 1996 to 85 per cent. The proportion of people with light timers and sensors has risen from 39 per cent. in 1996 to 52 per cent. People are taking responsibility for making sure that their property is safe, which we all welcome. People are taking responsibility for making sure that their cars are safe. It is difficult to find a model of car that is currently in production that is manufactured without an immobiliser. Therefore, the supply of burglary opportunities is lower than in the past.

There has also been decline on the demand side. The prices of brand-new electronic goods at outlets such as Currys and Dixons have fallen. People can now buy a brand-new television for well under £100. Therefore, there is no second-hand market in stolen goods in the same way as there was 10 or 20 years ago. What would a criminal prefer to do—take a plasma TV out of a house in my constituency and try to lug it down the street unnoticed, or spend the afternoon on Putney high street stealing people's mobile telephones, a considerable number of which they could store on their body before that was noticed?

Crime opportunities in the home have reduced, and therefore crime has moved out on to the street. There has been an increase in youth-on-youth crime because on our streets it is young people who have the richest pickings on them. Unfortunately, because of this trend they are on the front line of crime, especially in our city.

One of the key questions that we must ask is whether that was predictable. There was a long period of time when we were taking officers away from neighbourhood policing duties. Now, there is a trend to return them to such duties, which is welcome. It started too late, but I am very thankful that it did finally start.

I want briefly to discuss the role of gangs in youth-on-youth crime. *[Interruption.]* The Minister shakes his head, but I would welcome his visiting my constituents who live on the Alton estate, because they feel very strongly about this subject. There is no doubt that the safer neighbourhoods initiative is working throughout much of London. It is not a new concept; rather, it is the concept of beat policing re-branded. As we know, beat policing worked for many years. Only in recent times has it been rescinded; thankfully, it is now being brought back on board.

Gangs are a massive problem. I have several in my constituency, one of which actually has a MySpace page. I ask the Minister to give me guidance. If I can prove a definitive link between members of that gang and criminal activity, will he take steps to get that page removed from the MySpace website? So far as I can see, the page projects that gang, which I am not prepared to name, as a cool network of friends, although I should point out that it has a "rest in peace" memorial to one of its members, who was knifed to death in Mitcham last year.

The reality is that those gangs of teenagers dovetail neatly into the local drugs economy, which the theft of iPods, mobiles and other such low-level crime often feeds. We have asked why young people are joining gangs. It is clearly a highly complex issue, but there is no doubt that the rise in statutory overcrowding in housing means that far more children are not in their homes when they are not in school and are therefore hanging around on the streets, rather than playing on computers at home or meeting their friends at their homes, which is what used to happen. As a result, children growing up on some of our estates are far more likely to be in bigger groups of friends, which can become more gang-related as the lowest-common-denominator behaviour seems to prevail.

This issue is a concern, and I share the view expressed today that we need to look more seriously at behaviour patterns in the summer months. Examination of the youth justice system shows that the population of young offender institutions rises in the winter months. That

increase perhaps emanates from crimes that were committed in spring and summer months, but which take time to work through the system. So there is hard evidence to suggest that the more that we give young people to do during the summer months, particularly when they are out of school, the better.

I want briefly to discuss how all those issues impact on my constituency. I noted with interest the comments of my colleague the hon. Member for Tooting (Mr. Khan). I fundamentally disagree with his analysis of the crime-related problems that we see across Wandsworth; however, I am probably best off confining my comments to my constituency. My constituents are concerned at the fact that our borough has some 80 fewer trained officers with arresting powers than we had a decade ago. Those numbers are being replenished—but with police community support officers. We welcome PCSOs of themselves. Everybody recognises that they have a valuable role to play in policing our streets and in improving links with our communities, particularly with schools. Given that a third of mugging victims are secondary school kids, and that half of those muggings are probably carried out by such children, we can see that the relationship between local police and schools is probably one of the most important in the whole community.

PCSOs have a vital role to play, but we have become reliant on them as a resource, which I find questionable. I hear the statistics bandied about on how many officers there are across London, but we have not seen more arresting officers in Wandsworth. We have some 80 fewer officers who can arrest people for committing crimes than we had a decade ago. I am sorry that the hon. Gentleman is not in his place to respond if he disagrees with me. He said that the problem was the formula, but in that case, as an MP, I should challenge that formula. It is perverse that we should have fewer arresting officers and that the formula does not take better account of the demographics. Wandsworth has the youngest demographic of any London borough and London has the youngest demographic of any part of the country. Young people are far less likely to report crime, so my borough suffers disproportionately more from under-reporting, but that is not reflected in the formula. We should match police resources with where they are needed, but if we do that solely on recorded numbers without considering the reasons why crime is not reported, we are kidding ourselves if we think that the resources are going to the right places.

Another example is the recent announcement of additional PCSOs for some wards. As we have heard, the standard model for a safer neighbourhood team is the 1-2-3 model of one sergeant, two constables and three PCSOs. However, for some wards, generally those with more than 14,000 residents, the model is expanded, with six PCSOs. We have had some of those extra PCSOs in three of my wards in Putney, Roehampton and Southfields. However, they do not include Roehampton, the only ward that has had a murder in it in the past six months. That ward also has Europe's largest council estate and is isolated on the edge of Richmond park, so it does not get police cars passing on their way to deal with other crimes in London.

Mr. Slaughter: There is always something surreal about hearing Wandsworth Tories protest about lack of resources. Wandsworth gets a huge advantage under the area cost adjustment, as it gets some £22 million more than it deserves. Why does not the council put some money in if there are real concerns, as other councils are doing?

Justine Greening: Is the hon. Gentleman suggesting that having paid our part of the policing precept and getting fewer police officers, we should have to fund more officers through the local taxpayer?

Mr. Slaughter: I would like the hon. Lady to answer the question that I put to her. I intervened on her and I would like her to say what Wandsworth council is doing to address the issues she raises.

Justine Greening: Wandsworth council is working closely with the police to make the case for more resources. The reduction in police officers in my area is not a gap that the council should have to plug because Wandsworth taxpayers are not getting good value for money after it has been handed over to the Mayor. It is not acceptable to take officers away from an area and expect the council to plug the gap. Apparently, it is okay for some areas to have fewer officers. I mentioned Roehampton, which has several crime issues. People from the gang I just mentioned have been seen on the local estate, which already has a gang, but it is worrying if it is now linking up with the bigger gang based in Wandsworth. As I said, the estate does not have passing police cars able to respond quickly, but the area has the bare minimum complement of safer neighbourhood officers compared to other wards. That is ludicrous.

My local inspector is responsible for looking after policing in Putney, Roehampton and Southfields. He could resolve matters if he were able to reallocate his PCSOs and constables to Roehampton, but that is not possible. He can move his officers temporarily, but he cannot reallocate them permanently.

That is ludicrous. We are always talking about intelligence-led policing, but no one seems to want to rely on the intelligence of local police inspectors. That is a huge problem, because my inspector can put resources into the Roehampton estates only as and when he can justify doing so. The result is that that ward does not have the police officers that it needs, who can take responsibility for dealing with what is happening there and develop clear links with the community. If that were to happen, it might be possible for them to tackle crime in the area over the long term.

Many of my constituents do not feel safe, either in their homes or when they are out. I make no apologies that that is not what contributors to the debate are meant to say. I know that we are all supposed to say that everything in London is rosy, but many of my constituents have given up reporting serious crimes. That is not necessarily because they think that the police are not interested, but because they are scared about what will happen if they do report crimes.

The safer neighbourhood model of beat policing can be very successful, but the problem is that, in those areas of London where they are most needed, the safer neighbourhood teams and panels do not work. The

[Justine Greening]

one in Roehampton has broken down because residents know that gang members go to the meetings. As a result, they feel unsafe and are simply not prepared to get involved. Some of my constituents who reside on the Alton estate are not prepared even to be seen talking to police officers. They do not want officers to knock on their doors because they are scared of reprisals.

Those are genuine problems, and obviously I am not happy about them. It might be argued that local people should be able to go and talk to the police, and it would be nice if they felt that they could, but they do not feel that. It is clear that we need to find more sophisticated ways to develop safer neighbourhoods in those very difficult areas where people are scared to get involved—even though that is what they have to do if they are to help the police help them.

Finally, we should not forget the impact that crime has on small businesses and economic regeneration. It is a blight that impacts shopkeepers as well as residents. The people who run shops in shopping parades such as the one in Danebury avenue in my constituency are very worried about the levels of crime that they face. Their problems are the same as those faced by residents, which means that shopkeepers are scared about what might happen to them if they make a stand.

For example, one local shopkeeper caught a person shoplifting, and told a policeman who happened to be walking past. The officer held the suspect in his grip, and asked the shopkeeper what she wanted him to do. He was prepared to take a statement, but the shopkeeper told him to let the suspect go as she was scared about what might happen to her if she went ahead with a prosecution. She knew that the person involved was a member of the local gang, and that he would not be alone the next time he visited her shop. On the contrary: he would have many others with him, and she knew that, even if she called the police, they would not arrive in time to prevent her from being badly beaten up and her business trashed.

I am not sorry to have been less than consensual this afternoon, because I know that many problems exist. It is not my duty to spend my time reassuring residents in my constituency—rather, I must represent the concerns that they put to me. That is what I have tried my best to do today, and I hope that I have succeeded in making the Minister aware of them.

5.34 pm

Andrew Rosindell (Romford) (Con): I apologise to you, Mr. Deputy Speaker, for missing the opening speech in this important debate. I was in my constituency where I was pleased to greet, for the first time ever, the Mayor of London, who despite being Mayor for the past seven years has never before visited my constituency. He went to the bus garage in North street where he met staff and greeted 18 new police community support officers who will be working throughout Romford and the London borough of Havering.

I was pleased to give the Mayor of London a little badge like the one I am wearing—the town crest of Romford—to remind him that Romford is part of Greater London. Although he has not visited Romford until now, it is important that he and the Greater London authority do not forget areas of outer London, particularly Romford, when resources are being allocated. Until now, statistics show that Romford has been forgotten; we have one of the lowest rates of police cover per head of population in London. As the Minister knows, Harrow, too, is rather low down the scale; the boroughs of Havering, Harrow, Richmond, including Barnes, and Bromley, as my hon. Friend the Member for Orpington (Mr. Horam) knows, are the four lowest in London. Police resources are unfairly spread throughout Greater London and their allocation does not take into account all the circumstances, so I urge the Minister and the Government to take action to ensure fairer allocation of resources so that places such as the London borough of Havering, and Romford in particular, are given the police cover we deserve and pay for.

My constituents are constantly angry because they cannot get a policeman to come out when a crime is committed, and they rarely see policemen on the beat. Although CSOs and safer neighbourhood teams have helped, we have not nearly the amount of police cover we need.

Police are needed for London-wide events; during President Bush's visit to London a few years ago, I stood in the Mall to cheer him as he passed and was amazed to see loads of policemen with "KD" on their lapel, which signifies the London borough of Havering. That was a classic example. When there is a state visit, a huge football match or an event of note in London, police from outer London are dragged into the centre and we lose cover in areas such as Romford where we pay for it and need it.

Our PCSOs do an excellent job. I welcome their presence on the streets of London and I welcome safer neighbourhood teams. However, we should not look at the situation through rose-tinted glasses. My hon. Friend the Member for Putney (Justine Greening) highlighted many points about statistics and the failings in the system with which I entirely agree. New PCSOs will help; a visible presence on the streets can help to deter crime and give local residents reassurance that somebody is watching over them to ensure that crime is kept to the minimum. However, being a PCSO should be a stepping-stone to becoming a fully fledged policeman. It is no good PCSOs finishing work at 6 o'clock if there is no one to do the job in the evening. We need 24-hour policing and PCSOs need a career path that allows them to become police constables.

Susan Kramer: If I have understood the hon. Gentleman correctly, I am concerned. Some of the most effective CSOs in Richmond and Kingston are people who have come towards the end of their career, perhaps in business, and decided that they want to give something back to the community. They are superb officers because they have experience, knowledge and the ability to connect. They are not looking to become policemen. I would be terrified to lose them, because they are the backbone of most effective teams.

Andrew Rosindell: I do not disagree at all. That is tremendous and if someone is looking for a retirement job, that is absolutely fine. However, the vast majority of the community support officers that I have come

across are at the opposite end of the scale; they are younger people who want to progress. I spoke to one only last week in Lawns Park in my constituency and he told me that he had become a PCSO in the hope that that could lead to his becoming a policeman. We should encourage the people who embark on that career to go further. I have spoken to senior policemen locally and they all agree that we need more police with full powers. Let us not have more community support officers at the expense of police who have the full powers to do the job. That is what people want, and most police community support officers would like the opportunity to progress.

On safer neighbourhood teams, I hope that the Minister will take on board the point that it is unbelievably silly—if I can put it that way—to base community support officers and safer neighbourhood teams on local government ward boundaries. Whoever came up with that idea needs to go back to the drawing board. We should base the teams on proper local communities. We should not base a police team on ward boundaries that depend on electoral numbers and that cut through roads and communities. I could give many examples of how administrative, ward and borough boundaries cut through things, but I will not because we do not have much time. However, community support officers cannot step to the other side of the road if it is not in their area. We need to base neighbourhood teams on neighbourhoods and not ward boundaries, which make no sense at all when it comes to policing.

I have raised this issue with my borough commander, Chief Superintendent Sultan Taylor, who I commend for his service to the London borough of Havering. He does a magnificent job. He and I have discussed the issue and put forward ideas about having teams that are based on proper communities with defined boundaries, but we cannot do that because we have to base the teams on ward boundaries. Quite what local government electoral boundaries have got to do with neighbourhood policing is beyond me. The system needs to be changed, and I hope that the Minister will look into the issue and take action.

We will have more effective policing if it is based on a proper community such as Collier Row, Rush Green, Gidea Park or Ardleigh Green in my constituency. If we simply base the teams on artificial ward boundaries with artificial names, we will have to return to the drawing board so that we can base the teams on proper neighbourhoods.

Three recent incidents in my constituency have caused me much concern. I commend my hon. Friend the Member for Bexleyheath and Crayford (Mr. Evennett), because he made it clear that we should be looking to improve people's quality of life. Yes, crime is going down in certain respects—in other respects, it is not—but people do not see that. They think that we are talking about meaningless statistics that are not relevant to what is happening on the ground.

The first example relates to what is happening in Collier Row, a medium-sized shopping area in Romford. Huge numbers of incidents of antisocial, yobbish and loutish behaviour have taken place. There is graffiti and vandalism, but it took a long time for the local council to install CCTV cameras. I commend it because it has now done so, and in particular I commend Councillors Sandra Binion, Geoffrey Starns, Robby Misir, Melvin Wallace and Peter Gardner. They fought for that CCTV, and such systems must be rolled out much more quickly in local shopping centres so that we can tackle youths who make people's life a misery.

The second example relates to Havering college in Ardleigh Green road in my constituency. Recently there were four knifings on one day, with gangs of hooligans coming to the area from outside. Three people were stabbed and four injured in total. Two weeks ago, I attended a huge public meeting at the college attended by nearly 300 people, all of whom are furious at the lack of a response by the police and the college to tackle the problem. However, it goes on. People want to live in peaceful residential areas, and they do not expect to be subjected to violence imported from outside. I am pleased to say that the chief superintendent is taking action, along with the principal of the college, but that is closing the door once the horse has bolted. Frankly, it is too little, too late. We need discipline. We need to ensure that educational establishments do not tolerate people coming in from other areas and committing crimes, particularly violent crimes.

The third recent incident was a shooting in Ardleigh Green—a drug-related murder. Those sorts of things are going on even in areas of outer London where one would not expect them to happen. Action needs to be taken. I recently visited the shops in Hornchurch road with local councillor Georgina Galpin to talk to shopkeepers who are being plagued by yobs, vandals and crime. Getting the local police to come down and take serious action has been difficult. I am pleased to say that they are now taking the issue seriously. More action needs to be taken. We need greater resources and a fairer spread of resources to the outer London boroughs.

Before I sit down and allow the Minister to respond to the points that have been made this afternoon, I have three final points to make. First, please let us give the police back the power that they need to do the job. Let them get out and do the job that they are meant to do, instead of writing paperwork all day long. Let us give them the power and respect that they deserve to tackle crime and criminals, so that people can have confidence in the police once again.

Secondly, let us have discipline. I have not heard that word this afternoon from too many people, but I hope that there will be more discipline in our schools and educational establishments, and of course at home. It is vital that young people are brought up to know the difference between right and wrong, and that the punishment fits the crime.

That is my final point: we need to have punishments that deter people. We need judges and courts to give out sentences that mean something so that, at the end of the day, people are frightened to commit crime and they know that it is unacceptable in our society. If we have a wishy-washy approach to crime and disorder and if we allow the police to be bogged down in paperwork and political correctness, how on earth do we ever expect to beat crime in our country?

5.47 pm

Mr. McNulty: With the leave of the House, I will briefly respond to the debate. On the whole, it has been a reasonable and measured debate that has covered

[Mr. McNulty]

some serious matters. It goes to show that the point that was made what seems like a terribly long time ago about having a broader state-of-London debate once a year, or at some other interval, was a point well made. We should have such a debate. Perhaps we can refine it so that it consists of London MPs, or at least give London MPs some sort of preference. Many serious issues have been raised—many of which, as some have suggested, have drawn together a broad consensus on where we need to go, although there have been quite a few discordant notes.

Broadly, what people in London want from policing is a degree of consistency of application across all boroughs, with a degree of flexibility for local circumstances. What I said earlier about Bexley safer neighbourhood teams differing from the teams in Hammersmith, Harrow or Richmond is perfectly okay. Those teams need to reflect the concerns and priorities of the local communities and, as Members have said, the geography of the areas. That is fine. They also need a degree of sustainability. People will see through gimmicks, such as those that rely on section 106 agreements or taking money out of more deprived communities—north Fulham and the new deal for communities were mentioned. They want deliverability and sustainability throughout their communities.

My hon. Friend the Member for Regent's Park and St. John's Wood—not St. John's Wood, but somewhere round there. *[Interruption.]* North Kensington—where I was born. My hon. Friend the Member for Regent's Park and Kensington, North (Ms Buck) made a point about sophistry and statistics. Anyone can start with assorted base years and then make up the arguments that they choose to. That is not terribly helpful.

It is useful to start from the premise of broad statistics on which we can agree. We can all go into the realms of making utter assertions about under-reporting that are based on no facts at all and work back from them to invent any sort of fantasy that we want. Assertion is a wonderful thing, while assertion plus the sort of privilege afforded in this place makes for all sorts of wonderful speeches in the Chamber, but they do not mean anything in substance or make a useful contribution to our deliberations. However, people are of course free to make such speeches. We should start from areas on which there is a degree of agreement. Although the hon. Member for Putney (Justine Greening) might have cited figures, she irresponsibly drew from them assertions—they were only assertions—that were not based on any sort of facts or evidence.

The points of substance that were raised in the debate were well made and the MPA and the commissioner should listen to them. Although I cannot speak for everywhere in London, even though I have been around much of it, I do not accept, certainly in north-west London, that the way in which the roles of safer neighbourhoods teams are defined is rigid, either within boroughs or across boroughs. Many of my ward teams work together in the borough because two wards are united by a piece of common geography, such as a park.

Andrew Rosindell: Will the Minister give way?

Mr. McNulty: No, I will not.

Given the nature of north-west London suburbia, especially in my constituency, which has the Edgware road as one boundary and the Kenton road to the south as another, cross-borough talks and discussions take place and the safer neighbourhoods teams work together. Rigidity would be rooted in the borough commander, not the system.

It is not terribly mature to say that someone who has never been to Chicago cannot comment on the Chicago model of policing, which I thought was a bit of a low point of the comments made by the hon. Member for Arundel and South Downs (Nick Herbert). I take on board completely a point made by my hon. Friend the Member for Regent's Park and Kensington, North: there is an utter corrosiveness about those who offer nothing but doom and gloom and suggest that nothing works, that everything is terrible, that there are no lessons to learn from anywhere, that there is nothing positive to say about policing at all, that everyone is being let down, that the policing model does not work and that everything is corrupt or bankrupt. That is not the experience of policing of most people in London.

I am not saying that if someone disagrees with that position, everything is suddenly smugness and complacency. In all the productive contributions that we heard today, I do not think that there was any smugness or complacency. Everyone, including me and the hon. Members for Richmond Park (Susan Kramer) and for Arundel and South Downs, suggested that wherever we are, we certainly have more to do and a lot of improvements to make. No matter what stage we have reached on driving out unnecessary paperwork and bureaucracy, there is still more to do. Whatever the successes in many aspects of the Met, there is, of course, much more to do. I did not hear any smug contributions.

I accept that the Met needs to keep up with new and emerging areas of crimes to the same extent as dealing with existing crimes. The hon. Member for Richmond Park and others made a point about the effect of high-end and low-end business crime on our small retailers. We could add the growing problem of e-crime to that. Such crimes have massive financial and material consequences for people, especially those with small businesses, but they are seen as victimless crimes in the broader sense that they are not part of the violent crime about which we are all worried. None the less, I accept that we should be doing more to address such crime.

One hopes that the forces abutting London are working with safer neighbourhoods teams in London to try to avoid displacement, about which a fair point was made. My hon. Friend the Member for Brent, South (Ms Butler), who is soon to be the new Member for Brent Central, correctly defended the record of the police in Brent. Again, in Brent, some people from the community and other parties have taken the line that everything is doom and gloom, that nothing works and that everything is terrible, but they are slowly being brought around because huge achievements have been made in Brent, where the police have really got down to working among the community so that they can reflect people's concerns.

I take the point made by the hon. Member for Bexleyheath and Crayford (Mr. Evennett) about liaising with areas beyond the riparian boroughs when

it comes to issues as important as Blackwall tunnel and when it will close, and I will pass that back; that is an entirely fair point. I am grateful for his comments about PCSOs, too. Most people had a degree of scepticism about the initiative at the start, and it has been a learning process for many people. I take the point made by the hon. Member for Richmond Park about the fact that many fine PCSOs use the job as a stepping-stone and become full-blown constables, but there are many more who do not choose that route, and not necessarily because they are at the end of their careers. Some want to give something back early in their career and then go on to do something else that they want to do. It is precisely that variety among PCSOs, and the fact that they are not simply reflective of the police force, that is much of their great strength.

There is a huge debate within the police family, in London and elsewhere, about whether PCSOs should, as some suggest, be subject to the same fitness requirements as police officers. I think that that would be counter-productive in terms of ensuring that people from a variety of backgrounds come to be PCSOs. If they are not doing a police job, and they are not the full equivalent of a warranted officer, they should not simply reflect the police. However, as I said, many PCSOs can and do go on to become police officers, and that is good.

My hon. Friend the Member for Tooting (Mr. Khan) made a number of points about how policing in general needs to fit in with, and be seen in the context of, everything else that we do. People—mostly Opposition Members—wax lyrical about what we need to do about rowdy and antisocial behaviour, and other things, and then do not deliver when it comes to the legislation passed by the House. Similarly, in the borough, the Opposition parties do not deliver out on the streets. When devices and tools are put in front of them, they are all dismissed as gimmicks, which they profoundly are not. I take my hon. Friend's point about the fact that all that the Met and the Government are doing on counter-terrorism goes right to the heart of community cohesion, in the broader sense, and needs to be seen alongside what is happening daily and weekly in communities.

This is not a cop-out on my part, but although I take the point made about the balance between the allocation for inner London and the allocation for outer London, that is a matter for the Metropolitan Police Authority and the RAF—I mean the infamous RAF, the resource allocation formula, rather than the more famous RAF. As the hon. Member for Bromley and Chislehurst (Robert Neill) said much earlier in our deliberations, the question of what elements go into that formula has been—I do not say flogged to death, but at least considered, reviewed and constantly re-reviewed. I know that people have tried to deal with the issue in part, but the difficulty is that we can no longer talk about affluent outer London and poor inner London. Both have changed significantly, so that there are affluent pockets of inner London, and very poor pockets of outer London, and I would say that that is probably not picked up as readily as it should be in Government statistics generally, but I would say that, because I represent an area of outer London. That is a fair point.

I take the hon. Gentleman's point about the improvement of the British Transport police more generally overland. South Eastern Trains will always be the last to improve, because of the Connex connection, and because of the way in which it got to where it is now, but that improvement will happen.

The points raised by colleagues about more readily available local statistics were well made. The hon. Member for North Southwark and Bermondsey (Simon Hughes) alluded to the Smith review on statistics, on which there was a cross-party presence. My right hon. Friend the Member for Norwich, South (Mr. Clarke) insisted that it be cross-party, because it was about Government statistics. That review has reported and we are working through it with a range of interested parties. From memory, I think that we will report more formally on how we think we should go forward on the issue when we report on the July crime statistics, but we will take it forward only on a consensual basis.

There is a good-news story to tell about the Metropolitan police. There are difficulties, but we should, collectively, be proud of what it is doing. Yes, we should always demand far, far more from it—that is right and proper—but we should do it in a constructive fashion, rather than in the dirty little doom-and-gloom, "everything's terrible and nothing's been right since Dixon of Dock Green died" fashion that we have heard today. We have had a constructive debate, and we have the consensus that the hon. Member for Arundel and South Downs talked about. We should be able to take that forward, both in terms of policing in London and more generally. I commend him for parts, and only parts, of the 250-page report that he so eloquently advertised about 10 times in his opening address.

It being Six o'clock, the motion for the Adjournment of the House lapsed, without Question put.

Resolved,

That this House do now adjourn.—*[Mr. Alan Campbell.]*

Adjourned accordingly at Six o'clock.

Westminster Hall

Tuesday 17 April 2007

[MR. BILL OLNER *in the Chair*]

Mental Health

Motion made, and Question proposed, That the sitting be now adjourned.—*[Mr. Michael Foster.]*

9.30 am

Dr. Vincent Cable (Twickenham) (LD): I appreciate the opportunity to introduce this debate for several reasons, the first being that it is national depression awareness week. I do not know whether Government managers were aware of that when they scheduled the Second Reading of the Mental Health Bill, or whether the Speaker's Office was aware of it when my name was drawn out of the hat for today's debate, but I learned of it in the course of preparing for this debate. The event is organised by SANE, the mental health charity, and by the Depression Alliance. Sadly, I suspect that not many hon. Members or anybody else is aware of it. One of the underlying problems with mental health as a political issue is that it does not have a high profile, so I am doing all I can to raise it.

The second reason that I welcome today's opportunity is more personal. Like other Members of Parliament, I am struck by the number of people who come to me for help with problems arising from mental illness. Large numbers of people come to my surgery for advice on problems with incapacity benefit that are linked to mental illness; many neighbourhood disputes or episodes of antisocial behaviour have at their root someone in a community who is unable to contain the symptoms of their mental illness. I have heard some heart-rending personal stories. I give the following examples because I undertook to the families involved that I would try to raise the profile of their cases.

One lady, Mrs. Knox, whose daughter committed suicide, wrote to the Minister of State, Department of Health, the right hon. Member for Doncaster, Central (Ms Winterton), and to the Secretary of State for Health stating:

> "I can assure you that I am not looking for either an enquiry or compensation—just ACTION."

Mrs. Knox wrote to Ministers and to me in the hope that somebody in the Department of Health would take notice. Her case is not untypical. Her daughter was schizophrenic and was well dealt with by clinicians, but she was then released into the community. Mrs. Knox believes that her daughter would still be alive if the sheltered accommodation that is available to elderly people as a matter of course were available to people with mental illness.

David Taylor (North-West Leicestershire) (Lab/Co-op): I congratulate the hon. Gentleman on obtaining this debate. I have an interest to declare: I am a patron of a befriending scheme for mental health patients in North-West Leicestershire.

Does the hon. Gentleman agree that schizophrenia is one of three conditions—anxiety and depression are the other two—whose sufferers benefit greatly when given psychological therapy within the NHS? A report published some time ago, "We Need to Talk", urged greater resources and targeting of waiting times for access to such treatment. I do not know whether his constituent was waiting for access to support or psychological therapy, but it would be helpful if the Chancellor and the Minister were to announce a higher priority for such treatments today, to add to what is a good record on mental health over the past 10 years.

Dr. Cable: As it happens, the case to which I referred was more acute and therapy would probably not have been beneficial, but the hon. Gentleman is absolutely correct. I shall devote a substantial chunk of my comments to what has become known as the Layard plan, which is designed to build psychotherapy up to be a more central part of mental health treatment. The hon. Gentleman is right to emphasise its importance.

The second case I wish to mention to illustrate the importance of the subject involves some long-standing personal friends whose children went to school with mine. As their son grew up, it was discovered that he had serious mental health problems that were later compounded by alcoholism. Not untypically, when he approached mental health services, they would not deal with him because of his alcohol problem; he went to alcoholism services, but they could not deal with him because he had a mental health problem. He finished up in prison and, like many others in our overcrowded prisons, he should not be there. He should be dealt with by mental health services, but they are not structured to help him.

Susan Kramer (Richmond Park) (LD): The examples that my hon. Friend has given are of individuals with mental health illness within families. Does he agree that in many cases severe mental health illness impacts on a whole family, not only on the individual with the clinical problem? Is he aware that, since a ruling by the Law Lords a year ago, the courts have been unable to refer families whose members are suffering severe mental health disorders for treatment at specialist centres such as the Cassel hospital in my constituency? As a consequence of the ruling, the Cassel and other hospitals report that a significant number of children are now being placed in local authority care or are being put up for adoption, because their families are not receiving support and treatment.

Dr. Cable: That is clearly an important point. I was not aware of the specifics of the case that my hon. Friend mentioned, but I am grateful that she has brought it to our attention. I shall refer later to the Cassel hospital, which is one of the institutions that are under financial pressure.

The final personal point relates to my own family. One of the difficulties that people have with mental health is that they are coy about discussing it because it carries a stigma. However, one in three families are touched by mental illness in some way. I still remember a particular day from my own childhood. I was 10 years old when my mother was taken off in an ambulance to what all my friends called the loony bin because she had what is now called post-natal depression. At that time the condition was not described in such sympathetic terms; people were described as "mad" or "loony" and that was it: one was stigmatised. The tradition of not wanting to talk about

[Dr. Cable]

such conditions has remained, and so their prevalence is not properly understood. A further reason for the debate, therefore, is to bring out such personal experiences.

A third reason is to draw attention to some of the financial pressures in the system. The Minister will be very well aware of them and I shall address them in more detail later. Unfortunately they are also well hidden. Often the cuts that are currently necessitated are occurring through commissioning bodies rather than directly through providers, and those bodies are in turn shunting costs on to local authorities. Much of the pain and the impact is therefore not publicly displayed but exists nevertheless, and I shall describe the effects in my local area.

The final reason why I welcome the opportunity for the debate is because I am my party's economics spokesman. It might seem odd to link economics and mental health, but the link is a strong one. That was highlighted by a fellow economist, Lord Layard, who drew attention to the enormous economic costs of incapacity benefit, the impact on the prison system, and so on. Throughout the debate I shall inquire as to the Government's progress in implementing his recommendations.

One way to come to that topic is by stressing the sheer scale of the problem. My understanding of the professional data is that approximately 30 per cent. of all recorded illness now relates to a mental condition of some kind. One in every six adults has experienced clinical depression or chronic anxiety, and among those very large numbers only one in four is ever treated, so the problem is largely concealed. Moreover, the scale of the problem is not static, but growing. The Institute for Public Policy Research recently produced an interesting report which pointed out that in a 30-year period the number of young people and children with mental conditions has increased by some 70 per cent. The problem is extensive and is increasing in its share of the sick population.

There are massive economic implications. A good illustration of that is in a parliamentary answer given to my hon. Friend the Member for Inverness, Nairn, Badenoch and Strathspey (Danny Alexander), who asked a few weeks ago for data from the Department for Work and Pensions on incapacity benefit claimants. Various points emerged from the data, including the fact that now almost 1 million people are on incapacity benefit because of mental illness, and 30 per cent. of all new applicants are people with mental illness. Even more striking was the statistical breakdown of that large number. Some three quarters—755,000—are people who have been out of work for more than a year. Yet more striking was the nature of their conditions. Approximately 377,000—about half of those on long-term incapacity benefit—were people with depression, and about a quarter, or 160,000, suffered from anxiety and neurotic conditions. The mental illnesses with which we are more familiar, and which are perhaps more dramatic, such as schizophrenia, were way down the list. There were about 36,000 schizophrenics.

The vast majority of people who are out of work, on benefit and unable to enter the labour market are suffering from conditions that are normally regarded as treatable—depression and neurotic conditions. Lord Layard, who did an analysis of the economic aspects of the problem, concluded that the direct cost to the Government of the number of people currently out of work and on benefit with treatable conditions was probably of the order of £9 billion, and that the cost to the economy as a whole indirectly was probably £25 billion, because of course many people are working but suffer high rates of sickness and therefore lower productivity. Therefore high economic costs are associated with mental illness.

As an economics spokesman I am naturally attracted to the idea that there may be ways of spending more money through the NHS to get savings rather than simply additional outlays. On the basis of that explanation, I want to develop further the arguments that Lord Layard put forward, and to pursue with the Minister how far the Government have got in taking the recommendations on board and implementing them.

Dr. John Pugh (Southport) (LD): I am not as familiar with the problem as my hon. Friend, but there is a distinction between those who are depressed and therefore unemployed and those who are unemployed and depressed as a result. Did Professor Layard offer an analysis of the difference?

Dr. Cable: I think that he did, and that he recognised a circular process. However, the key point was that the conditions are potentially treatable. Although Lord Layard is not a clinician—he is an economist, like me—he drew on the professional literature to demonstrate that psychotherapy in particular can be used to good effect with many of the people concerned.

There is obviously a need to take care in using such arguments; there are cases in which psychotherapy does not work and where drugs may be more appropriate. Evidence and clinical advice should provide guidance on that; it is not a subject for amateurs. However, the key point, which research by the National Institute for Health and Clinical Excellence has reinforced, is that there are many cases of depressive conditions that are best dealt with by psychotherapy, which takes us back to the intervention by the hon. Member for North-West Leicestershire (David Taylor). There are two reasons for emphasising psychotherapy. One reason is economic: Layard's figures suggested that the cost of a 16-session course, which was regarded as about right for many people, would be about £750. The cost of remaining on invalidity benefit is about £750 a month, so the cost-benefit position is clear. The second reason is that patients greatly prefer psychotherapy to drugs. There is little doubt about that, thanks to the many surveys about choice and about patients' attitude to mental health treatment. Indeed, one of the reasons why so few people are treated is fear of drug treatment. If patients are offered psychotherapy they are much more likely to come forward.

The problem arises when that basic and apparently sensible argument is contrasted with the reality, which is that there are very long waiting lists for psychotherapy; on average they are six to nine months, but they can be as long as two years. Surveys of GPs show that nine out of 10 doctors prescribe drug treatments, even though they are aware that psychotherapy would be more effective. Only one in 10

mentally ill patients sees a psychiatrist within a year, and one in 20 sees a psychologist within a year. There is an enormous gap between our understanding of best practice and what actually happens. To remedy that, Layard produced a programme, which he recommended to the Government through the Cabinet Office, involving the training of 8,000 extra therapists and establishing evidence-based psychotherapy units in each primary care trust to develop the programme at local level.

The Government responded positively. At the beginning of last year, the Secretary of State indicated that the Government had taken the recommendations on board, wanted to see them carried through and had commissioned two pilot studies. What has happened and where are we going? I asked that of my local mental health trust and its members simply rolled their eyes and said that they did not know what was going on. It would be helpful if the Minister explained where the pilot studies have got to, whether they will be rolled out, where the training programme has got to, what is a realistic objective for the 8,000 therapists—if that is the number that the Government are working towards—and when people in the field can expect the new approach to bear fruit.

There is a link between that specific issue and the more general question of how financial cuts in the NHS impact on mental health. Clearly, if mental illness is increasing proportionately, relative to other illnesses, one would have thought that it should take a larger share of the NHS budget, which would reflect the Government's general philosophy of shifting to preventive treatments. However, since 1997—I am sure that the Minister will confirm this—the proportion of NHS spending given to mental health has shrunk from 14 per cent. to 11 per cent. today.

There is a lot of evidence of financial stress in mental health services. The Minister has acknowledged that 11 our of 84 mental health trusts are under financial pressure, and I hope that in view of all the evidence presented to her she acknowledges that the problem is, in fact, much more widespread. SANE pointed out that in May 2006 it was calculated that deficits had resulted in £30 million of cuts across mental health services, which have now doubled to £60 million. In July 2006, a report revealed that 68 per cent. of finance directors of mental health trusts believed that cash was being diverted to bail out primary care trusts that had overspent. At the end of July 2006, David Nicholson, who was then head of the London strategic health authority, outlined savage cuts to mental health services throughout the capital.

David Taylor: The hon. Gentleman is recognised throughout the House as being fair and objective. He referred to 14 per cent. of the 1997 spend going to mental health services. Does he acknowledge that that spend has now doubled in real terms and that 11 per cent. of it is still an increase of more than half in real terms? I accept the hon. Gentleman's general thesis that the proportion should be higher, but to attribute stress and pressure to budgetary problems when the budget has increased by almost 60 per cent. in real terms is a bit harsh.

Dr. Cable: I do not entirely share the hon. Gentleman's optimistic interpretation. We know that the cost of clinicians in particular has risen substantially and has absorbed much of the real-terms increase, and it is not clear that the increase has fed through into service provision. In fact, the opposite is probably the case.

The Government's response has often not been satisfactory. At Prime Minister's questions some months ago I asked about the impact on my local area and drew attention to the fact that mental health provision and provision for people with learning disabilities were being cut back. The Prime Minister's response was that there are many more doctors and many more hospitals. However, there has been contraction in the specific area of mental health. The trust in my area—Richmond—was not included among the 11 trusts that the Minister acknowledged. The mechanism by which it is happening is real.

Tim Loughton (East Worthing and Shoreham) (Con): I am grateful to the hon. Gentleman and agree with the points that he is making, particularly on financing. It can only add to the stigma attached to mental illness if the funding for mental illness is advanced disproportionately relative to the funding for physical illness. Does he acknowledge that the number of completed episodes of mental illness treatment and patients has been falling too? A lot of money has gone into the extra costs of employing agency staff because of the disproportionately higher number of vacancies among qualified mental health professionals. Therefore, disproportionately less money is being spread more thinly on fewer patients.

Dr. Cable: I was not aware of the precise details, but the hon. Gentleman has made the point well. In addition, demand is increasing rapidly at a time when the number of treatment episodes has been declining, so the gap is widening.

I imagine that the process in my area is common throughout the country. The primary care trust, which is well managed and runs surpluses, has found that the surpluses are being top-sliced and transferred to other parts of the NHS. That has been covered by a substantial chunk of the deficit having been offloaded on to the mental health trust, which has had £800,000 taken out of its £21 million budget. The mental health trust has dealt with this in two ways. First, it has shunted the costs on to the local council, which is not in a position to absorb them. The main consequence of that is a decline in the services for the elderly chronically mentally ill, such as people with advanced dementia who were given continuing care. The second way in which the cuts manifest themselves is that the requirements under the national health service framework to create outreach and support for people in their home, which is a positive initiative, are operating at a skeletal level. Local mental health trusts do not have the resources to improve that.

In practice, cuts are taking place, but they are neither visible nor dramatic, so they will not lead to banners in the streets. They are not like hospital closures. The elderly mentally ill will not be marching down the high street. Indeed, perhaps those are the reasons for what is happening. They are largely invisible, but they are very painful and real cuts in service provision.

I wish to round off my remarks with some specific questions about the Layard proposals and general financing. In their analysis to follow up depression

[Dr. Cable]

awareness week, SANE and the Depression Alliance deal with how general practitioners operate. Most diagnosis is carried out at GP level and there are many deficiencies. SANE is asking whether the Government are looking again at the GP contract to ensure that doctors have a maximum incentive to produce prompt and efficient diagnoses of mental illness to get around at least some of the delays within the system. Is the Minister looking at the GP contract in the light of the professional criticisms that have been made?

I do not think that anyone argues now for institutional care on a substantial scale, but we acknowledge that care in the community has often not worked because of the lack of back-up. My constituent, Mrs. Knox, has asked whether there has been a concerted attempt to provide more sheltered accommodation for people with mental illness who have left institutional care and who need much more support than is provided traditionally by the mental health teams that visit someone's house once or twice a month. Do the Government monitor such matters? Are they encouraging action in any way?

A third issue relates to co-ordination. The Minister has a role not only in the NHS itself, but in co-ordination with other Departments. How does the right hon. Lady approach the linkages with the Department for Work and Pensions? We know that pathways to work is working well for many long-term unemployed, but it does not seem to work for the mentally ill. Has that approach to employment been revisited? Does the Minister have any proposals for revising it?

As a result of the problems with financing the mental health sector, we are discovering the difficulties arising out of the localisation of decision making. We are now operating in a more decentralised mode, which is very welcome. There is greater emphasis on primary care trusts making their own decisions locally. However, the problem is that some local providers such as councils, which are democratically and locally accountable, and mental health trusts and primary care trusts acting as commissioning bodies, which are not, are shunting costs and responsibilities between themselves to avoid accepting the responsibility for the difficult choices that have to be made. How far is the Minister helping to produce greater coherence at a local level to ensure that mental health budgets are properly managed between local authorities and primary care trusts, and that there is an overarching local accountability through local authorities? What we are seeing at a local level is simply a shifting of responsibility from one body to another, with the elected bodies being landed with the worst of the difficult choices that have to be made.

9.56 am

Mr. Andrew Smith (Oxford, East) (Lab): Mental health is a vital part of NHS provision, and it does not always get the public or parliamentary attention that it warrants. I congratulate the hon. Member for Twickenham (Dr. Cable) on securing the debate and, together with Government business managers, making this week something of an exception.

I want to take the opportunity to thank the staff working in the mental health services in my constituency, in the Oxfordshire and Buckinghamshire Mental Health Partnership NHS Trust, and to draw particular attention to areas of work locally that are topical and relevant as the House moves to consider the Mental Health Bill, which received its unopposed Second Reading last night.

As the hon. Gentleman said, there are huge humanitarian and economic consequences of mental ill health. I would also urge that in the difficult choices facing the NHS in managing its budgets, even expanding budgets, full weight is given to the needs of mental health patients who, because of continuing stigma—that must be challenged at every opportunity—and their own situation, are not in a position to mobilise the sort of public pressure that is often brought to bear in other areas of NHS services and funding. In the past, I have spoken out against damaging pressures and unfair cuts in our local mental health budget. My right hon. Friend the Minister will recall responding to one such debate on the Floor of the House last year.

Let me also say, and I am sure that the hon. Member for Twickenham will accept this point, that there is an important distinction to be drawn between mental health trusts having to cut back to meet deficits elsewhere in the NHS that are not of their making and service reorganisation within the mental health care sector which, although often controversial, can be justified because it enables service improvements to be made ensuring that more care is available to more people more quickly and more appropriately for their needs. Examples of this in our own mental health care trusts are the much-needed extension of crisis services, and the development of early intervention services which allow more people to be treated outside hospital. Both improvements were funded by cost savings last year.

The Oxfordshire and Buckinghamshire trust is also able to look forward to the opening of a women-only forensic unit at Littlemore later this year, which will provide a dedicated and much-needed service for women across the Thames valley who are currently being looked after in mixed-sex wards or in distant secure units. Other local innovations that are improving provision include the bridge-builders service operating from the acute day hospital at the Warneford. It helps people to make that crucial move back towards independent living and employment which benefits their health, their family and the wider community. There is no doubt that if we are to help more people either get off incapacity benefit—that has been referred to—or avoid getting on to it in the first place, mental health support, advice and counselling have to be right up there with other rehabilitation services and work much more closely with Jobcentre Plus and other employment providers than they have in the past.

I want to focus particular attention on an especially important innovation that has been piloted in Oxfordshire and a number of other trust areas. I commend it to the Minister as appropriate for extension across the country. I refer to the complex needs service, started four years ago, which meets the needs of people with a range of personality disorders and with tendencies towards self-harm, attempted

suicide, chronic relationship problems and drug and alcohol abuse. The service operates in close partnership with the voluntary sector—in our case, with Mind—and works to treat personality disorders through a therapeutic community of members.

The results of the service, which operates from a dedicated centre in my constituency, are encouraging. I have met patients who have greatly benefited from the service's approach. Indeed, their personal testimony, as they literally put their lives and personalities back together and rebuild their self-esteem, gives an inspiring picture of what modern mental health services and their dedicated staff at all levels can achieve. The evidence is that people using the service spend less time having in-patient treatment, can be discharged faster from their community health team and make 65 per cent. fewer visits to their GP than prior to their treatment. That is also an important consideration when we bear in mind that as many as 40 per cent. of visits to GPs are directly or indirectly related to mental health.

The service shows an important way forward. My understanding is that although it has been funded as a pilot, there is still uncertainty over its longer term funding. I hope that the Minister will be able to tell me in her closing remarks that she recognises the benefits of that approach and that she can reassure the complex needs teams, in our area and elsewhere, that the success and benefits that they are bringing to patients will be matched with longer term funding.

I dare say that as part of her answer the Minister will say that the money is there in PCT baselines, but I am told locally that that money is hard to identify and find—and, of course, it can all too easily be subject to other pressures. I urge the Minister to highlight the funding available, supplement it when necessary and do anything else that she can to push forward that important and valuable approach. As I am sure she recognises, such services will be very important in making a success of the provisions in the Mental Health Bill, demonstrating that real and effective help can be provided to people who in the past have risked being seen as untreatable, or who have not had the treatment most effective for their needs.

On a related issue, I congratulate our mental health care trust and Oxford university on having been awarded a £500,000 research grant to enable them to examine how community treatment works out in practice. That was announced last month by Professor Louis Appleby, the national director for mental health. The study will consider who gets community treatment orders and what the benefits are. That research is very important, because supervised community treatment—part of the Mental Health Bill that will be subject to much more discussion as the Bill proceeds—needs to work properly. It must ensure not only that the community has proper protection from the minority of patients who present a risk, but that people with mental health problems are given the chance to rebuild their lives, for which family, social contact and employment are vital.

Tim Loughton: I am following closely what the right hon. Gentleman is saying; the project in his area sounds very interesting. However, does he not agree that the Government have now commissioned research into the effectiveness of community treatment orders on the back of international research that has not been able to give any empirical evidence for their efficacy? Would the Government not do better to wait until that research has come up with positive results before going ahead with legislation that would enforce the orders, which may have a detrimental effect on some patients with personality disorders who at the moment are benefiting because they are treatable?

Mr. Smith: The Government would be vulnerable to criticism from another direction were they to embark on legislative innovation in this area without properly monitoring and learning from the experience of such work as it progresses. The hon. Gentleman is right to say that lessons must be drawn from research elsewhere in this area and from international experience. This dedicated research project is invaluable because, like mental health services themselves, research into mental health issues has often been a poor relation when comparisons are made with other areas of medicine. The new funding is all the more welcome for that.

My final point relates to a national concern. This is not a particular issue in my area, because it has a specialist adolescent unit. I understand that as many as 1,000 children and adolescents with severe mental health care problems are placed on adult psychiatric wards each year. We all agree that that is unsatisfactory. Those young people need to be able to be referred to specialist provision. Again, that will be debated further elsewhere as the Mental Health Bill proceeds, but will the Minister tell us what progress is being made in tackling that pressing matter? Mental health services need to cater properly for the needs of the whole community and we all agree that children and adolescents are a high priority in terms of our fulfilling that responsibility.

The Government have made good progress in mental health policy generally. I note what the hon. Member for Twickenham said about the share of the budget, and I shall always be to the fore in arguing that mental health services need to be given proper priority, as, I am sure, will the Minister. Equally, as my hon. Friend the Member for North-West Leicestershire (David Taylor) pointed out, we should recognise just how big a funding increase has taken place under this Government—£1 billion in real terms since 2001. In many areas, mental health provision is being transformed beyond all recognition for the better, notwithstanding the pressing concerns and pressures that have arisen from tackling deficits.

I commend the innovations that are taking place locally, and congratulate the staff who are working in mental health. All too often they fail to get the public recognition that they deserve, partly because of the stigma in this area. In a minority of cases, staff face the risk of abuse, and their contribution should be properly recognised.

David Taylor: My right hon. Friend is right to pay tribute to staff in the mental health sector of the NHS, but will he also pay tribute to the role of volunteers? He talked about social contacts. Good numbers of befriending groups and others play a huge part in the recovery of patients who are emerging from periods of mental ill health. Will he acknowledge that such an

[David Taylor]

approach is often an effective way forward and that it does not cost a great deal to train volunteers to have that type of role?

Mr. Smith: I strongly agree with my hon. Friend. I should include the work of the voluntary sector in the praise that I have been giving to staff. I referred to the importance of Mind's contribution to the complex needs service that I was advocating. My constituency has an excellent initiative called Restore, which helps people to move forward through training programmes and work experience. It has dedicated employment advisers who help people, often those with acute conditions, to rebuild their lives, their social contacts and their family involvement and, in many cases, to move forward to employment. Progress is being made, although there is lots more to do.

10.9 am

Mr. Nick Clegg (Sheffield, Hallam) (LD): I thank my hon. Friend the Member for Twickenham (Dr. Cable) for securing the debate. He has a long and distinguished interest and expertise in this area, which was fully on display in his articulate exposition. I should like to raise two matters. The first has not been mentioned but is of enormous national interest—the provision, or lack of it, of mental health services in prisons. Secondly, I should like to dwell on the experience of the changes and cuts being introduced into mental health service provision in Sheffield, as an example of some of the knock-on pressures that have been mentioned.

It is difficult to see much of a silver lining in the increased public attention on the state of our prisons in view of the burgeoning overcrowding crisis in the prison system, but if there is a silver lining, it is that more public and press attention has been focused on conditions in prisons. One fact that has finally been given a little more exposure—it deserves still more, in my view—is that there is a huge number of people in prison with acute mental health conditions who are simply not receiving the treatment they require. It is reliably estimated that one in 10 of the prison population are identified as functionally psychotic. Prisoners are seven times more likely to commit suicide than the general public. As the Corston report on women's prisons highlighted last month, 80 per cent. of women in prison are diagnosed with mental health problems. The scale of the problem is enormous. On that, we can all agree.

I want to press the Minister to expand on what I thought was an extremely encouraging break with Government rhetoric and policy in a paper on the criminal justice system as a whole. Forgive me: I do not have the precise title of the document to hand. It was published, I think, two or three weeks ago by No. 10, and the Lord Chancellor was active in the press, expounding its virtues. In that paper, which was a fairly wide-ranging and somewhat motley gathering of different observations on the criminal justice system, there was an extremely significant allusion to the need to develop what the document called hybrid prisons.

If I understand it correctly, the purpose of hybrid prisons would be to relocate offenders with acute mental health problems from the closed prison estate to specialised hybrid prisons, where of course incarceration could continue but treatment could be effectively provided. That seems to me to be a very important and promising, although extremely vague, new direction of travel in the Government's utterances on this major issue. I urge the Minister to explain whether she is aware of quite what the Government have in mind when talking about hybrid prisons, what plans are in place to develop hybrid prisons and what resources would be found to do so.

At the moment, £1.7 billion has been earmarked to expand the prison population by about 8,000 places—places, incidentally, that will not come on-stream until about 2011-12, by which time, judging by current rates, the prison population will have well surpassed that increase of 8,000 places anyway. In common with the conclusions of the Corston report, it would make a great deal of sense to reflect on whether it would be more sensible to spend that money on specialised hybrid prisons and secure and semi-secure mental health treatment facilities, so that the very significant number of offenders in prison with acute mental health conditions could be moved from the closed prison estate into facilities more suited to their needs.

Dr. Pugh: My hon. Friend has introduced a very important and much overlooked theme. I think that we all accept that prison is not conducive to mental health and well-being in any sense whatever and particularly in the case of women. Has he any statistics that reflect the difference between the people who arrive in prison with a mental health problem and those who develop a mental health problem in prison?

Mr. Clegg: No, in short, I do not—the statistics on this issue are quite patchy. Similarly, little empirical work is being done, for instance, on the link between the failure to treat mental health conditions in prison and rates of reoffending, which have increased dramatically in recent years, as we know. Quite a lot of empirical work therefore needs to be done to complete the picture.

Time is short, so let me move on to my second point. The right hon. Member for Oxford, East (Mr. Smith) rightly alluded to the fact that all sorts of controversies and debates may arise if changes are required to the provision of mental health services. Such changes can take place within the parameters of competing judgments about the best way in which to provide mental health services. Things become altogether more fraught, however, when changes appear to be forced through because of the knock-on effect of financial pressures, particularly on primary care trusts.

The primary care trust in Sheffield has mooted several extremely controversial changes, although it has at least been open enough to say that they are almost entirely driven by the financial pressures on its own account. None the less, that may have a dramatic and disruptive knock-on effect on the mental health service in Sheffield, which has been a Cinderella service for some time. It is widely recognised among practitioners and patients in Sheffield that mental health in the city has not been given the priority that it deserves. It is all the more incomprehensible to them, therefore, that extremely controversial changes are being rushed through as a result of financial pressures that have nothing to do with the mental health care trust.

The manner in which the changes have been floated and introduced is a model of how not to persuade the public, political stakeholders and workers in the mental health sector that changes are required. In substance, the consultation document, which I have in my hand, amounts to no more than two and a half pages of sweeping recommendations, which is clearly insufficient to explain the wide range of proposed changes. The consultation period has also been somewhat rushed, while the consultation document is vague to the point of being vacuous. It makes several claims about a renewed reliance on GPs, community-based services and social day care and on reducing acute in-patient beds. In other words, it pursues the general drift away from hospital-based treatment and towards various forms of what might euphemistically be called community-based treatment. It also fails to explain how the money will be saved, in what time scale and to what end.

Unsurprisingly, the reaction in Sheffield has been universally hostile, and the Minister may be aware that Labour Members from other Sheffield constituencies have, like me, been active in asking the primary care trust to withdraw the consultation document altogether. Last Friday, all Sheffield Members were informed by letter that the consultation document would not be withdrawn. Ironically, we received another letter at the same time telling us that the PCT's financial position would be wonderfully restored to good health in the next few months, which raises the question why it needs to impose this set of disruptive proposals on the mental health sector in Sheffield.

I appreciate that—

Mr. Bill Olner (in the Chair): Order. May I ask the hon. Gentleman to bring his remarks to a close? Some very good questions have been posed to the Minister, and I want to ensure that she has time adequately to respond to them.

Mr. Clegg: I will indeed bring my remarks to a close, Mr. Olner. I realise that the Minister cannot comment on the specific local circumstances that gave rise to the situation in Sheffield, but I hope that she will agree that it is difficult for the public or, indeed, political stakeholders in places such as Sheffield to feel that their voice is being heard if, as in Sheffield, the primary care trust is impervious to the most elementary forms of public and political accountability. In Sheffield, that is reflected in its extremely poor, thin and rushed consultation document, which will have very disruptive effects on mental health service provision in the city.

10.19 am

Dr. John Pugh (Southport) (LD): I congratulate my hon. Friend the Member for Twickenham (Dr. Cable) on opening up a huge and important debate. As he said, mental health issues affect nearly everyone, and I was reminded of that acutely the other day. I was on the phone in my surgery discussing amendments to the Mental Health Bill with my hon. Friend the Member for Romsey (Sandra Gidley) when a regular client who has mild paranoia appeared at the counter. He believes that a member of the House of Lords is out to get him by perpetually sending thugs to his area and he renders himself homeless on a fairly systematic basis. He writes three letters a week to me and has seen every Member in the north-west, including the Leader of the House. He also thinks that his phone calls are being intercepted and that the legal profession is corrupt. Not all of his views are necessarily delusions, but they certainly make a prima facie case for further inspection. His doctor referred him to the psychiatric service, which reported that he was an interesting man with no particular problems, which somewhat disappointed me because he is an elderly man and at some point his behaviour is likely to have adverse effects on his physical health as well as leading to a further deterioration in his mental health.

Mental illness is not exactly the same as, or simply a sub-group of, physical illness. Although it is often politically correct to say otherwise, that is not actually true. However, like physical illness, it covers a huge spectrum of conditions that can be chronic or acute, or chronic and acute, as is obviously the case with schizophrenia. Mental illness is socially disabling to a varying extent and affects personal autonomy, capacity, insight and behaviour to different degrees depending on the ailment. Sometimes the causes are known and sometimes they remain hidden and await further research. Equally, cures in the mental health field are sometimes quite well established, sometimes utterly absent and sometimes quite uncertain. Therapies are mixed and varied, and include the chemical, behavioural, personal and family based. There are few quick fixes and few long-term guarantees.

What is universally true is that there is a stigma associated with mental health and a questioning of the competency, reliability, and predictability of the behaviour of those suffering from mental health problems. As many hon. Members have said, that results in the clamour for better services and complaints about poor services being somewhat muted. Obviously, those who are, in many respects, the most troubled will complain the least, which means that mental health is a relatively soft target for underfunding, for cuts—although of a fairly covert nature—or for virement to other services where people clamour with greater force.

It has quite accurately been pointed out in this debate that the share of NHS funding for mental health has fallen, although it must be admitted, as the Minister will no doubt say, that total funding has appreciably risen. It is still the case that raids from the regional authorities are relatively common, and the fact that it is easy for trusts to maintain a balance shows how easy it is to adjust their costs and to cut services where financial need arises. That often results in a slow response and long wait for psychiatric services, which is one of the most prevalent and pervasive complaints that I receive about mental health services. When there is an issue and people need help it is difficult to get past first base and there is a long wait to receive regular attention from a consultant psychiatrist.

I have received complaints in my constituency about service reductions, but I will not expand on those now. As the Minster has acknowledged, there have also been justified complaints about treatment taking place in inappropriate settings; for example, when adolescents and children have been seen in adult environments. There is, of course, the unspoken difficulty that people are sometimes over-medicated in circumstances where

[Dr. John Pugh]

medication is not the sole or even the best answer to their problems. Although that may be the quickest way of dealing with such problems, it may not always be the best.

As my hon. Friend the Member for Twickenham pointed out with his economic hat on, the social effects are even worse. Billions of pounds are paid out in disability benefits and the Sainsbury Centre for Mental Health has said that 91 million working days are lost because of mental health problems. One third of all new claims for disability allowance are on the grounds of depression and anxiety. In the past, when the care model was the mental hospital, there were heavy, fixed and immovable costs that could not easily or covertly be adjusted. Now, in the community, it is far easier to adjust costs and, if necessary, reduce them.

It is good that there is more money—we must all admit that—but that money must be spent within a framework, monitored and assessed under performance management. That is the goal to which I think everybody aspires. We have not got there yet, and it is hard to see how payment by results will benefit. Obviously, we call for the performance of PCTs and mental health trusts to be better monitored, but their delivery on mental health services is somewhat hard to measure because some conditions are not curable, only manageable. The social background of different areas makes an appreciable difference. Clearly, if there is a lot of unemployment in the area, we expect a high rate of depression and anxiety to go with it.

Mental health is an area in which the voluntary sector can perform in different ways and places. The sector has a key and beneficial role to play in mental health, a field where imagination and innovation pay off. We are all familiar with some exciting and worthwhile projects involving mental health users and art. I also mention the increasing use of IT and software therapies. Years ago, a chap called Weizenbaum designed a programme called Eliza, which was supposed to act as a substitute for psychotherapy. One can download it and try it oneself. An odd feature of Eliza was that some people preferred the software to their own consultant psychiatrist. The computer never looked away and always gave a response, and it was always a remarkably tolerant and interested response. There are better examples, as much development has taken place in the field, but it indicates that innovation in mental health can make a substantial difference. However, it is often difficult to monitor and assess.

Professor Layard calls for concentration on the less acute sector, bearing it in mind that only one in two depressed people receive treatment and that only 8 per cent. see a psychiatrist, yet where pathways to work pilots have concentrated on the issue, substantial effects have been recorded. Therefore, he calls for an extra 5,000 psychological therapists and double the number of consultant psychiatrists. I think that we would all go for that, but the therapies must be tested—NICE has a key role there—and the services must be validated.

We are all aware of a number of counselling services of various kinds and qualities springing up in our constituencies. They are mushrooming. Some are very good, some are not so good and some are a waste of time. It is important when services are offered that they are properly validated and assessed. The Department for Work and Pensions also needs to offer a more holistic service, particularly to the unemployed, because one thing people need before they can get back into employment is a boost in morale and maybe to address underlying psychological problems. There is some evidence that it is doing so. I went to my DWP office recently and found that that is precisely what is going on to get people off disability benefit and back into work.

Another Layard theme is that mental health should be seen as a social goal for the Government—what might be called the happiness agenda, whereby the Government are charged with the positive promotion and encouragement of a good and mentally whole life in the workplace, family and community. It is a tough task for the Government, I must say, though I record in passing that Plato regarded it as a fundamental chore of the state. As my hon. Friend the Member for Twickenham might know, Plato regarded the economy as something that the state would do better to butt out of and leave to the merchants, and the promotion of the good life as its fundamental aim.

Unlike my hon. Friend, however, Plato was a totalitarian. We must acknowledge that any liberal state allows for diverse concepts of the good life, and that many of those concepts will be contestable. However, it seems self-evident that where social conditions identifiably lead to unhappiness, removing those obstacles is a fairly important and uncontentious task for the state. That is the modest aim of a liberal state.

Apart from the wider goal of generating social happiness, which I have no doubt every Government have tried to achieve in some way, there is the more pressing need to improve existing mental health services. As my hon. Friend indicated in his introduction to the debate, there is an awful lot of work still to be done.

10.30 am

Tim Loughton (East Worthing and Shoreham) (Con): We have had a very interesting debate. I add my congratulations to the hon. Member for Twickenham (Dr. Cable). The timing of the debate is fortuitous. We shall be mental healthed-out by the end of the week: debate on the Mental Health Bill started yesterday, and as he mentioned, this is national depression awareness week, which is an initiative of SANE and the Depression Alliance.

The hon. Gentleman raised some good points and introduced a wide-ranging debate on the subject, unlike the limited one that we had yesterday on the Mental Health Bill. I am pleased that this debate is part of a profile-raising exercise for mental health, which is not a fashionable subject. As he rightly said, many people who suffer from mental illness will not be the first to admit their own problems, let alone demonstrate in the street, so it is incumbent on us as legislators and the representatives of those most vulnerable people to speak up for them. This debate is another good opportunity to do that.

All hon. Members in this Chamber and, I am sure, across the House know from their surgeries and constituency post of distressing cases of people who

suffer from mental illness but are unable to access services. I refer to two cases in my constituency. One constituent recently had a psychotic incident that involved the police. He was arrested and kept in the cells for five days before he was assessed by a mental health professional and then able to be sectioned to the Maudsley hospital. That is no way to deal with somebody with a disturbing illness.

Secondly, I had a very distressing case a couple of years ago of a father who had killed his own daughter. She had asked him to kill her because of her mental illnesses. She had just been thrown out of a local mental hospital. The help that she needed was not there, and the system failed her. That was a deeply tragic case, and the trouble is that there are too many such cases all over the country.

Whatever the Minister and the Government may say, mental health services remain the Cinderella service of the NHS. I was pleased that the hon. Member for Twickenham gave the figures. We know that extra money has gone into the NHS across the board in large portions, quite rightly, and that extra money has gone into mental health services, but the percentage of NHS funding going to mental health services has fallen during the past 10 years—it has not increased. That can only help to compound the stigma that is attached to mental illness.

I believe that every Member mentioned problems with deficits. Mental health was last in the queue to benefit from the Chancellor's largesse, and now it is first in the queue when services are being asked to hand money back to pay for deficits in other parts of the health service. Mental health is suffering a double whammy: mental health trusts had to tighten their belts because of the present funding crisis, and they have to tighten them a second time to bail out other parts of the NHS. That really is not fair. Louis Appleby, the mental health tsar, said that acute trusts should be ashamed for taking money from underfunded mental health services. The Government have admitted that that is happening, but they must do something to ensure that it does not happen even more in the future.

As I said earlier, vacancy rates among mental health professionals are much higher than for the rest of the NHS, and there is a postcode lottery for services, particularly in talking therapies. Several Members mentioned the lack of availability of talking therapies such as cognitive behavioural therapy. The hon. Member for Twickenham was absolutely right to mention the depression report and the excellent work of Lord Layard. From an economic perspective, funding such services makes sense—the numbers add up. More than 1 million people are on incapacity benefit for a mental illness-related problem. A relatively short course of treatment, which would involve a relatively small amount of money, would have a success rate of around 50 per cent., as calculated by Lord Layard. We could get those people back into the economy and into employment, at great personal benefit to themselves and to the state and the NHS budget, so it has to make enormous economic sense.

We heard some interesting contributions in addition to those made by the hon. Member for Twickenham, who opened the debate. The hon. Member for Richmond Park (Susan Kramer), who is no longer in the Chamber, spoke in an intervention about the Cassel hospital. It is unfortunate that she did not elaborate on that. I visited the Cassel hospital a little while ago. It is worrying that that excellent institution is facing a funding squeeze at the moment, particularly for the work that it does with mothers facing mental health problems—often being able to keep them with their babies. One in six women will suffer from depression around the time of a pregnancy. That is a largely unseen mental health problem, but it has enormous consequences. Four out of five women with babies are admitted to psychiatric hospitals without them. That can only engender greater distress in those women. The Cassel hospital has made great strides in being able to keep families together.

I reiterate the praise that the right hon. Member for Oxford, East (Mr. Smith) gave to staff and volunteers. There are enormous challenges and pressures for the staff working in mental health trusts around the country. We have some excellent mental health voluntary organisations, such as Rethink, SANE and MIND, which do fantastic work for the sufferers of mental illness.

Hon. Members were right to say that there is a continuing stigma attached to mental illness. I was interested in a local project in Oxford that the right hon. Member for Oxford, East mentioned, particularly as it deals with treating personality disorders, with therapeutic benefit, on, I would guess, a voluntary admission basis in many cases. However, the proposals in the Mental Health Bill for people with personality disorders would regard those people as largely untreatable. It is for that class of patients that the Government are now introducing community treatment orders, with no empirical evidence to underline their efficacy. There is no research internationally to suggest that such things work. The right hon. Gentleman's constituents who are benefiting at the moment from the great advances and innovation in mental health treatment, particularly for personality disorder, could be subject to those community treatment orders. Nothing would deter them more from presenting in the first place for therapeutic treatment than the fear that they may be subject to some degree of compulsion. After last night's debate, we face the bizarre prospect of Ministers saying, "We must have more compulsory treatment to guarantee treatment for those patients". However, the compulsion is on the patient to receive the treatment, not on the mental health trust or the providing authority to provide it. The Government have got their priorities wrong.

I am worried about the sort of projects that the right hon. Member for Oxford, East mentioned, which are doing great work on a pilot basis, although funding is not guaranteed. For those projects, the prospect of people turning up in future could be greatly imperilled by coercive measures, which this Government seem hellbent on pushing through the House, that are having great ramifications outside.

The hon. Member for Sheffield, Hallam (Mr. Clegg) mentioned problems in his constituency with the deficit crisis. I know Sheffield well and I know the problems with the health service there. Too much is being done in the name of reconfiguration. In Sheffield there is a rather vague reconfiguration to save money, which is really what it is all about. The hon. Gentleman

[Tim Loughton]

mentioned prisons and he was right to do so, because the state of mental health in our prisons is an absolute scandal and is highly counter-productive. There are large numbers of prisoners suffering from mental health problems and there is a lack of integration to get them sorted out mentally before they can be properly rehabilitated and not reoffend. It is worse in young offenders institutions. I visited the young offenders institution in Feltham just a couple of months ago, where a lot of impressive work is going on. Again, though, it is a deeply depressing place. A lot of work is being done to try to address the mental health needs of young offenders there. The recidivism rate for young offenders who are sentenced to jail terms of less than 12 months is 92 per cent. A lot of that is due to not dealing with the underlying problems that may have led them to get into crime in the first place.

The hon. Member for Twickenham mentioned the problems of dual diagnosis. It is ridiculous that we do not have better inter-agency working, so that while we may be able to deal with a person's mental illness we cannot deal contemporaneously with their alcohol or drug misuse problem. The two things are closely linked and we need far better progress on dual diagnosis. Whether the hybrid prisons will do anything about that I do not know; it sounds to me like another soundbite from No. 10, which the Prime Minister may hope will form part of his legacy, but which will not amount to much.

Mr. Olner, you are right to say that hon. Members have raised many questions about mental illness, which the Minister needs to answer. I ask her in particular to give detailed indications of what will happen to the CBT pilot projects in Newham, which I visited recently, and in Doncaster. There are fears that those will not carry on, despite the fact that they do great work. I should like her also to comment on the lack of progress in dealing with the black and minority ethnic community given that Matilda MacAttram, director of Black Mental Health UK, said recently:

> "Absolutely nothing has changed for black people over the last 12 months".

She also commented:

> "The 2006 Bill as it is currently drafted will make this situation a lot worse. This calls into question the Government's commitment to address race issues within mental health services."

Many people in the black and minority ethnic community suffer disproportionately from mental illness. They suffer particularly from being disproportionately subject to sectioning and other coercive treatment, and the Government need to take that far more seriously.

There are many other things that we could say in a mental illness debate. I am glad of the opportunity to air problems within the mental health community and I shall not recount again the problems affecting young people and children, one in 10 of whom will now suffer some form of mental illness, with one a day in the past few years being admitted to highly inappropriate and intimidating adult mental health wards. As the Children's Commissioner for England said recently:

> "It wouldn't surprise me if children leave adult wards worse than when they went in. Putting children in an age-appropriate and developmentally appropriate environment can only be better for them."

Mental health needs to be a far greater priority than it currently is in the NHS and the Department of Health. It is a false economy not to make it a greater priority. It is one of the most challenging ticking health timebombs that we face in westernised countries. It is a particularly false economy not to take the subject of young people with mental illness more seriously. I hope that at last the Minister will treat that as a priority. She might start by guaranteeing that the Government will restore mental health funding in the NHS to the level that she inherited in 1997, which was much higher, in percentage terms, than it is now.

10.42 am

The Minister of State, Department of Health (Ms Rosie Winterton): I congratulate the hon. Member for Twickenham (Dr. Cable) on securing the debate. As he said, it is particularly relevant this week, and it provides a good opportunity to raise awareness of mental health issues in the House. Debates in the past couple of days have suggested how many Members of Parliament have relevant constituency cases: carers, families and patients are all very much affected when, as we know, about one in six adults at any one time report having a mental disorder, and one in every four GP consultations are directly related to mental health.

I shall deal, as other right hon. and hon. Members did, with some of the specific issues that the hon. Gentleman raised about Lord Layard's report, but I want to deal with some wider issues first. It is important to start with the question of finance. There has been a consensus that extra money has gone into our mental health services. An extra £1.5 billion is now being spent on mental health services. According to the European Commission, and despite what the hon. Member for East Worthing and Shoreham (Tim Loughton) says, the proportion of the overall health budget devoted to mental health in the UK is among the highest in any EU member state. That extra investment has led to some great improvements, and I join my right hon. Friend the Member for Oxford, East (Mr. Smith) in paying tribute to the many staff in the mental health service who have made them possible.

The way in which some of the 700 new community teams work is completely different from the traditional delivery of mental health services. Teams work with people in their own homes and communities, reducing some of the stigma that many right hon. and hon. Members have mentioned. If we can treat people in their home environment, they will not have to be removed for the whole time to an in-patient setting, where it can be more difficult for them to make a recovery and where things can be more difficult for carers and families. There are also 14,000 extra staff working in mental health services, which, again, has made a difference.

It is also true, however, that mental health services in some areas have been asked to make a contribution to ensure that the overall NHS budget is put on an even keel. However, I should say two things about that. First, I have been absolutely clear that mental health services should not be asked to make a higher contribution than any other services in an area. For

example, if other trusts or primary care trusts have been asked to make a top slice of 3 or 5 per cent., mental health services should not be asked to do anything disproportionate, unless they, for example, contributed to the deficit in the first place. I am more than happy to take up any cases in which people think that mental health services have made a disproportionate contribution, and we have pursued every case that hon. Members have brought to my attention.

Let me add, however, that we have raised the profile of mental health services in recent years. They are no longer a Cinderella service, although they can be prey to raids on budgets if the NHS is not in overall financial balance. Many people who work in mental health services tell me that it is important for the NHS in their local health economy to be in financial balance because mental health services might suffer otherwise. Overall, therefore, mental health services staff want us to ensure that budgets are properly balanced so that they can plan services properly in the longer term.

Let me move on to some of the specific questions raised by the hon. Member for Twickenham. On GP contracts, we are developing quality and outcomes framework standards so that GPs can recognise and refer cases of depression and anxiety to the new services as they become available. Therefore, we are looking at issues relating to GPs, who play an important role. The new graduate workers who have been working out of GP surgeries have also been extremely important in delivering some of the psychological therapies that everybody has mentioned.

The hon. Gentleman also talked about the importance of multi-agency working and of looking at issues such as sheltered housing and social services support. The Government have tried to ensure that provisions such as local area agreements assist in that process and enable mental health care services and local authorities to pool budgets and staff in certain instances. In that way, they can provide the necessary support, which, as he rightly says, is extremely important for securing co-ordination at local level.

I pay particular tribute to my right hon. Friend the Member for Oxford, East, because it was his personal commitment that made some of the pathways to work projects so successful. There was a great breakthrough in considering the link between employment and mental health. There are too many instances in which, even if people did not start their unemployment because of a mental health problem, a mental health problem develops because of the stigma, discrimination and low self-esteem that accompany unemployment. Pathways to work projects have been important in that regard, as has consideration of how to get better links with jobcentres.

Dr. Pugh: People in the DWP have told me that, when they are successful in getting people off disability benefit and back into work, the savings for the Department revert to the Treasury and are not reprocessed into doing more of the same—not even a proportion of them. Is it worth investigating ways to incentivise those parts of the DWP that get people back into work after mental health problems, so that they do more?

Ms Winterton: One of the triumphs of our current work is the adoption of a cross-Government approach—an approach that was taken in the case of the work of the social exclusion unit, which reported last year, and which applies to the close relationship between the DWP and the Department of Health. One can certainly extol the benefits of that approach.

My right hon. Friend the Member for Oxford, East made a point about the complex needs service in his constituency. I hope that benefits are being seen at the local level as a result of in-patient stays being reduced through development of services. The new services whereby people can be prevented from entering patient care are both cost-effective and effective in their own right, and I hope that they will receive appropriate local consideration.

The hon. Member for East Worthing and Shoreham seemed to confuse the issues of treatability and supervised community treatment. We want to get rid of the treatability test in mental health legislation because people with personality disorders have for too long been told that they are untreatable. That has meant that services have not been set up, and people have been turned away.

Supervised community treatment is an entirely different issue. The hon. Gentleman seemed to suggest that certain people in my right hon. Friend's constituency might somehow be placed on supervised community treatment because of a personality disorder. People enter supervised community treatment if they have had an in-patient stay and if their clinician feels that it is appropriate. We do not want people to be in-patients for any longer than necessary. If it is more effective to return them to their home environment under supervision, that course is known to lead to better recovery and prevent relapse. That is the point of the proposals in the Mental Health Bill.

My right hon. Friend referred also to supervised community treatment in the context of the funding that has been put into research. The research by the Institute of Psychiatry said that existing research was not definitive. The Government have stated their intention to adopt the path of supervised community treatment, which is already used in many other countries and has been implemented in Scotland. The existing legislation in this country does not permit implementation of a programme that would benefit patients. We shall ensure that we monitor the work that is done so that it is effective as possible.

I want to address the issue of mental health in prisons, which was raised by the hon. Member for Sheffield, Hallam (Mr. Clegg). He was right to refer to the Corston report. Jean Corston said that she supported the Mental Health Bill provisions on treatability, because there were too many women in prison who had ended up there because they had a personality disorder and, because of the way the Mental Health Act 1983 is phrased, did not receive help.

The hon. Gentleman made the important point that we need to ensure that good court diversion schemes are in place, so that people can get a hospital disposal early if that will be effective, and that there are proper transfers of people from prison to the acute setting if that is appropriate for them. We also need to ensure, as we are doing through the prison in-reach teams, that

[Ms Rosie Winterton]

there is good help for people in a prison setting. Not everybody wants to be transferred to a hospital, because of some of the implications of that, which is why we need to ensure that there is good support in prisons for people who need it. On the hon. Gentleman's point about the consultation document, I agree that it is important to get consultation right.

The hon. Member for Southport (Dr. Pugh) rightly pointed out how important the relationship with the voluntary sector can be. We need to do more work with the voluntary sector, which is making very good progress in providing services that people sometimes access more readily than they do some of the statutory agencies. It is right to have that relationship.

With regard to Lord Layard's ideas, we made a commitment in our manifesto that we would increase access to psychological therapies. That is because it is very important that people with mental health problems have the choices that people have in other areas of health care. It is right to say that such therapies are not necessarily the answer to everything. Sometimes people need drug treatment as well, but what we are doing at the pilot sites, which have seen about 4,000 people, is examining the effectiveness of the demonstration sites. We are expanding those this year—there will be about another 10 sites during 2007—so that we can demonstrate the benefits and show that that system can be delivered across the country. We can consider the new commissioning strengths of primary care trusts to ensure that they develop those services locally.

As well as rolling out not only 10 sites this year but more than that the year after, we are considering how there can be proper accreditation not only of the types of therapy that are available, but of the practitioners who work in those fields. This is important. Not everybody needs to be a full-blown psychologist. Other people can provide important counselling services, but we need to ensure that there is proper accreditation, and we are doing that.

I turn now to group therapy sessions and computerised CBT. Last month we issued implementation guidance for computerised CBT, which means that PCTs should now be in a position to offer that technology to patients with mild to moderate depression. That represents real progress in ensuring that the NHS understands that alternative therapies, particularly talking therapies, are available and we need to make them much more widely available.

We can take away from the debate the fact that there is consensus that extra funding has gone into mental health services and that services have improved quite significantly. We also all agree that mental health care still has some way to go. New therapies are available and there are new changes that we need to make and improvements that I think we all agree are necessary. I assure right hon. and hon. Members that better mental health services remain a priority and we will continue to support people who need care and help at what are some of the most difficult times of their lives.

Integration and Cohesion

11 am

Mr. Paul Goodman (Wycombe) (Con): It is a pleasure to see you in the Chair, Mr. Olner. I am grateful for the opportunity to introduce this debate on integration and cohesion in Britain.

I am sure we all agree that public discussion about integration and cohesion has travelled a long way in recent years—from Lord Parekh's commission for the future of multi-ethnic Britain, to Ted Cantle's report on the 2001 riots, to the Government's new, or fairly new, Commission on Integration and Cohesion. The discussion has not ended up where one might have expected at the beginning of 2001. There has been an unmistakable new interest in integration among opinion formers such as the BBC journalist George Alagiah, the Pakistan-born Bishop of Rochester Michael Nazir Ali and Trevor Phillips, who is to head the commission for equality and human rights.

This debate allows the House an opportunity to explore all aspects of that developing public discussion. I want to concentrate on an important part of it—relations between Muslims and non-Muslims in Britain—before asking whether there is merit in Cantle's main recommendation, which the Government have not to date taken up: the development of a statement of allegiance that would follow what Cantle described in his report as

"an honest and open national debate".

The events of 9/11 and their consequences have had an unmistakable impact on relations between Muslims and non-Muslims in Britain since 2001. In Britain, they have included the Dhiren Barot conviction, Richard Reid's attempted shoe bomb atrocity, the Abu Hamza affair—and, of course, the horror of 7/7 as well as the events of 21/7. I am the Conservative Member with the largest number of Muslim constituents and my constituency also felt those consequences last summer in the form of the alleged aeroplane bomb plot; two of my constituents currently face serious charges in respect of that.

Last autumn, I offered the House my analysis of barriers to integration as they affect British Muslims. They include racism and Islamophobia, lower life chances, intergenerational conflict, the failure of the multiculturalist consensus, foreign policy and, perhaps above all, the impact of ideology. In its most stark form, that ideology is one of terror—hence 9/11 and 7/7. In its less brutal form, it rejects terror in Britain but embraces separation. Separation, of course, inevitably leads to a lack of integration and cohesion and the "parallel lives" of which Cantle warned.

A common term for the ideology is "Islamism", a term sometimes used by Ministers. It is worth noting that some separatist Islamic groups in the tradition of al-Banna or Mawdudi use the term to describe themselves. However, many Muslims are unhappy about it and argue, understandably enough, that the use of the term tends to conflate that ideology with Islam itself. It is perhaps necessary to reiterate that the two are not the same. Islam is an ancient religion, whose history and practice seem to me just as various, complex and multifaceted as Christianity's

The separatism that I have mentioned is in essence a modern political ideology, and I want to give the House a flavour of it.

Earlier this year, I discovered from a Channel Four "Dispatches" programme, "Undercover Mosque", that a DVD featuring a preacher called Abu Usamah was being distributed from my constituency. In the programme, Abu Usamah was quoted as saying:

"No one loves the kuffar"—

that is, the non-Muslim—

"not a single person here from the Muslims loves the kuffar, whether those kuffar are from the UK or the US. We love the people of Islam and we hate the people of kuffar, we hate the kuffar".

Abu Usamah also said:

"God has created the woman, even if she gets a PhD, deficient. Her intellect is incomplete, deficient. She may be suffering from hormones that will make her emotional. It takes two witnesses of a woman to equal one witness of a man."

He went on to say:

"Do you practise homosexuality with men? Take that homosexual man and throw him off the mountain."

I shall not weary the House with any further quotations, but it is important to demonstrate what this ideology of separation is like. It favours an ultimate political settlement in Britain in which the barrier between the sacred and the secular is torn down and different people are governed by different laws. As Dame Pauline Neville-Jones wrote in her recent report "Uniting the Country", even those ideologues

"who eschew violence advocate...a social order...not compatible with modern western ideas of individual freedom, the equality of men and women, fundamental human rights and democratic government under the rule of law".

I stress, of course, that this ideology is rejected by the majority of British Muslims.

When I last had the chance to address the House on these issues, I said that it is important to diagnose the cause of an illness—in this case, the to-some-degree poisoned relations between Muslims and non-Muslims—before attempting to treat it. Today, I want to set out some ideas that might help to find a cure.

I am delighted to see the Minister in her place, because I want to ask her some questions, and my hon. Friend the Member for Surrey Heath (Michael Gove) in his, because he is an acknowledged expert in this field. I am also grateful for the presence of my hon. Friends the Members for Cities of London and Westminster (Mr. Field), for Beaconsfield (Mr. Grieve) and for Newark (Patrick Mercer), and the hon. Member for Hazel Grove (Andrew Stunell), who is a spokesman for the Liberal Democrats. It is a pity that there is not greater representation on the Labour Benches.

In my view, the origin of such a cure lies in strengthening the unwritten social contract that exists between Muslims and non-Muslims in Britain. Under that contract, non-Muslims are obliged to recognise that Islam is now a permanent presence in Britain, that British Muslims have lower life chances than the non-Muslim majority as a whole, and that those life chances must be raised as part of any programme of social justice. In turn, Muslims are obliged to face up to the fact that Dhiren Barot, Richard Reid and the perpetrators of 7/7 claimed to act in the name of Islam, however unjustified that claim is, and recognise that the separatist ideology that I described earlier must not merely be condemned—it must be actively challenged, confronted and rooted out.

First, I want to deal with ways of raising Muslim life chances. According to the Office for National Statistics, Muslims are more likely to be lower paid than Christians, but the relevant figure, like others that point to Muslim disadvantage, must be read carefully. According to a study called "Religion and economic activity in the South Asian population", 41 per cent. of Indian-originated Muslim adults are in full-time work, compared with 26 per cent. of Pakistani-originated Muslim adults and 23 per cent. of Bangladeshi-originated Muslim adults.

Those figures help to put some of the statistics about Muslim disadvantage in context. Indian-originated Muslims often come from a more prosperous background than Bangladeshi-originated, Pakistani-originated or Kashmiri-originated Muslims, so the figures suggest a hierarchy of disadvantage. As Munira Mirza wrote in her "Living apart together" report for the think-tank Policy Exchange—in my view, the leading think-tank on Islam and Muslim-related matters—

"Policy-makers talk about helping 'Muslims', but levels of social disadvantage actually relate more closely to ethnicity than religious grouping, and even more importantly, to socio-economic class."

In other words, it is only common sense to recognise that Muslims who speak English as a second language, or not at all, and who come from more deprived backgrounds are less likely to enjoy good life chances than Muslims who speak fluent English and come from more prosperous backgrounds. Homes and schools are therefore vital locations for the levering up of life chances, especially given that no fewer than a third of British Muslims are under 16.

Some questions need to be addressed. Do parents who can speak English always encourage their children to do so at home? Do parents champion the value of education as a source of opportunity and not seek to discourage young women from entering the labour market should they wish? Are the expectations that some schools have for Muslim pupils too low? Is enough done to encourage parents to enter the teaching profession or to come forward as governors? How can integration possibly be helped by the planned reduction of support—although I understand that that is being reviewed—for the teaching of English to new migrants?

So, raising Muslim life chances, especially the life chances of Muslims from poorer backgrounds, is necessary if the unwritten social contract between non-Muslims and Muslims in Britain is to be strengthened. However, although improving life chances is necessary for that to happen, it is not sufficient. Marc Sageman's study of 172 al-Qaeda operatives around the world suggests that there is no simple link between lower life chances and separatist ideology. Indeed, he found that many operatives were from relatively wealthy backgrounds. The horror of 7/7 helps to prove that point: Mohammed Siddique Khan was, after all, a qualified teacher and a graduate of Leeds Metropolitan university.

[Mr. Paul Goodman]

Therefore, in the interests of integration, I turn to ways of rooting out the separatist ideology that I described earlier. The Government alone cannot do so, but ministerial leadership is crucial. According to recent reports issued over the Easter break, the Minister's Department will lose its lead role in relation to British Muslims to the new office for security and counter-terrorism. The Minister is shaking her head, but it is important that she clears that matter up today. After all, her Department has only been in charge of this matter for about a year and placing relations with British Muslims in a security context will obviously have big implications.

Mention of the Department leads me to reflect on Government policy as a whole since 7/7. It is fair to say that the entire political and media establishment was caught off-balance by the horrendous events of that day. The Government's initial reaction was to set up the "preventing extremism together" project, but there is some controversy about how many of its recommendations have been implemented. That approach has clearly been superseded by the new Commission on Integration and Cohesion. There have been reports that Ministers want to raise the age at which spouses can enter Britain from 18 to 21. Will the commission consider that matter and report on it in June as part of its findings?

The Government's approach to preventing extremism needs to be synoptic, but it is hard to see such an approach at the moment. For example, the Department for Education and Skills—partly in reaction to a legal case involving a girls' school in my constituency—has recently issued guidance on school uniforms, which makes it clear that schools are entitled to bar the niqab or veil if they wish. However, the Department of Health refuses to issue similar guidance. I asked about that matter after the Royal Preston hospital was reported last year to be modelling a gown for patients based on the burqa, which, as hon. Members know, is not worn by most Muslim women in Britain. The answer that I received was that national guidance was inappropriate. Perhaps the Minister will explain why guidance appropriate for schools and teaching staff is not appropriate for hospitals and medical staff.

Terror groups are reported to be targeting universities and prisons. What guidance is issued to prison governors on the receipt of extremist literature by prisoners and is enough being done to encourage college principals to follow the example of universities such as Birmingham, which checks visiting speakers' credentials in advance? More broadly, many of our constituents will ask why it took so long for the Danish embassy protesters who shouted support for terror to be charged, and why the loophole that allowed Abu Hamza to pass on property from prison is still unplugged.

I turn from preventing extremism to its flip side, which, of course, is supporting moderation. Having tried to give a flavour of what extremism is like, I shall now provide a flavour of what moderation is like by citing an event that took place at the Palace of Westminster before the Easter recess when I was privileged to co-host a reception for the Sufi Muslim Council. The SMC is unambiguously moderate and campaigns against extremism. It wants to see citizens from all backgrounds living together under one common law. It believes that British Muslims can live privately under sharia law in the same way that Jews, for example, can live privately under their own religious law. It rejects placing entire areas of Britain under state-run sharia law, which extremists such as Abu Izzadeen advocate. Just as importantly, it also rejects permitting different religious groups to live under different state laws—the system that operated in India under the empire, and which is championed by such Islamists abroad as Sheikh Yusuf Al-Qaradawi. I believe that organisations such as the British Muslim Forum, to which the three main mosques in my constituency are listed as affiliates, broadly take the same moderate view.

In the light of that, can the Minister confirm that the Muslim Council of Britain is no longer being treated as the main representative voice of British Muslims? According to Dr. Mirza's research, only 6 per cent. of British Muslims believe that the MCB speaks for them, and only 1 per cent. believe that the Muslim Association of Britain, which is usually regarded as the British arm of Hamas, speaks for them. Can the Minister explain, therefore, why the MAB was given the same status as the MCB, which at least has a large number of representative organisations affiliated to it, and the BMF on the steering group of the Mosques and Imams National Advisory Body project, which is looking at the future of British mosques?

Indeed, can the Minister confirm whether the Government would like the MCB, the MAB, the BMF and the SMC—I apologise for all these acronyms—to be rolled into one representative body for British Muslims? If so, is the amalgamation of such divergent organisations really practical, and do Ministers believe that a single organisation can provide a reliable link to all British Muslims—the highest figure is 1.8 million—a proportion of whom do not attend mosques regularly, if at all?

Before Easter, the Secretary of State announced details of a £6 million pathfinder fund to prevent violent extremism which, as the Minister knows, was described as a hearts-and-minds drive. There is a case for using public funds for that purpose, but it is essential that non-Muslims do not feel that they are losing out, and that the use of that money is closely monitored. What safeguards have been put in place to guarantee that the regional forums against extremism, which are part of that drive, cannot themselves be taken over by extremists?

Ultimately, building moderation and cohesion is not the responsibility only of the Government. For example, public broadcasters have a responsibility, by interviewing extremists with the same curiosity and rigour that they traditionally bring to bear on democratic politicians. Mosques have a role to play by opening themselves up to outside visitors, as the main mosque in High Wycombe has a history of doing. The mainstream Islam taught in those mosques has an indispensable role to play in the fight against separatism and extremism. A significant feature of the study of al-Qaeda operatives to which I referred earlier is that most of them were not raised in religious homes where such mainstream Islam was practised. Indeed, Dhiren Barot is a convert to Islam from Hinduism. Wahabi publishing houses produce a mass of books, tapes and DVDs both here and abroad, but Britain's

Sufi mosques do not usually have access to the same resources. I am not suggesting that the state should chip in, but many British Muslim business people are active in community and charity fundraising, and there is no reason why more effort should not go into a publishing drive by moderates. I should be interested to know whether the Minister is doing anything to encourage that.

I have attempted to set out some ideas to help to prevent extremism and to support moderation. There is no perfect means of doing that and no perfect solution; indeed, there is no inevitability about finding solutions to these problems. If enough non-Muslims embrace race separatism, the doctrine of the British National party, and enough Muslims embrace religious separatism, the obviously repellent doctrine of Bin Laden and Ahmadinejad and, in a more subtle form, of Qaradawi, then—to borrow a figure of speech from Yeats—things will indeed fall apart.

None the less, like the Minister I am sure, I remain an optimist as politicians must. It can all too easily be forgotten, amid all those difficulties, that in each day of every year in the communities that we represent British Muslims and non-Muslims live alongside each other peacefully. What is certain among all the uncertainties is that fashion changes. During the first half of my adult life, the fashion in the mainly Muslim world was for Arab nationalism and socialism. In the second half, it has been for religious separatist political ideologies that distort and pervert Islam. Perhaps the best course that British citizens can take, whether they are Muslims or non-Muslims, is to wait for the fashion to change—as it will sooner or later—and in the meantime persistently and patiently make the case for our common inheritance: individual freedom, the equality of men and women, fundamental justice, and democratic government under the rule of law. I believe that the role of Muslim women, in particular, will be crucial to making that change.

I said earlier that I would come to Cantle's proposed statement of allegiance. It perhaps illustrates a way of thinking that holds that Britain is now so diverse as to require the replacement of our unwritten constitution with written contracts. Since 1997, constitutional change has brought us to a halfway house somewhere between our old constitutional settlement and a new future that has yet to be revealed. Looking at recent election turnouts, it is fair to say that that halfway house is not particularly popular. One of two routes is now open to the recovery of ownership of the political system by the people.

The first route is via a fully fledged written constitution that is endorsed ultimately by a referendum, of which Cantle's statement of allegiance could be a part. The second is via direct democracy, by giving more power to the people rather than to unelected judges through the greater use of referendums. Discussion about integration and cohesion in relation to Muslims and non-Muslims in Britain turns out to be part of a wider discussion about the future of faith communities, which the recent debates about faith schools and gay adoption have touched on, and indeed about relations between us all. I look forward to hearing from my hon. Friends and to the Minister's reply.

11.23 am

Mr. Mark Field (Cities of London and Westminster) (Con): I congratulate my hon. Friend the Member for Wycombe (Mr. Goodman) on obtaining this important debate. He has a great interest in such matters. As he rightly said, his is the Conservative-held seat with the largest number of Muslims, and in that as in so many other ways I am second to him, as I have a large and diverse Muslim population in my constituency. I am keen to move away in my remarks from dealing exclusively with Islam and Muslim matters, but inevitably they will form part of our discussions both today and in the future.

My hon. Friend made an extremely interesting speech and a 90-minute debate is by no means long enough to address the whole range of issues. However, I wish to touch on some of the aspects that have been mentioned. In addition to my 73,000 residential constituents, some 40,000 non-UK nationals live in my constituency. They range from the wealthiest of business men to some of the most vulnerable asylum seekers—both ends of the spectrum to which my hon. Friend referred. We must also bear in mind the 1 million or so people who visit central London daily either to work or as tourists.

In the borough of Westminster, which also encompasses part of the constituency of the hon. Member for Regent's Park and Kensington, North (Ms Buck), some 56 per cent. of residents were born in the UK, compared with an English average of some 91 per cent. and a London mean of 73 per cent. I fall within the minority, as I was born in a British military hospital outside the UK.

New folk arrive in the area daily, and issues of cohesion and integration are at the forefront of everyone's mind. People come to this country looking for work, homes and a better life than they would have had from whence they came. Much of the more recent influx has come from eastern Europe. Over the past six months I have had the opportunity on several occasions to speak in and, in fact, lead debates in Westminster Hall on aspects of A8 and A2 nationals coming from eastern and central Europe. Many others have been resident in the area for some time and are now making their way out to homes in other parts of London and the nation at large. I maintain that neighbourliness is alive and well in my part of London. Part of the secret has been the continuation of community identities along the lines that my hon. Friend the Member for Wycombe pointed out.

This time last year, the leader of Westminster city council, Simon Milton, launched a one-city vision to create excellent services and stronger communities. He emphasised the importance of taking action over the next five years to ensure that Westminster remains an open and tolerant city. I appreciate that the Government have done much along similar lines and have helped to finance some local initiatives. The Minister will discuss that in her contribution later. My hon. Friend referred to a dichotomy. My view is that initiatives must be community-based. They cannot simply be the result of an ex cathedra judgment of a local or national government but must be very localised if we are to make progress.

We must create a city in which people are linked together by more than geography, and we must stress the importance of building on shared values and

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aspirations. Elements of that include the importance of English language tuition, which my hon. Friend the Member for Surrey Heath (Michael Gove) will discuss later. I have always taken the view that public money should not be spent on tuition in other languages but that, as far as possible, an almost limitless fund should be available so that people who come to this country can learn English at the earliest opportunity. A lack of English is the most important potential barrier for those who come to this country. They can make a full contribution, not simply economically but in every other way, if they are able to learn English, and we must encourage that at the earliest opportunity.

We are also keen to engage residents from overseas in the democratic process as a whole, to create a common set of aspirations and to develop representative resident and business associations. I heartily endorse all those local considerations, and I believe that there have been improvements in the social behaviour and tolerance of people living in central London and thus, ultimately, in the integration and cohesion of all those who live in the area that I represent.

I am blessed by having in my constituency a very large Chinese community, which is based mainly in Soho and its surrounds. London's Chinatown is the traditional heart of the Chinese community in Great Britain. There is also a very large Bangladeshi community in my constituency. In the week of Bangladesh's national day, I salute the contribution of Bangladeshis to the local communities in south Westminster and in the City of London square mile.

After a few years of residency, many of my constituents feel that they belong to small central London villages. For example, there are no fewer than 30 active residents associations scattered within the seven square miles that make up my constituency. I am convinced that one of the great charms of this part of central London is the fact that so many of its residents care deeply about the neighbourhoods in which they live, and the frenetic activity of many residents associations plays an important role in ensuring that, by and large, we enjoy a high quality of cohesion and integration in our civic life.

However, those same communities feel under attack from the remorseless tales of street violence in London and the seemingly never-ending anxiety about terrorist attacks in the central area. Two of the 7/7 bombs went off at Edgware Road and Aldgate stations, two geographical extremes of my constituency. In the aftermath of the July 2005 terrorist atrocities on and under the streets of London, much national soul-searching has rightly taken place. The question that remains unanswered is how and why modern Britain has bred from its home-grown ranks so many anti-British fanatics. I believe that the notion of multiculturalism that has been promoted in our country in recent decades has been largely discredited. We need to assert the core values of identity, integration and cohesion more strongly. That will be possible only if we embrace this nation's laws and customs.

My hon. Friend the Member for Wycombe rightly pointed out some of those issues, and I would like to discuss them in more detail. I recognise that other hon. Members wish to speak in this important debate, but I would like to talk about our core values, and about how they have been shaped over centuries to allow us to be a nation of freedom and respect for others.

I take as my starting point Martin Luther's defiance of the all-powerful Roman Catholic Church, which took place as long ago as 1517 and heralded the Reformation. The importance of those events to the intellectual development of what we may regard as western society and ideas cannot be overstated. Up until that fateful year almost 500 years ago, there had been a universal, established Christian Church that was, like traditional Islam today, intolerant of any dissent to its power. The threat of excommunication was in no way conducive to independent thinking, scepticism or a broad range of academic and artistic speculation. By chance, within two decades, under King Henry VIII, England had also struck out, so burgeoning intellectual freedom formed the basis of the British state that we understand today. I believe that that freedom has been at the forefront of the vast array of developments in science, the arts, philosophy and political thinking which has moulded western European and global civilisation ever since.

The passion for secular democracy, individual liberty, freedom and equality before the law, religious toleration and pluralism is, I believe, at the heart of what it is to be British. It might be depressing to think this way, but let us make no mistake: those values are not compatible with much of the Islamic teaching that we hear about today. I do not dispute what my hon. Friend had to say about ensuring that the more moderate aspects of Muslim and Islamic thinking are also put across, but it is, I fear, a stark reality that much of that religion's teaching is incompatible with the values that have grown up in the past 500 years.

Collectively, we in Britain seem to have lost the confidence to assert our sense of identity. Ironically enough, the first wave of post second world war immigrants were in very little doubt as to what Britain stood for. Many of those people were products of British colonial rule and came to settle in what was then regarded as the mother country.

I fundamentally agree with my hon. Friend that it is un-British of us to simply codify our values in law, but we are in a state of flux, not least because of the halfway house of constitutional reform brought about by the Government in the past decade. One reason why we have never had a written constitution in this country and why the Conservatives are instinctively opposed to signing up to one via the European Union is that the English way—we are different from the Scots in some respects—has been for a slow, piecemeal evolution of laws and customs. English law has never been formulated as a coherent set of rules by a body of technical experts. Despite all of the centralising pressures coming from an established Church, academia and an ever more powerful state, our law—the common law—has evolved gradually over time, as have the core values that make us what we are. Unlike other countries, we have not sought to oblige our people to speak the national language, although I appreciate that that is changing; we have not looked at the idea of making a vow of allegiance or of showing some respect to the flag, which is the norm in the United States. Our infinite flexibility is in many ways a

wonderful strength. Our customs and values are practical and are based on an ongoing reality so when circumstances change, so too can laws and customs.

Mr. Bill Olner (in the Chair): Order. May I ask the hon. Gentleman to realise that two of his colleagues hope to speak and that I want to allow plenty of time for the Minister and the official Opposition spokesman to answer?

Mr. Field: I believed that only one other hon. Member wished to speak and that the winding-up speeches would start at 12 o'clock. Have no fear, Mr. Olner: I do not wish to hog a further 90 minutes, but I take on board what you said.

As I was saying, the rule of law is a particularly British concept. Our society is based on the notion that we all abide by the same rules whatever our wealth or standing. The rule of law is an attractive concept to those from abroad who settle here. Often it stands in stark contrast to what many people from far afield, and indeed many closer to Britain, are accustomed. As my hon. Friend the Member for Wycombe is aware, my mother comes from a part of Germany that is now in Poland. In the first 15 years of her life she lived first under Nazi dictatorship and then under Communist rule before coming to the west and being able to appreciate those values.

Our legal system, however, is very confrontational, and determined to give the defendant a fair trial. I know that we all have concerns about that in relation to terrorism matters, but it is a fundamental truism in terms of what the British legal system exists to achieve, in comparison with many continental systems, which are designed to reveal the truth, and therefore concern themselves with the interests of the state rather than those of the individual.

We are also a secular society, in that our sovereignty resides in the Queen as a constitutional monarch, with Parliament. The British way has never been to appeal to some higher spiritual jurisdiction. Our laws are made exclusively by the Houses of Commons and Lords and interpreted by an independent judiciary. For historical reasons we have an established Church, but no one should make the mistake of thinking that that indicates anything approximating to a theocracy. Pluralism and religious tolerance have been part of the British constitutional settlement since the Glorious Revolution of 1688.

I must confess that as an Englishman from birth and a Londoner all my adult life I believe that many of my opportunities and dreams have no limit. I recognise fully that that is a stark contrast to countless thousands and millions of people in Britain, some of whom are of course in my constituency. Like my hon. Friend I am an optimist and excited by the challenges facing me and our country in a fast-changing global economy. As a man in early middle age I confess that I sometimes envy those half my age and younger. Their dreams and imaginations will be even more expansive than mine. With vision, leadership and a passion for all that the future holds, we live in a world that holds the most exciting of opportunities, which, only a decade or two ago, no one would have imagined. Global travel has become commonplace. In our debates on aircraft and pollution it is important to realise that global travel is one of the most important ways of enabling people to see different cultures and consider the issues of cohesion and integration that we are debating. The opportunity to travel so far abroad is now within the grasp of many people in this country.

Rather than obsessing in debate about multiculturalism we need without delay to counteract the sense of humiliation and grievance, and the culture of victimhood, that has beset so much of the Muslim world and so many young disaffected people growing up in our inner cities. That growing band of disaffected people, who feel that they have in some way been brought up unfairly, and want to strike back angrily at the society that has borne them and nurtured them, has developed its own sense of victimhood and is independent of much else in society. The new Britons who rail against the society in which they grew up and were educated compare remarkably unfavourably with many immigrants to these shores in the past century, many of whom were escaping horrors in their erstwhile societies. Much of the Arab world has failed to give its young people the political and intellectual leadership that would encourage them to take a more positive path. Meanwhile, we in the west, who have problems among our own young people, should not play up to that culture of historical grievance.

Many parts of the world remain backward, economically and politically, and many of our young people will identify with those failing countries, whether they are in the Arab world, Africa or parts of the Caribbean. I can only imagine how some young people feel now, as perhaps second or third generation British citizens, in a country whose institutions constantly play up to their feelings of discrimination, whether real or imagined. The sense of alienation and humiliation makes, I believe, for a most unstable mix, and for a breeding ground for some of the extreme violence to which my hon. Friend referred.

I believe, as ever, that much hinges on education. I suspect that there will be agreement in the Chamber about that. All our young people need to embrace the history and development of the culture of this country. They need to learn that freedom and fair play have been won after many centuries of pain and railing against a fundamental authority. We must stop apologising for past ills and encourage all our citizens to look forward and rejoice in this country's lack of restrictions and its ability to give its people self-determination and self-responsibility.

11.39 am

Patrick Mercer (Newark) (Con): It is a pleasure to follow my hon. Friend the Member for Cities of London and Westminster (Mr. Field). I do not think that my speech will be as wide ranging, and I hope that it will be a bit shorter—with respect. It is a pleasure to serve under your chairmanship, Mr. Olner, and to be opposite the Minister, for whom I have great respect. I congratulate my hon. Friend the Member for Wycombe (Mr. Goodman) on having gained this incredibly important debate. Unlike my two hon. Friends who have spoken, I have only a small Muslim community—and indeed only a small ethnic community—in my constituency, but it is amazingly influential.

I pay tribute to the Al-Karam school, and in particular to Pirzada Sahib, who runs it. He has been instrumental in so much Sufi thinking in this country

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and in the British Muslim Forum. I spend a lot of time with Pirzada Sahib, and I hope that I have learned much from him. He has certainly attempted to teach me a great deal; whether it has succeeded is of course another matter.

I was pleased to hear the Secretary of State for International Development, in his speech a few days ago, eschew the whole concept of a war on terror. That is an important statement for him to make. I fear that the media tried to make some sort of political point out of it. I do not know whether that is what the right hon. Gentleman intended. To stop Islamist fundamentalists spreading throughout this country and the world, it is crucial that we cease to consider the campaign—even that is not a good word—to counter terrorism as some sort of war. It is not. Such ideology must be countered by another form of ideology, based essentially on tolerance, understanding and above all else—to echo the words of my hon. Friend the Member for Cities of London and Westminster—on education. To continue thinking of it as some sort of military campaign is quite wrong.

I was very impressed in some ways and horrified in others—I shall come to the horrific bit in a moment—by the Government's counter-terrorist design, the plan or strategy Project Contest. Project Contest has been around for several years. As everybody in this room should know but probably does not, it depends on four different strands of thought and action, the so-called four Ps: prevent, prepare, protect and pursue. Intellectually—I am sure that the Minister will agree—I can find no fault with that. The rigour that has gone into designing the strategy is pretty good, and it is difficult to criticise, but I fear that the implementation has been woefully lacking.

This is not a new theme of mine, but it needs to be brought into the public domain yet again. After the 7/7 attacks, the Prime Minister's delivery unit was asked to carry out a rolling audit of Project Contest. It was a secret process, or certainly a discreet one. It started, I believe, soon after the July attacks and reported, I think, sometime in September 2005. We got to know about it only because a leaked document appeared a few weeks later. It was published in October.

The Prime Minister's delivery unit—the Prime Minister's own audit body, which had been unleashed on Project Contest—reached the following conclusions at the end of 2005, which I paraphrase. The strategy is immature. Forward planning is disjointed or has yet to occur. Accountability for delivery is weak, activity is not connected or coherent and—here is the rub—who is in charge? We measure meetings and reports, not real-world impact. In other words, the Government condemned their own strategy in September 2005.

The breath was knocked out of me just a few weeks ago when the Home Secretary, while discussing the Home Office's evolutions, changes and new organisation, seemed to suggest that Project Contest would remain in force unchanged. Indeed, he went on to say that the first strand, which we are discussing today—the "prevent" strand—would continue to be the responsibility of the Minister's Department. I know that she agrees with and understands that, but is it not like sending a car in for an MOT test, being told, "I'm sorry, your car has failed to come up to scratch to run on the road," and saying, "Okay, give me the keys and I'll carry on driving it"? Nothing has been done about Project Contest since September 2005 when it was roundly condemned. Yet here we are with the Home Secretary saying that the "prevent" strand of this moribund strategy continues to be the responsibility of the Minister and her Department. I would be fascinated to hear the Minister's comments on that.

I note the comments that have already been made about the pathfinder fund and other initiatives, which I will not go into in any more detail because they have been properly made already. However, let me continue to expand on the theme of cohesion and integration. I do not know how many others inside this Chamber were stunned by a comment made by the Prime Minister a couple of days after the 7/7 attacks. He came to the House and, for the most part, made a very good speech, but one particular comment struck me as being completely remarkable. He said that in the light of the bombings, we had to start a programme for Muslim outreach. Start a programme for Muslim outreach in July 2005? I wonder what sort of debate we would be having today if the aircraft plots of last summer had come to fruition and 3,000 or 4,000 people had been killed. Aircraft from this country would have exploded over the American mainland not only killing people, but fracturing the relationship between the United Kingdom and the US. In what climate would we now be debating? Would we not be asking about the Prime Minister's 12-point plan—one of the products that came out of the 7/7 bombings?

I will not bore the Chamber by going through the plan point by point, but will the Minister comment on two specific points? First, can she expand on the points that have already been made about a commission to advise on better integration of those parts of the Muslim community that are less integrated than others? Exactly how far has that work got as part of the Prime Minister's much vaunted 12-point plan? Secondly, could she explain the point about the ban on Hizb ut-Tahrir and its successor organisation Al-Muhajiroun? I was under the impression that the Prime Minister was the Prime Minister and that his word was law. Why has Hizb ut-Tahrir not been banned? Surely the Minister fully understands what an insidious organisation it is, what it does to cohesion and integration inside this country, and how it nurtures so much of the divisive and dangerous thinking that has already been described.

I have detained the House long enough. However, I find it extraordinary that in the light of the July 2005 plots—let us not forget that there was one successful attack and a planned attack that could have killed many more people—and in the light of several other failed attempts and the brilliantly intercepted but none the less deeply dangerous plan to attack aircraft last summer, many of the perpetrators of which came from the constituency of my hon. Friend the Member for Wycombe and all of whom were British born, and in the light of the full and comprehensive understanding of the Government that we must try to prevent such atrocities, I am appalled and surprised by the fact that Project Contest continues to be in force, by the paucity of thinking that has gone into the Home Office reforms and by the fact that there has not been an appointment

of a single Minister for security. It leaves me completely aghast and I should be grateful for an answer from the Minister.

11.49 am

Andrew Stunell (Hazel Grove) (LD): I congratulate the hon. Member for Wycombe (Mr. Goodman) on the very thoughtful and comprehensive view that he has brought to the debate. In preparing for the debate, I had the opportunity to review what he said in the Queen's Speech debate last autumn. He has covered much of the same ground today, and very felicitously if I may say so. He has left the Minister with some questions that I hope she will have the opportunity to answer. I certainly do not want to eat into her time.

I should like to underline the hon. Gentleman's point that there is no one-shot solution to this issue. When he spoke about the Queen's Speech, he said that we needed to get the analysis, the prescription and the treatment right. That is exactly right. I should like to take that medical analogy a little bit further and remind the Minister and the House that curing illness is two thirds about happiness and well-being and only one third about the pills and the treatment that people get. As far as our society is concerned, I think that we sometimes concentrate a little bit too much on the action points and not quite enough on the happiness and well-being point, which is what will come to our rescue in this complex situation.

It is a complex situation. The situation in Wycombe is different from that in Westminster and the situation in Burnley is different from that in Brixton. We make a mistake if we think that there is one national prescription or one national analysis that will deal with all the complexities that we face in all those different situations. Although the focus of our debate has been Muslims and social cohesion, we need to recognise not just that there is complexity between the different faith communities of those of different ethnic backgrounds. To focus solely on one solution in one area, then presume that we can apply it everywhere else, will almost certainly not be successful.

It was interesting to hear the speech by the hon. Member for Cities of London and Westminster (Mr. Field). I agree with him that a lot of it has to be about community initiatives, not centrally imposed top-down solutions. I was less comfortable with his visit to the constitutional never-never land of Britain in the olden days, which I want to comment on in a minute or two.

The hon. Member for Newark (Patrick Mercer), who has suffered a little bit of turbulence recently, made a strong point in saying that we should get away from the language of the military: wars and campaigns and so on. Again, we need to understand that we are in a complex situation. We have friends, a few enemies and a large number of people who are neutral or agnostic. The language that we use will be of great importance in coming to a successful conclusion.

I want to spend a minute or two dealing with the historical realities versus the British myth, because a lot of the conversation that I hear in this building and in the media has a patronising tone about how Muslims need to shape up and fit in with British society, with an underlying assumption of some golden model of British society that has a historic inevitability about it that is wholly admirable and wholly desirable. I remind the House that 500 years ago, the Catholics were trying to blow this building up, but of course we do not think about it quite in those terms; we think of Guy Fawkes. A consequence of their attempt was a purge of Catholics in this country that exceeds anything that we have contemplated in the debate so far. Much more recently there was another attempt to blow up this House, which killed the then hon. Member for Eastbourne. On that occasion we did not have a purge against Catholics, which shows that in 500 years we have learned something in this society about understanding the difference between terrorism and an ideological belief or a religious conviction.

I remind hon. Members that we recently celebrated the fact that 200 years ago an Act was passed in this place for the abolition of slavery. We were all happy to celebrate that. William Wilberforce has of course been held as a champion of that cause, and he was an Anglican. It might be wondered why non-conformists, for instance, played no part in that parliamentary victory, and the answer is simple: they, like Catholics, were excluded from the House, which was open only to members of the Church of England. Any impression, therefore, that there was a golden age of integration and cohesion in England is completely inaccurate. Furthermore, although this is perhaps of marginal significance now, we cannot have a Catholic king, let alone an Islamic one.

You might wonder, Mr. Olner, which direction I am coming from, so let me say that I am a Baptist—a non-conformist. The Baptists were the first religious group in western Europe to argue for religious toleration—even for Catholics—and that was at a time when this country's laws forced them to worship in Holland. When we talk to our Muslim colleagues, therefore, who have a very multifaceted faith just as Christians do, we need to be a little more sensitive and just a little less arrogant in what we say and presume.

Mr. Field: I thank the hon. Gentleman for giving way and I take on board what he has said. The point that several Conservative Members have been trying to make is not that everything has been perfect in Britain for the past 500 years, but that integration and cohesion require a sense of common purpose, common values and common aspirations. Those values evolve with time and with each wave of immigration, and large waves of Muslim immigration, for example, will inevitably have an impact on them going forward.

Andrew Stunell: I entirely agree. Indeed, in the second part of my comments, I want to address the fact that things have changed and developed exactly as the hon. Gentleman says. We have learned the lessons, and one of those lessons, which is reflected in the different way in which this country reacted when Guy Fawkes tried to blow this place up and when the IRA successfully blew up part of this place and killed an hon. Member, is not to conflate Muslims or Catholics with terrorism. At a time when it is commonplace to say that we want immigrants to know more about British history and to understand our background, we have actually forgotten our history and our background, and I sometimes wish that the Government would pick up on points such as those that I have just made.

[Andrew Stunell]

As regards the action that the Government have taken, I very much welcome the Commission on Integration and Cohesion, which was a sensible mechanism to put in place and which has the opportunity to explore the issues and introduce recommendations and possibly remedies. Indeed, the Liberal Democrats have made a submission to it and we look forward to its output in due course.

I am less impressed, however, with some of the other things that the Government have done. The Secretary of State's recent six-point plan is a case in point—good intentions, but poor analysis. To return to my earlier analogy, the idea that the solution to the bomb that killed Airey Neave was closer supervision of Catholic churches would be seen as totally absurd, and the idea that the correct response to bombs on buses in London is to supervise mosques is similarly totally absurd. Of course, if supervision is introduced and is successful—I do not know what that means, and nobody can actually tell me what it is supposed to mean—those who do not like it will do exactly what the Baptists did 400 years ago: go to prison or go overseas. The state may therefore attempt to control the way in which people practise their beliefs, but that route will lead to failure.

That brings me to a point raised by the hon. Member for Wycombe. He apologised for producing a long string of acronyms—I must say that I lost my way as he went through them—but there are many different representative organisations for different parts of the Muslim faith. If the idea is that we can have an automatic, state-imposed council of Churches for the Muslim faith in this country, I have to say that that is as absurd as suggesting that the Government could impose a council-of-Churches model on the Christian Churches of this country. The diversity is enormous and of course the membership and the commitment of people from a Muslim background to any one or, indeed, any at all of the different branches of the Muslim faith is not by any means assured.

That brings me to the point on which I wanted to conclude. There has been much discussion of separatism and parallelism and whether that is a good or a bad thing. I think we should accept that it is a neutral thing. The Government do not propose to take action against the Plymouth Brethren, who keep themselves completely separate in this country. They do not participate in the political process, they do not intermarry with other groups and so on. I am sure that I shall be told that that is an absurd point because the Plymouth Brethren pose no threat; they have not been blowing up buses. Of course all that is true, but then why do we think that the right approach is to bring mosques into some kind of pro forma way of relating to this country and our society? Are Muslims not permitted to have an equivalent of the Plymouth Brethren when that is permitted for Christians?

I ask that question because sometimes the discussions that I hear seem to be leading people into a quagmire that cuts absolutely across what the hon. Member for Cities of London and Westminster said about this country, its unwritten constitution and its capacity to accept diversity, to take on board different values and to recognise and have mutual recognition for them. We need to be clear about what we are trying to achieve and not allow ourselves to be overcome by discussion of particular mechanisms for achieving it, which might be more costly.

Of course, there is the point about the dress code. I wanted to hear in the Tea Room what the hon. Members for Wycombe and for London and Cities—I cannot get that right; let us call him the hon. Member for London—wanted to have as the dress code option. In Britain, do we want a written constitution? I do not think so. If we do want a written constitution, should it say something about our dress code?

When I was in the third year in secondary school, boys were sent home for wearing trousers without turn-ups because that was not permitted. By the time I got to the sixth form, they were being sent home for wearing turn-ups, because that was not permitted, so I have some difficulty with an authoritarian system that dictates what people should wear. Of course people have to wear clothes that permit them to carry out their public functions, but please let us not get carried away by an outward symbol that we presume means something else. Let us look at what the something else is.

The last part of the evidence that the Liberal Democrats submitted to the Commission on Integration and Cohesion said that

"we would simply add...the importance of one intangible and inexpensive ingredient—talking. Informally, socially, casually. Learning that the other person is human, has shared aspirations and an interesting family and cultural background. Seeing past the collective myth to the personal reality.

Acts of Parliament and large sums of money may well be needed to make progress, but it will all be wasted if that informal and personal dialogue does not take place thousands of times a day right across the country."

12.4 pm

Michael Gove (Surrey Heath) (Con): It is a pleasure to serve under your chairmanship, Mr. Olner.

I congratulate my hon. Friend the Member for Wycombe (Mr. Goodman) on securing the debate. As the hon. Member for Hazel Grove (Andrew Stunell) pointed out, my hon. Friend made a brilliant speech in the debate on the Queen's Speech, in which he outlined the scale of the challenge that our society faces. That challenge is not one of religious separatism, but one of ideological division, and here I must take issue with what the hon. Member for Hazel Grove said in his fascinating, wide-ranging, but in some respects misconceived remarks. He was right to stress the importance of community initiatives. He was, as ever, right to stress the importance of pluralism and to recognise that one size does not fit all when we are dealing with the various problems that we have all had an opportunity to analyse in the debate. However, he was wrong to suggest that the problem is an explicitly religious one, and to draw the historical comparisons that he did.

I should point out that, when the hon. Gentleman said that we no longer believed in one version of British history that saw us moving towards a golden future, he was disavowing a grand Liberal tradition. That version of history, which saw us moving towards a more liberal future, which used to be known as Whig history, and was the product of Macaulay and Trevelyan, used to be the guiding light of his party. It is a pity that it is no

longer. One of the insights of Macaulay, Trevelyan and other Whig historians is that what has made Britain great is not just our respect for pluralism and tolerance, but a belief in liberty, rooted in our historic institutions. Those institutions are challenged by the specific ideology outlined by my hon. Friend the Member for Wycombe.

Islamism is distinct from Islam. Islam is a great faith that has nourished millions for hundreds of years. To this day it contributes intellectually and spiritually across the globe to enriching the lives of a great many people. No one on the Conservative Benches would want to criticise Islam as a faith. Indeed, it has enriched this country. Islamic scholars and tens of thousands of British Muslim citizens make Britain a better and more tolerant place today, but the best of those—in fact, the majority of them—also recognise that those who call themselves, sometimes, Islamists or jihadists, or who use another name, such as Salafists, and who follow the specific Islamist ideology are following a 20th-century totalitarian aberration that is intended to undermine the very tolerance that makes Britain both a safe and a warm house not just for its Muslim citizens but for all citizens. If we are to ensure that toleration will survive in this country, and protect pluralism and liberty, we need to be aware of the precise nature of the threat. That is why my hon. Friend the Member for Wycombe deserves praise for drawing attention to that challenge in this House and elsewhere.

Andrew Stunell: The hon. Gentleman was kind enough to address his remarks to me, and of course I acknowledge the points that he was making about the hon. Member for Wycombe, who has rightly set out his stall on the matter. I hope that I conveyed the point that I wanted to make, which is that confronting the extremists is not the major job that we have. We must address the society.

Michael Gove: Both go hand in hand, and we cannot effectively champion the interests of moderate Muslims and of our pluralist, tolerant and liberal society, unless we show a determination to tackle extremism. It is the extremists who, in the past, have crowded out from the debate the moderate voices in the Muslim world. I am thinking particularly of the voices of female British Muslim citizens, which have been stilled and silenced as a result of extremists operating not just in mosques but more broadly in our society.

I want to say a word of appreciation about my hon. Friend the Member for Newark (Patrick Mercer) and congratulate him on his speech. He brings huge expertise and great integrity to the debate. In his professional career before he joined us in this House he spent many distinguished years serving this country and defending its interests. While he has been in the House he has proved himself a dedicated public servant, and whenever he speaks on such issues it behoves all of us to pay close attention to the expertise and integrity that he brings to bear on them, as he did so effectively today.

I also congratulate my hon. Friend the Member for Cities of London and Westminster (Mr. Field) on his speech. Rather than inhabiting a constitutional Never Land, all that he did was stick up for those Enlightenment values that are the best protection for all minorities. In that respect I am delighted that his comments found a ready answering call in all my hon. Friends' speeches.

When we are talking about integration and cohesion it is important for all of us to choose our words carefully and to tread with care. With your permission, Mr. Olner, I want to make a brief apology to the House. On a previous occasion, in December 2005, I had an opportunity to question the Home Secretary about his strategy for preventing extremism. I believe that several individuals whom the Government had asked to work with them on preventing extremism were themselves linked to extremist groups. I took the opportunity to raise in the House the names of some of those individuals. One of them, a gentleman called Ahmad Thomson, is a Muslim convert who was involved in holocaust denial, and I believe that it was right to draw attention to his involvement and that of several others whose enlistment by the Government in their fight against extremism seemed to be mistaken.

However, even as I was pointing out that the Government had made a mistake, I myself made a mistake. One of the individuals to whom I drew attention was Mr. Khurshid Ahmed. I remind the House that the gentleman to whom I drew attention has exactly the same name as another Khurshid Ahmed who is indeed linked with extremist activity, and who operates primarily in Pakistani politics but also has a link with institutions in this country. The Khurshid Ahmed who served on the preventing extremism together group is an admirable individual. I have now had the opportunity of meeting and working with him on several occasions.

When I discovered my mistake, I immediately wrote to Mr. Ahmed and to the Home Secretary to apologise and to put the record straight, but I have received representations from Mr. Ahmed's Member of Parliament, the hon. Member for Dudley, North (Mr. Austin), who asked me to use any opportunity to place on the record in *Hansard* an acknowledgment of my mistake and to underline what I said in my letter, which was that Mr. Ahmed has done considerable work to further integration and cohesion in our society, and that he deserves nothing but the highest praise for his many years in public life. I am happy to use this opportunity to state on the record, for the benefit of *Hansard* and those outside, my appreciation of Mr. Ahmed's work and of the calm, diligent way in which the mistake was brought to my attention by the hon. Member for Dudley, North, whose own contribution to fighting extremism in his area of the west midlands also deserves to be noted with credit by the House. I placed copies of the letters that I wrote in December 2005 to the Home Secretary and to Mr. Khurshid Ahmed in the Library earlier today.

I mentioned that it is important to acknowledge our mistakes, and I believe that the Secretary of State for Communities and Local Government, in her conduct since taking on responsibility for integration and cohesion matters, has acknowledged that the Government made errors in the past. She did that not in a breast-beating way, but in an appropriately respectful fashion. Before sitting down and allowing the Minister to reply to the many questions that have been put by my hon. Friends,

[Michael Gove]

I would like to acknowledge that the Government have moved but also to indicate that there is still some way to go.

I believe that the Government have accepted that, before the fateful events of 7 July 2005, they had fallen down on the job when it came to questions of integration and cohesion, and of extremism, specifically within the Muslim community. They have acknowledged that the principle of the covenant of security—that unless someone is actively engaged in violence against the state, their activities would be tolerated, no matter how extreme their preaching—was a mistake. More than that, I believe that the Government have acknowledged that some of their chosen partners in the Muslim community and elsewhere were not as well chosen as they might have been.

The Secretary of State was absolutely right to point out recently that Muslim organisations that boycott holocaust memorial day should no longer receive public money. I also note with approval that recently she has been showing a willingness to work with the Sufi Muslim Council, the British Muslim Forum and especially the Fatima Women's Network, all of which are more moderate Muslim organisations.

The Government's greater openness to working with moderate, mainstream organisations is to be welcomed, but it provokes a couple of questions. First, as my hon. Friend the Member for Wycombe pointed out, the Government still seem to be taking a disjointed and far from synoptic approach. I mention one area that he did not, which comes under the rubric of the Department for Education and Skills. Why is it that the Government's adviser on the teaching of Islam in higher and further education, Dr. Ataullah Siddiqui, is linked with the Islamic Foundation and the Markfield Institute of Higher Education, both of which are institutions that were set up by the Jamaat-e-Islami party, an explicitly Islamist organisation, and its supporters? In other words, why is the man who is charged with checking extremism on Britain's campuses in fact linked with a body that was set up by a separatist Islamist organisation?

Secondly and more broadly, I welcome again what the Secretary of State said about seeking to encourage mosques to register with the Charity Commission and, as a result, receive not only help with fundraising, but a higher level of oversight and help with governance. What, however, do we do with mosques that explicitly reject that kind offer because they wish to carry on with extremist preaching and teaching? How do we ensure, as my hon. Friend the Member for Wycombe said, that the flood of extremist Wahabi literature and, indeed, Saudi money into certain mosques is effectively checked so that the process of indoctrination in an extremist ideology is scrutinised and we deal effectively with teaching that might encourage a new generation of people who believe in separatism and division?

In that regard, I am very interested in my hon. Friend's question about the Mosques and Imams National Advisory Board. Why is the Muslim Association of Britain—the UK branch of the Muslim Brotherhood, an Islamist organisation—on an equal footing with the British Muslim Forum and the Muslim Council of Britain? Why is Finsbury Park mosque, which used to be the haunt of Abu Hamza, now run by the Muslim Association of Britain's Dr. Azzam Tamimi? Why, having got rid of one extremist, do we have another version of extremism in control?

I have a final request for the Minister. I appreciate that time is pressing and that she has a limited amount of time in which to answer all our questions, but can she prevail on the Secretary of State and the Cabinet to ensure that we have a full-day debate on this issue in Government time? Given the setting-up of the commission, the Secretary of State's announcements and, crucially, the prospect of significant changes in the Government machinery for dealing with this most sensitive of issues, as well as the Government's fitful record of implementation, to which my hon. Friend the Member for Newark referred, we need the Government to give a clear statement in their own time on precisely what the new strategy is. That will give those Opposition Members who wish to see them and our multi-ethnic society succeed an opportunity to make an effective contribution to this ongoing process.

12.17 pm

The Parliamentary Under-Secretary of State for Communities and Local Government (Meg Munn): I congratulate the hon. Member for Wycombe (Mr. Goodman) on securing this important debate. In direct response to the final point made by the hon. Member for Surrey Heath (Michael Gove), let me say that the hon. Member for Wycombe raised the issue of a future debate with the Leader of the House during business questions, who said that it was under consideration. This debate, too, will bring the issue to my right hon. Friend's attention.

I am pleased to have this opportunity to debate issues of integration and cohesion in the UK and to outline the significant work that is under way to build integrated and cohesive communities in which all are welcome and able to flourish. The debate also gives me the opportunity to dispel some of the myths that exist and which hon. Members present have, unfortunately, reiterated. I am therefore grateful to be able to put the record straight.

I doubt that I shall be able to answer all the many questions that hon. Members have raised, but before I seek to do so, I want to set out what the Government are doing. I give a commitment, however, that I shall write to hon. Members if I do not have time to respond to the issues that they have raised, and hon. Members may wish to prompt me on various issues following the debate.

First, we need to recognise the enormous progress that has been made on this issue. Equality between individuals and good relations between communities are much better than they were in the 1950s and 1960s. Immigration has brought huge economic and other benefits to our country, and our cultural life has been enriched beyond measure by people who have made their home here. However, we also know that diversity can bring tensions and that big challenges remain, particularly as new pressures, brought about by increasing globalisation and EU expansion, are felt in our neighbourhoods. Such pressures can be exploited in extremist thinking and rhetoric, whether by radical Islamic groups or far right parties.

In the face of such challenges, integration and cohesion are fundamentally about a simple question: how can we live together in all our diversity, with our different backgrounds and beliefs? That simple question encompasses a set of more challenging issues for us to think about as we consider the kind of society in which we want to live: one that is at ease with itself, confident and united in diversity; and one in which we continue to respect difference, but at the same time ensure security and a sense of solidarity.

To get to that place, it is crucial that all sectors of our society—private, public and voluntary—as well as communities themselves, continue to work together towards a common goal of integrated and cohesive communities. I appreciate the comments made by hon. Members today that this is not just a matter for Government. Although the Government clearly have an enormously important role to play, it is essentially also a matter for communities.

I start by stating that one of our core principles regarding cohesion is that the focus on local communities should be critical. The integration of new communities and the promotion of cohesion between existing groups, although driven by national events and changes, is largely experienced at a local level. The global changes that shape our lives are often best met with local solutions and on that point, I entirely agree with the hon. Member for Hazel Grove (Andrew Stunell). What happens in one community is not the same as what happens in another and we need to have responses that work at a local level.

The machinery of government changes that took place in May last year, which the hon. Member for Newark (Patrick Mercer) conveniently seems to have ignored, were critical for creating a stronger focus on cohesion at a local level because responsibility for community cohesion was transferred to the Department for Communities and Local Government. Clearly, that took place some time after the report of September 2005 from which he read. That transfer of responsibility is why the DCLG is helping to develop the local infrastructure to support our partners in their effort to build cohesion, first, by making cohesion an integral part of local government's role as the leading strategic body in the local area, which is a role emphasised in the White Paper "Strong and Prosperous Communities" published last October. The White Paper recognises that local authorities are best placed to understand the particular challenges that their areas face, and to work with communities and local partners to decide how to respond.

Secondly, the Department wishes to ensure that we understand what works at a local level, and I endorse the comments rightly made by the hon. Member for Surrey Heath about Khurshid Ahmed from Dudley, who I know personally. One of the aspects of the work that he has done with the Government is to demonstrate what works at a local level. There are some good examples of work taking place in areas such as Dudley from which we can learn.

The Commission on Integration and Cohesion, about which I hope to say more later, has the role of examining how to develop a local and practical approach. The commission will make recommendations in June on how, six years on from the disturbances in the northern mill towns and two years on from 7/7, we can build resilience to tensions and conflict in our communities.

Finally, we are looking across Whitehall to identify what other structures have a role. For example, we are considering the role of schools in promoting community cohesion through a curriculum and ethos that supports diversity and promotes a sense of common identity. By showing pupils how different communities share common experiences and values we hope to make them feel part of a broader regional and national community. The Education and Inspections Act 2006 places a duty on governing bodies of schools in England to promote community cohesion, and for Ofsted to report on the contribution made by each school. That legislation will come into force in September this year and I hope that it will build on the good work that many schools are already engaged in. I endorse the comments of the hon. Member for Wycombe about the importance of people having influence by becoming school governors in their communities.

Infrastructure is only part of the story. Those involved in building cohesion on the ground also have a vital role. For example, people working in the voluntary and community sectors are critical in building social capital and forging bridges between communities. Local charities, youth volunteering groups, and sports teams all have a role to play in bringing communities together and promoting the sustained and meaningful interaction that is at the heart of strong, cohesive communities.

Faith communities also contribute to social and community cohesion through the values and activities that underpin good citizenship, such as, altruism, respect for others, ethical behaviour and community solidarity, alongside strong examples of inter-faith work and outward-facing activities. The work of those organisations is taking place within a broader framework set from the centre, which includes a robust commitment to equal opportunities for all. As hon. Members will know, from October this year the new commission for equality and human rights will be in place. That is a fundamental part of saying that equality is an issue for everyone and that we must eliminate racism from our society.

The Government have, in recent years, strengthened our legislative framework, and—this has not been discussed today but is of concern to hon. Members—welcomed the recent all-party parliamentary inquiry's constructive and comprehensive report on anti-Semitism in particular.

Continued support for those organisations taking a stand against Islamist extremism is important. Cohesive communities can help in our efforts against extremism of all varieties, but our work on preventing violent extremism in the name of Islam requires something else as well. We know from our experience of 7/7 that even in the most apparently cohesive communities pockets of extremists can be operating. That is why my Department launched its "preventing violent extremism" action plan earlier this month, which is first and foremost about winning the struggle for hearts and minds, and supporting Muslim communities in building their resilience to extremists' messages. It will effect a significant change in the Government's work to tackle radicalisation, including a £6 million fund to support local community-based projects.

[Meg Munn]

I shall respond to some of the issues that the hon. Member for Wycombe raised about the "preventing extremism together" project, which has been misrepresented. The project was put together in September 2005, and the report that only a few of its recommendations have been implemented is simply not correct. The working groups came together—I was part of them in my ministerial role—and the first steps were taken at that point to put together a set of practical recommendations to build a partnership between the Government and Muslim communities.

I shall respond to a question from the hon. Gentleman about a matter that the hon. Member for Surrey Heath also raised. The Government are not seeking to have one Muslim organisation to talk to. The reality of all groupings—we have been into the history of a number of other religious organisations—is that every community has many facets, and the Secretary of State has made it clear that it is important to work with organisations that support us in our role, that want to ensure that we actively tackle extremism and that are part of the drive to deal with the issues that concern us all. The truth is that the latest stage of our work and the action plan that the Secretary of State presented recently is supported by a whole range of Muslim organisations and scholars who see it as an enormously important step that we must take in our further work on the matter.

Michael Gove: Will the Minister give way?

Meg Munn: May I continue, because I fear that I may not be able to deal with some of the important issues that have been raised?

I shall deal with the points that the hon. Member for Newark unfortunately set out incorrectly. Let us be clear about Project Contest. The Home Secretary held a review of the counter-terrorism strategy in autumn 2006, and the result was cross-Government agreement that the DCLG was best placed to lead on "prevent" in building resilient communities. The creation of a new office dealing with sectarianism and terrorism has again been confirmed in the House, and the DCLG will continue to have that role, which was first put in place in May 2006. It will have an important role in working with other Departments on the whole Project Contest strategy, of which "prevent" is one part.

Unlike the Conservatives, whose view is that the issue could be dealt with by just one Minister and one Department, we recognise that it is hugely complex. It is important that not just the changes to the machinery of government in 2006, but those that are now coming forward mean that Departments will continue to act and to work in the roles that best suit those Departments and their overall brief.

Finally, the Commission on Integration and Cohesion is enormously important and we must be clear that it will look at a range of issues, including shared civic value, but there is no intention at this point—

Mr. David Amess (in the Chair): Order. We now come to the next debate.

Military Procurement

12.30 pm

Mr. Ian Liddell-Grainger (Bridgwater) (Con): I am indebted to the House for giving me the opportunity to raise this matter yet again; such debates have almost become an annual event. The hon. Member for Chorley (Mr. Hoyle) is in his place, and I am indebted to him for starting this debate long before I became the Member for Bridgwater.

An important munitions factory is based in the heart of my constituency, and as the Minister is aware, BAE Systems is also responsible for equipping some of the ageing fleet of Nimrod reconnaissance aircraft. Unfortunately, as this House and the public know, one of those planes dropped out of the sky in Afghanistan last September, tragically killing the entire crew, including an RAF sergeant from Bridgwater. My local munitions factory in Bridgwater is due to be closed imminently—that could happen at the end of the year—and suffice it to say that a very powerful British company is unfortunately not the flavour of the month in my constituency.

Procuring contracts for sensitive defence products always depends on the attitude of the Ministry of Defence, its Ministers and, unfortunately, the Treasury. That is why I am pleased to see the Minister of State in his place across this Chamber. I want to tell him a few home truths in a nice way, and although I shall sometimes be blunt, I know that he listens to what hon. Members have to say.

Defence is a genuine interest of mine. I used to be an adviser at Land Command headquarters and I maintain the rank of major. I am also still on the reserve list, so the Minister could doubtless get his revenge by sending me to places far and foreign should he wish.

The Minister of State, Ministry of Defence (Mr. Adam Ingram): Where would you like to go? *[Laughter.]*

Mr. Liddell-Grainger: I am also indebted to the Minister's staff for correcting a typo when I managed to get the wrong country.

I am nearing the end of a privileged spell of service with the RAF, which has taken me to the very front line in Afghanistan twice in the past few months with the armed forces parliamentary scheme. It is a remarkable scheme, and many of us are indebted to the professionalism and superb ability of our armed forces. I am always struck by the enormous enthusiasm and resilience of our soldiers and airmen. They make it their business to get the job done in some of the most hostile terrain in the world, even though they are unfortunately often without the proper kit. Our people are performing daily miracles in these places and they deserve the united applause and support of this House—I know that they get it.

They also deserve the Government's support in all shapes and forms, especially through procurement. That means providing more than the bare minimum. I have no doubt that the Minister will respond, as we all sometimes do, by reeling off huge, impressive-sounding figures to show how much has been spent and what has happened. We all accept that defence is always

expensive; everybody is aware that even the bare minimum does not come cheap. My argument is that we are in danger of cutting too many corners and of procuring nothing but danger for the very people who courageously carry the flag for this country.

My first trip to Afghanistan was a grim reminder of just how dangerous the place is; the wreckage of the RAF Nimrod that came down last September was still in the desert. The plan was to lay a wreath there for those killed in the accident, but the last resting place of this huge aircraft was slap bang in the middle of an effective Taliban firing range. So I had the great honour of laying a wreath at the memorial in the Kandahar base on behalf of the Knight family. I got to know some of the brave airmen, and they told me harrowing stories about the conditions in which they are working and the equipment that they are expected to use.

Everything that I have read about the battle of Britain inspired me to believe in the imagination and single-mindedness of our flyers, and that has not changed one jot; they are incredibly gifted people with true grit and humour. The difference is that in 1940 they were flying state-of-the-art Spitfires that were the envy of even the Luftwaffe, whereas in 2007 they are flying 30-year-old Nimrods. Usually, more Nimrods are sitting on tarmac with the bonnet up than are doing what they were built for, but that is hardly surprising as the Nimrod is based on the airframe of the Comet airliner—they stopped flying Comets when I was in short trousers. No arm of the military cares to admit that its toys are falling to bits, and that damages troop morale.

The morale of aircrews on Nimrods is pretty close to rock bottom these days. If he has not already done so, I invite the Minister to take a look at the Professional Pilots Rumour Network at www.pprune.org. I would not normally suggest that a Minister should look at a rumour-mongering site, but that one is interesting, because it involves the airmen themselves. It cannot, of course, be relied on to tell the whole truth, but the airmen are using it as a valve for internal grumbles. I should like to quote from a pilot's entry of a few weeks back:

"I've served 6 months away each year in the Sand, every year for the last 4 years. But that didn't knock my morale anywhere near as much as crewing in at 0400 but not getting flying until 1700."

The Nimrod is becoming the RAF's Skoda. The men want to fly, but I am afraid that the plane is clapped out. I should like to bring another entry to the Chamber's attention:

"A serving crew member told me of a recent sortie in search of a submarine, the radar was not working on the Nimrod…When he asked how he was supposed to find a submarine without radar he was told to look out of the window and use his eyes!"

Even if only a small proportion of those stories are true, there is a major problem to which I hope the Minister and the Government will own up and say, "We need to cough up." We must not and should not put aircrews at risk because the kites that they are flying are beyond their sell-by dates. We should never put anything into the air that does not have the proper equipment inside it.

I believe that the bulk of the work on the aircraft is the responsibility of BAE Systems, and guess who is building the replacement to Nimrod. The new plane was conceived in the mid '90s, when 21 were ordered. That fell to 18 under the Labour Government, and I believe that the number is now 12. However—hold on to your hats—Nimrod's replacement should be in service by 2011. Three prototypes have been tested already. They look remarkably like the old Nimrods, but then they are based on the same old airframe. Basically, BAE Systems has been squeezed by the MOD, which has in turn been squeezed by the Treasury. I put it bluntly to the Minister: I am afraid that son of Nimrod is a cheap facelift.

I represent a constituency with a proud history of providing our Army, Navy and Air Force with the means to do the job. In Bridgwater, we make bombs and explosives and have done so efficiently, economically and successfully for more than 50 years. Some of my constituents are the best legal bomb makers in the business. They are true specialists, and, as the Minister is well aware, dedicated to their work. However, in a month or so there may be no more work for them to do. BAE Systems runs the old Royal Ordnance factory just outside Puriton and, as the Minister is aware, it intends to close the place. It and, dare I say it, the MOD believe that they can buy what Britain needs elsewhere in the world—and, unfortunately, cheaper. I think that they are misguided, and I am not alone. Some 136 skilled people agree with me—as does Lord King, my parliamentary predecessor and former Secretary of State for Defence, as do many people with a real understanding of ordnance supplies. To shut the plant would be more than a local blow. It would be a national disgrace and could put the very defence of the realm at risk.

We started making armaments in Bridgwater during the last war; it was a question of genuine necessity. Germany was stretching our military capabilities to the limits and we needed more weapons. Over the years, the discreet little plant has churned out munitions for every theatre of war in which we have taken part since the second world war, as has Chorley.

In my local Royal Ordnance factory, the famous bouncing bombs that destroyed the Ruhr dams were designed and built. I dare say that Sir Barnes Wallis, their inventor, would rotate in his grave if he thought that the factory was doomed. The bombs that we aimed successfully at Saddam Hussein's bunkers were primed in Puriton and the explosives, the final charges, for Trident missiles are also made there.

The work force were, and remain, very special. Originally, they—experts with cool heads—were recruited from all over Britain, and the Royal Ordnance factory maintained an enviable reputation for safety. When the factory became part of BAE Systems, the employees faced the change with their typical can-do attitude; they really felt that they could make it work for the future. Even when the plant was under threat of closure a couple of years ago, everybody volunteered for extra productivity without any problems. I know that because I worked alongside the trade unions and local management to keep the factory in business, and I will continue to do so.

Now, unfortunately, crude economies are beating sound common sense. BAE is rationalising—I have no problems with that—but for hard commercial reasons. The official line is that there is nothing to worry about and BAE is confident that there is no supply risk. The

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Government have told me so as well through Lord Drayson, but recently at Glascoed, where packaging takes place, 3,000 rounds of artillery were made of which only 150 were workable. There are major production problems.

The Government should never, and I hope will never, treat defence as a matter of commerce. BAE Systems obviously does not think that a little bomb factory in Bridgwater that ticks over nicely and makes a mint will be at the heart of its business; it will not. BAE Systems keeps telling me that Britain can buy munitions without Bridgwater, but the evidence is against that.

I am told that the US navy is seriously worried about its future supplies, because the Puriton factory produces a type of explosive hard to obtain. Rumour has it that the Pentagon tried to persuade my local plant to make more of the stuff so that the Americans can stockpile it when they do not have Puriton. BAE Systems has marked one factory in Tennessee as the future source of the explosive RDX, but, as we know, it has suffered a catastrophic explosion and cannot produce it at the moment.

The Minister is aware that the cost of replacing the plant would be £50 million. That equates to £2 million a year for the 25-year lifespan of the factory. The same would go for Chorley. Surely £2 million a year between the Government and BAE Systems is nothing to pay for the security of supply for our nation's well-being. I ask him to urge the MOD to rethink. Of course it is possible to buy anything in this world, but we want it to go bang, not fizz, when we need it most. A few years ago, the British Army tried to buy bullets from the far east, but they did not work. Millions were dumped at sea, and the factory, along with Chorley, had to make up the shortfall.

Rumour also has it that France could become a new source of supplies for BAE Systems. The French make good cheese and wine, but I do not think that they do explosives. A container of explosives was recently shipped from France to Bridgwater so that Puriton could have a look at it. The product was OK, but it was not of the quality that we expect in this country.

This is not the time or place for complacency. If Somerset were the only ordnance factory of many to be closed, that would be fine, but it is the only one that we have. It is a sad saga of price not peace. Making weapons is far too important to leave to the marketplace. Closing our arms factory would be a bitter blow to Bridgwater and Chorley and is a steep price for our national security. I appeal to the Minister and the MOD to intervene and use their considerable muscles before it is too late.

12.43 pm

Mr. Lindsay Hoyle (Chorley) (Lab): I thank the hon. Member for Bridgwater (Mr. Liddell-Grainger) for securing this debate. It is important that we put on record the failings of Royal Ordnance. It has cheated the workers of Chorley and Bridgwater. Those people gave everything whenever there was a need, whether in the Gulf, the second world war or Korea. Their loyalty and expertise were second to none, and their reward was closure. That is a sad indictment of the RO.

The RO is a disgrace. It tells lies, misleads people and makes empty promises. We were told that engineering offices would remain at Chorley, and what happened after it settled closure at Chorley? It removed that promise. It cannot be trusted as an organisation. This is about money and nothing else. It ought to be ashamed of what it has done to the workers.

There is still time to protect Bridgwater and Chorley. We in this country will be naked—we will not be able to make explosives without them. Nowhere else in this country can they be replicated. BAE is failing our national interests, and it ought to be ashamed of itself. What did it leave in Chorley? A storage facility of explosives. That is how good BAE is to the people of Chorley—not one job will remain, but everybody's bombs and explosives will be stored in Chorley. There will be no jobs and no security. It is unacceptable.

What did we ask BAE for? We said, "Why not put up a memorial to this factory? Although Sir Barnes Wallis used Bridgwater, the casings were made at Chorley. We have a great history that ought not to be lost." What was the BAE bosses' reply? "No, we are not going to provide anything." They ought to be ashamed of themselves as a company. It is a total disgrace that they are willing to use overseas workers at the expense of British jobs. It is not good enough. They ought to come back to the table, go back to the MOD and ensure that the workers of Chorley and Bridgwater will be truly represented. It is unacceptable. I say once again that they should be ashamed of the lies that they tell.

12.45 pm

The Minister of State, Ministry of Defence (Mr. Adam Ingram): I congratulate the hon. Member for Bridgwater (Mr. Liddell-Grainger) on securing the debate on the procurement of BAE Systems products by the UK armed forces and on providing an opportunity to discuss that important issue. I am also grateful to him for providing his thoughts in advance, allowing me the opportunity to provide a fuller response to his points.

I have listened carefully to the hon. Gentleman's speech and would like to start by correcting a number of the points that he has made. He mentioned a time when bullets were procured from a source in the far east that were subsequently found not to be of the required standard and were removed from use. That is true, but I am advised that it happened in 1976 and I do not think that I can be held responsible for that. Subsequent Governments obviously learned their lessons relating to that.

The hon. Gentleman mentioned an explosion at the US Holston factory. He raised that matter during a debate on 6 June 2006, which is in *Hansard* at column 66WH. However, we can find no such evidence for what he refers to. He was written to by the then Under-Secretary of State, my hon. Friend the Member for West Bromwich, East (Mr. Watson), on 19 June 2006 asking for more details, but none were forthcoming. To repeat the accusation today is slightly disingenuous: it is more a whimper than a bang. If there is evidence, he should give it to us. But we cannot find any source for it at all.

The hon. Gentleman mentioned rumours concerning the US navy. I am sure that he will understand that I cannot respond to rumours. I need hard facts. If he can

give me more details about what he has been advised of, I will certainly look into that and respond to him in detail.

The hon. Gentleman also mentioned the 105mm artillery round, termed the L50, which is a new round, using new production processes and facilities. The company is working hard to deliver that new capability. Meanwhile, I assure him that operational delivery to the front line is not being compromised as a consequence of that new development work, because we are continuing to use the current 105mm high explosive round successfully on operations. There is an issue and both the Ministry of Defence and the company are actively engaged in finding a solution to it, which I am confident will be found.

Let me now turn to the more general aspects of the hon. Gentleman's speech. The MOD sources its matériel from a wide range of companies at home and abroad. However, I accept that BAE Systems is the largest supplier of equipment to the MOD. BAE Systems provides up to £4.5 billion of equipment a year to the MOD and employs 30,000 people in the UK, with another 60,000 worldwide. That is a major contribution to defence acquisition and support. We aim to work effectively and closely with the company to improve its performance and ensure that complex programmes meet operational, programme and budget imperatives. We are currently working closely to implement the defence industrial strategy, which was published in 2005, the aim of which is a competitive, lean industrial base that provides security of supply of critical capabilities to the armed forces while delivering long-term value for money.

BAE Systems' position as the largest supplier of equipment to the MOD places it in an important position as part of that equation. The DIS is widely supported across industry, Government and the trade unions. I believe, and I hope that my hon. Friend the Member for Chorley (Mr. Hoyle) believes, that that is the way forward and gives the best arrangements for partnerships with industry, including BAE Systems. We have made much progress in implementing the strategy, which has been needed for a long time. We have now defined it and are making progress on it.

One aspect of the DIS was to recognise the military importance of munitions. There are critical capabilities that we want to retain and to develop. We also want to retain the ability to design and to produce munitions, to support them throughout their lifetime and to test them safely, which is also highly critical.

That is why we have a general munitions industrial strategy to take those commitments forward. It is in that context that the munitions acquisition supply solution project operates. Project MASS is charged with delivering future arrangements for the supply of general munitions beyond 2010. It is part of the overall analysis and strategy.

Operational sovereignty, security of supply and value for money are crucial factors in determining the way forward for project MASS. The result will be that industry will have a better understanding of the opportunities to provide safe and effective munitions. We are working to ensure continued security of supply, both now and on operations in the future.

As part of such efforts to improve efficiency and value for money for the taxpayer, BAE Systems has made the commercial decision to close the munitions sites at both Chorley and Bridgwater. Both sites are due to be closed in their entirety by early 2008, as my hon. Friend and the hon. Gentleman will be aware.

The closure of the sites is not a sign of disrespect to those who have worked there—on previous occasions I have abundantly praised all that has been delivered by those people. As decisions have been made on site or base closures, both within the MOD and between the MOD and industry, I have paid genuine tribute to those who have provided service in the past. However, change is required, and clearly there are those who are adversely affected by it. The employees of both sites have worked hard and delivered a quality service over a number of years—that is not in question. However, at the end of the day, the decision is one that BAE Systems must make on the basis of its best commercial judgment.

We at the MOD must take the impact of that decision into account and assess its effect on military capability. I am satisfied that capability will not be compromised by the decision to close the sites in Bridgwater and Chorley. We have worked closely with the contractor and we are satisfied with the assurances provided by that company that the supply of material will be safeguarded.

I do not have time to go into all the details, but I will write to the hon. Gentleman and to my hon. Friend at length and set out the various bilateral relationships that we have with our allies on supply security—the memorandums of understanding that exist. I will place a copy of the letter in the Library. The issue has been raised by both the hon. Gentleman and my hon. Friend, and it is a critical one.

On wider acquisition issues, I believe that we have a good story to tell. It is not a case of throwing big numbers around and saying, "Doesn't that sound good?" I do not accept that we are cutting corners. Equipment valued at more than £10 billion has been delivered to the armed forces in the last three years alone, which is an astonishing record. Equipment now successfully deployed in Afghanistan includes Apache helicopters, upgraded armoured vehicles, Bowman communications kit, new light machine guns, underslung grenade launchers, weapon sights, a wide range of night-vision aids, and other infantry equipment such as body armour.

I hear the stories on equipment failures—it is part of my job to be out in the territory, to be visiting Afghanistan, Iraq and other places where we have people deployed, and to hear the concerns of those people. We pick up some concerns, but we no longer get complaints about personal equipment from those in the front line; they are well served, and if a shortfall is found it is immediately rectified. That is why we have spent nearly £700 million on urgent operational requirements for both Iraq and Afghanistan in recent years. That was to meet the defined requirements, including shortfalls and past failures, which have been addressed, but it is an ongoing process as well.

The loss of the Nimrod XV230 in Afghanistan with the loss of life of the 14 military personnel on board was unquestionably a tragic incident. Such incidents serve to remind us of the risks that our servicemen and women take across the world every day. The loss of an airframe inevitably means that it is more difficult to

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meet front-line requirements—that is the nature and the hard logic of the matter. However, the Nimrod personnel and aircraft are meeting their operational commitments and continue to do an excellent job. Of a fleet of 15 aircraft, nine are typically available to the front line. The remainder are being modified or in deep servicing. Four are deployed on operations overseas, and five are available in the UK to be used at short notice.

The depth contract with BAE Systems and its subcontractor Flight Refuelling Aviation Services is proving to be a great success. Nimrod commanders are positive about the support that they receive from the company, which is meeting aircraft maintenance schedules, with aircraft entering and leaving servicing on time and to standard. That is the hard test that we have to set those who supply the equipment to us. They have to meet the time demands and the high quality that we demand of them.

There is no question but that the Nimrod is a unique asset. It is in great demand at home and overseas and is providing vital direct support to our troops on the ground in Iraq and Afghanistan. That inevitably means that front-line Nimrod squadrons are very busy. I have met members of the squadrons in both those theatres. As a consequence, personnel are committed over the level that we would desire and over the harmony guidelines. We cannot hide from that, but to address it in the short term the RAF is rebalancing its engineering manpower to put additional resources at the front line. We have a study under way to identify longer-term solutions. Again, we have identified an issue and are seeking to address it. Simply to take those aircraft out of that situation would put at risk all the people operating on the ground.

It is important to recognise that pressures on retention do not come just from service issues. This is not just about what is happening in relation to harmony guidelines or other such issues. There is a tremendous pull from industry, because the people that we train in the armed forces and, in this case, in the RAF are a highly prized asset. There is no question about that. There is active recruiting by industry among our personnel, but we have not found that there is a haemorrhaging of our people. That is because of what the hon. Gentleman described. They have a high level of commitment. They joined the RAF for a purpose. They are carrying out their duty to a very high extent and many of them are therefore prepared to carry on in that role, but at all times we must continue to monitor the situation and to ensure that we are getting things right. Part of the role of the Armed Forces Pay Review Body is to ensure, if there is a retention issue, that remedies are sought that can address that—of course with ministerial engagement and involvement in all that.

Let me now deal with the aircraft's replacement, because the hon. Gentleman referred to the age of the fleet and it is an old aircraft. We should be clear about what we will get from the new aircraft. It can fly at Mach 0.77, has a range of more than 6,000 miles and can loiter on station for more than 14 hours. Its engines produce 25 per cent. more thrust than those in the current aircraft and are 30 per cent. more fuel efficient. Its Searchwater 2000 radar can sweep an area the size of the UK every 10 seconds. The MRA4 will provide a step-increase in capability. Precisely because it will be such a capable aircraft, which includes having superior availability, it will be able to achieve its taskings with fewer airframes. That was the judgment that was taken.

The MRA4 contract, which has not had a good history, was placed in 1996—again, that is something for which I do not have responsibility. There have been delays and cost increases. I could say that part of the reason why we have had to develop the defence industrial strategy is the failings of past procurement processes. I am referring to 1996, a date before the present Government came into office.

The programme is technically complex and demanding, but we have got it back on track. We restructured the programme with BAE Systems in 2003. Design costs have remained stable. We signed a £1.1 billion production contract last July for 12 aircraft. All three pre-production aircraft are now flying, with trials going well, so although the hon. Gentleman set out quite a stark picture, I think that the opposite is in fact the case.

I do not believe that the defence of the realm has been compromised by the decision to close the facilities at Bridgwater and Chorley. I am not saying that there are not issues that we must address. Clearly there are, and that is what we are trying to do with the company. Our new procurement processes are about identifying the partnership between industry and the MOD, so that we can meet the heavy demands of the front line. We owe it to our people on the front line to get it right, and I think that we are now on course to achieve that. Sadly, some lose out in all this, and again I pay tribute to those who have provided such sterling service over the years at Bridgwater and Chorley.

Comprehensive Spending Review

1 pm

Mr. Graham Allen (Nottingham, North) (Lab): The public expenditure consequences of failure to invest early are immense. Further expenditure will be needed to fund disrupted classes, missed opportunities to get qualifications or work, antisocial behaviour, expensive interaction with the criminal justice system, drug rehabilitation, or a lifetime dependency on benefits. I am delighted to have secured this debate to explore two questions that are central to the policies that we are pursuing in Nottingham to develop a policy of early intervention that can be sustained in the long term. Those questions are how to transform successful local pilots into public services, and how to save the taxpayer and Government billions in public expenditure on the costs of failure through immediate investment in early intervention.

Our local and national partners are working with One Nottingham, the local strategic partnership, which I chair, and are exploring how we can take forward the concept of the "early intervention city". Having developed the first stage—a vision of an "early intervention city" and a package of evidence-based measures—the next stage is to develop the package of policies that will give the vision shape and direction. Local and national partners are committed to doing that in the next few months. However, in today's debate I shall look still further ahead to the third stage, by asking how the measures can be funded in the long term.

In the short term, many of the components of an early intervention package are already being funded by local partners, or can be assisted by One Nottingham's £15 million neighbourhood renewal fund. Equally, the medium-term effort covering, say, year three or four, could be sustained by mainstreaming by local partners including the police, primary care trust, city council and so on. However, maintaining pilots by local mainstreamed funds is different from the long-term requirement to roll out successful pilots over a wider area. That cannot possibly be done purely from local funding, particularly in an era when public sector settlements are likely to be tougher than in the past few years.

For example, funding the nurse-family partnerships as part of One Nottingham's early intervention package would cost a manageable £700,000 over two years. When the pilot has reached the end of the two years, our expectation might be that the primary care trust and other local partners fund it. However, rolling out a successful nurse-family partnership over the whole city of Nottingham could take as much as 10 times the expenditure that was required to sustain the pilot. Clearly, that would be an unacceptable burden on local partners. We therefore need to examine the wider context of public expenditure—when we transform a local pilot into a public service, we must also make the transition from local finance to public spending. Remarkably little has been done to address that. It requires a cultural shift to take place through the medium of the comprehensive spending review.

Public expenditure should be rebalanced to favour early intervention to tackle the causes of problems, and consequently to reduce the need to spend ever larger amounts of public money on containing the symptoms. The nurse-family partnership again provides a useful example. We can pay a few thousand pounds for a health visitor to assist a single mother to develop effective parenting skills so that her newborn can be given social, communication and emotional competences to ensure that the child is school-ready, or we can continue to allow children to go to school unable to speak in sentences or to recognise letters and numbers, as many in my constituency do according to local Ofsted reports. I estimate that leaving speech and language problems unaddressed in this year's cohort in reception classes will cost nearly £4 billion over their lifetimes. I am not talking about picking off tiny groups—it is a problem of volume in my constituency, not one of an isolated or small group. Frighteningly from the financial viewpoint, it needs mainstream service reorientation and not one-off special measures. However, the savings are enormous.

As James Heckman demonstrated in his Nobel prize-winning work in 2000, intervening early and giving children the wherewithal and the social skill set to learn and interact is cheaper than the lengthy tail of public expenditure that comes with failure. He shows that the economic payback of such investment is three to six times higher pre-school than post-school. Figures from the Department for Education and Skills show that more than three times as much is being spent per head on higher education than on pre-school. That is a complete reversal of the optimal pattern of expenditure.

Similarly, Dr. Bruce Perry's work shows that spending on programmes intended to change the brain are eight times higher at the age of 20 than at the age of three. Yet the same study shows the human brain to be more than five times more malleable at the age of three than at 20. Early intervention means more brains per buck. It is a switch from mis-spending, which is driven by inertia and short-termism. We want to see strategic thinking aspired to and achieved in the CSR.

One of the most stunning financial pay-offs in the UK recently has been the Government's measures to get people back into work, converting the enormous pool of unemployed who are a massive drain on public funds into taxpayers making a positive net contribution. That same philosophy now has to be applied to those who are socially excluded generation after generation. Breaking that cycle will release massive amounts of money for expenditure in other areas. That argument has to be accepted at the political level.

At the moment, as part of the CSR, the Treasury and DFES are undertaking a policy review. They issued an excellent interim report in January. The CSR provides the vehicle to ensure the prevention of problems rather than merely servicing the consequences. The strategy needs to be co-ordinated across Departments. The current system of allocating CSR spend separately to each Department means that the DFES or Department of Health, for example, have no interest in investing in early intervention that will reduce crime and therefore benefit the Home Office's budget, but not their own. Their spending is influenced solely by their own immediate public service agreement targets. We should consider top-slicing those separate budgets to create a national early intervention fund, or create cross-cutting PSA targets aimed at reducing the

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effects of social disadvantage. Only the Treasury has the interest in savings to the public purse that transcends narrow departmental ambitions.

A good example of decision making is the Treasury's recent announcement in the pre-Budget report that the Government will pick up funding for one early intervention initiative that is close to my heart, namely the "Every Child a Reader" project, which provides one-to-one reading recovery teaching to disadvantaged six-year-olds who are struggling to learn to read and write. That was a bold step, with a clear spend-to-save purpose. It was influenced by the economic analysis of the return on investment provided by the scheme. However, welcome initiatives need to become part of a coherent strategy to identify the key barriers that disadvantaged children experience in their early years and to put in place a systematic plan to address those barriers through robust evidence-based interventions, not just in one city but nationwide.

One area that we would be keen to explore with the Government from Nottingham's point of view is revitalising the concept of invest to save. I was excited to see that £100 million was spent on the benefit service as one of the first invest-to-save projects. Minister, we could build an early intervention city in Nottingham for that, save £1 billion in public expenditure, end educational under-attainment and social and emotional deskilling in our city, and give back some change as well.

Page 6 of the CSR policy review paper concedes that

"estimating the costs of poor outcomes is difficult."

None the less, it estimates a £6 billion saving if

"children with poor education could be raised to the average."

It also says that the additional costs of those not currently engaged in employment, education or training is at least £8.1 billion. Similar stories can be told in health, skills, law and order, and benefits—all in billion pound denominations—so that pretty soon we are talking serious money. All that can be reflected locally on Nottingham's 940 NEETS—young people not in education, employment or training—which is one in 10 youngsters. I joked about the sum being £100 million for Nottingham, but that alone costs my city £216 million over their lifetime according to recent figures from the reform group.

Will the Minister undertake today to commission more work from the Treasury to discover several things? First, what money could be saved on all the public services that have to be deployed around an individual who has not attained at average levels? Secondly, what amount of investment would be needed to ensure early attainment to provide the foundation for that individual and therefore remove the costs of a lifetime of remedial public expenditure? Thirdly, what robust financial tools will we need to enable early intervention investment to be discounted against later savings?

Will some serious modelling and analysis of the matter be commissioned inside or outside the Treasury? If we are to invest in early intervention, pre-emption and prevention, we need to devise tough financial tools to enable organisations such as our local strategic partnership to borrow against future savings, perhaps using venture capital, bond issues or public works loans. That might best be considered on an individual account basis. If a potentially under-achieving person is allocated, say, £1 million of public expenditure over their lifetime, can that be front-loaded to save some of that £1 million? One Nottingham would be more than happy to pilot such a project if the Treasury team felt that it would be useful.

Another area where we would be keen to partner the Treasury is performance management. That applies at national level where a light-touch public service agreement on early intervention should be agreed with all the relevant Departments if public expenditure is genuinely to become less reactive, but refocused on a metaphorically healthy diet rather than ever larger dollops of comfort food in respect of public expenditure. When the Government impose statutory duties on localities, they need to be affirming not confining, and a spur not a break to activity.

At local level, incredibly able local partners drown under middle England targets as well as inspection and accountability regimes that suffocate local talent and hand-crafted solutions in favour—in the case of my local strategic partnership—of 1,000 local area agreement, floor target action plan, community strategy boxes that we must tick. I am privileged that I can—and do—fight back on such issues. However, no local career public servants have that luxury. Indeed, until innovative and creative thinking on early intervention is sanctioned officially by the PSA and performance management regimes, it can be seen even by the best local chief officers as a threat to be controlled rather than an opportunity of which to be taken advantage.

I shall leave for another debate an excursion into the vital local issues where most public services are increasingly administered with little or no real democratic governance. However, cultural and democratic evolution need to lie alongside financial creativity if our efforts are to be sustainable.

Nottingham is pioneering the vision of early intervention city through a package of measures comparable to those found at Greater Littleton in Denver. Some are already under way in Nottingham, including the teaching of social behaviour at primary schools based on the foundation of the social and emotional literacy programme that the Government are rolling out; the nurse-family partnership to which I referred earlier; intensive family support for the 50 most difficult families; and an effective parenting skills programme.

In addition, local and national partners could consider other locally led but evidence-based programmes, including pre-parenting skills for teenagers so that they understand the responsibility of raising a child and how to build and maintain personal and family relationships, and an effective mentoring scheme, perhaps like the successful big brother, big sister scheme in the USA. Other possibilities include the roots of empathy scheme, under which a class adopts a baby to develop empathetic behaviour, and the teens and toddlers scheme, which is favoured by the Cabinet Office. Finally, health services, the police and children's services could share data so that we can catch people at the earliest possible stage. Whatever package

is agreed, it will focus relentlessly on the causes of problems and will be driven by local and national partners working together.

We will deliver every aspect of the partnership locally, and Departments are committed to doing so nationally. We now need the Treasury to come to the party—we need to move from schemes to services. The prize is to finish servicing the endless stream of problems and to break the intergenerational cycle of underachievement through early intervention. All that I ask the Minister to do today is to commit to engage in a serious continuing dialogue with me and the steering group of local and national partners—our kids deserve nothing less. If the Treasury can give that commitment, we will be able to do some extremely good work together, with tremendous positive consequences not only for youngsters, but for their parents and our society.

1.16 pm

The Economic Secretary to the Treasury (Ed Balls): I congratulate my hon. Friend the Member for Nottingham, North (Mr. Allen) on securing the debate; he has been generous in the amount of time that he has given me to respond. It is a great relief to be able to have this debate today, because it had to be rescheduled on a previous occasion, when the House finished its business early. My hon. Friend was unable to be here for that debate, because he was in Nottingham in his role as chair of One Nottingham, the local strategic partnership. He was meeting a team of Ministers who had gone up to see the work that he was leading in Nottingham on these very issues. I am happy to give him the assurance for which he asked and to say that the Treasury, like the other parts of the Government with which he has discussed the issue and which have visited Nottingham, is happy to engage with the detail of these matters.

As my hon. Friend says, the key issue is to ensure that decision making and spending are properly co-ordinated not only across Departments at the centre in Whitehall, but at local level. I have always been a champion—as a Minister, and before that as an adviser—of the role that local strategic partnerships can play in bringing together different agencies locally to make policy work more effectively. Over the years, however, we have all learned that partnerships work only if there is strong and effective local leadership to bring that co-ordination about, and my hon. Friend is demonstrating effective leadership at a local level. As somebody who grew up in Nottingham, I am pleased to see it prosper, but I understand that it still faces very real challenges, inequalities and divides in terms of income and opportunity. I am therefore pleased to see my hon. Friend providing leadership in Nottingham, to hear and understand details of the concept of Nottingham as an early intervention city and to have the opportunity to respond to some of my hon. Friend's points in this debate.

As my hon. Friend says, each child deserves a secure, safe and happy childhood and upbringing, and that is the best way to support later development and to allow children to fulfil their potential as they become adults. As my hon. Friend says, without a good start young people can enter a vicious cycle of poor outcomes, which they pass on to the next generation. Although we have done a lot since 1997 to support parents and communities and to make significant improvements in the lives of all children, it is still the case that not all children are benefiting equally. Children from di[illegible]vantaged backgrounds, including from a number of wards in my hon. Friend's constituency, continue to face greater barriers to realising their potential than children from other, often more affluent families. As a Government who care about opportunity for all and about every child having the best start in life, we have a responsibility to address those issues.

In the 2005 pre-Budget report, the Government commissioned a review of children and young people to consider what more we could do to improve outcomes. The report set out three principles to underpin our approach. First, there should be rights and responsibilities—we needed to do more to support parents, but they had to meet their responsibilities to their children. Secondly, we would pursue an approach based on progressive universalism: support for all, but targeting greater support to where there is greatest need. Thirdly, we would operate on the principle of prevention—working to prevent poor outcomes for children, young people and their parents from developing in the first place.

In January, we produced a discussion document on the interim findings of our review on children and young people. Our aim is to ensure that those principles are effectively incorporated into the comprehensive spending review that we are currently conducting, and to build on the emerging success of the "Every Child Matters" strategy for local co-ordination. We want to make sure that those principles—in particular the preventive strand that my hon. Friend highlights—are incorporated into our spending decisions.

I should like to respond to some of my hon. Friend's particular points. I agree that one of the important steps in moving to a more preventive approach is to understand properly the size of costs and benefits and to be able to make the case credibly that by investing to save, we can deliver long-term cost savings for local providers. One of the things that has struck me as I have conducted the work has been how often the evidence base is not satisfactory or good enough to make those judgments.

I give my hon. Friend one example of an issue on which I have worked closely—services for disabled children to promote their life chances; they are one subset of the issues that he has raised today. The evidence base is weak, patchy and often incomplete. However, when we have been able to collect better knowledge and information about the cost savings available from early intervention, the case has been made. To give one example, the early support pilots have shown that better outcomes are gained from giving better information to families with a disabled child and providing support for them and professionals to work out a plan of care early in life. In the long term, that—rather than waiting until things go wrong and difficult and much more costly care outside the home becomes necessary—saves money.

That is one example, but it is small; we need to accumulate such evidence bases much more widely. I am interested in the idea of Nottingham as an early intervention city and in how my hon. Friend seeks to improve the evidence base at a local level to make the

[Ed Balls]

case for spend to save. We would like to learn more of Nottingham's progress on such issues, and I will be happy for the Treasury to come to Nottingham to see that emerging evidence and help in the work that my hon. Friend is leading.

My hon. Friend also suggested that with a better evidence base we could do more to shift the focus of policy and spending on to prevention and early intervention. The local government White Paper has committed to giving local areas more freedom to set local priorities, reducing the amount of central direction and allowing more freedom to shape spending to meet priorities—including, when the case can be demonstrated, more emphasis on prevention.

I am also interested in my hon. Friend's suggestion to allow local areas to borrow funds in anticipation of future savings. Although as a Treasury Minister I can see potential pitfalls in that approach, it is right that we should consider the idea further and give it due attention to ascertain whether it is a way to strengthen the ability of local leadership to promote early intervention. As my hon. Friend acknowledged, we have produced funds to facilitate pump-priming—for example, the £780 million invested in the children's fund in the past four to five years; one of that fund's key aims is to deliver better preventive services. In addition, over the past seven years the invest to save budget has invested £420 million in projects, a number of which have been in the field of preventive support for children and families. By the end of next year, nearly a third of local authorities will have received support from the DFES to identify how to create service efficiencies that allow a move to prevention.

Case studies have been done by the DFES: in north Lincolnshire, a more preventive approach reduced re-registrations on the child protection register from 18 to 11.5 per cent.; and in Blackpool, the identification of cashable efficiency savings in children's residential care released resources for prevention. I am keen to see what more can also be done in Nottingham to benefit from that kind of flexibility.

As my hon. Friend knows, in the Budget's spending review we announced a significant investment in the capacity of children's services for supporting prevention and early intervention as part of an overall increase in the education budget. It will rise by 2.5 per cent a year in real terms on average between 2007-08 and 2010-11. The review will build on the progress made against the "Every Child Matters" agenda by building resilience, providing greater responsiveness and personalisation of services, and offering proactive and preventive support for families who are facing severe difficulties caused by complex needs.

We recognise the need for early intervention and there will be implementation in respect of taking forward the ideas in our discussion paper—I am thinking in particular of the strands on high-risk, high-harm families, disabled children and their families, and youth services. We must ensure that spending on the early years is sustained through the primary school years and into the teenage years. Educational attainment is not enough, because this is about developing wider social and emotional skills to improve life chances and build resilience. That can be done only by ensuring that services are even more responsive and that we can engage children, young people and families in decisions about what is made available to support their own efforts and ambitions. That involves all the local services, the professionals in those areas, from head teachers to general practitioners, and others more widely.

My hon. Friend mentioned support for early intervention in Nottingham, and in particular support for health visiting and the nurse-family partnership scheme. The evaluations of nurse-family partnerships in the US suggest significant short-term and long-term benefits to mothers, children and wider society from intensive support to first-time parents with the highest levels of need. He cited that research in detail. It encouraged us to introduce Sure Start in the early years of this Government. It deliberately brings together education and health services for first-time parents in more deprived communities.

That research also shows why the Government announced last September that they would establish 10 projects to demonstrate models of health-led parenting support for parents of children from pre-birth to their teenage years. The work will build on the experience of the US and will involve a structured programme of home visits by trained health visitors and community midwives to test how the model is best applied in the UK. In particular, it will try to evaluate and quantify the long-term cost savings, including the wider, downstream costs to society, such as those associated with antisocial behaviour and criminality. My hon. Friend cited those in his speech.

We want to work with Nottingham to help build its capacity, so that it can be considered as a site for nurse-family partnerships in the future.

Mr. Allen: Will the Minister consider the possibility of the Treasury commissioning more work in this area? I am pleased that Treasury officials will come to Nottingham, but will he consider doing so in order to see the work that we are doing?

Ed Balls: I would be happy to return to the city in which I grew up to meet my hon. Friend and his local strategic partnership. One thing that we could do would be to examine how this model of nurse-family partnerships in Nottingham could be part of the wider early intervention strategy that he is taking forward and leading. As I have said, local leadership makes change happen. It is only through local leadership that we can have effective early intervention. The kind of local leadership that is benefiting Nottingham is something that we want to learn from in the Treasury and the Government, so that we can spread best practice around the rest of the country, and I could learn from it by taking up the invitation to visit my home city as soon as possible.

Macular Degeneration

1.30 pm

Sir George Young (North-West Hampshire) (Con): This debate follows neatly on from the earlier one. I heard the Economic Secretary speak about prevention and early intervention and I hope that those sentiments will inspire the Minister of State, whom I welcome.

I welcome the opportunity for a brief debate on age-related macular degeneration, which causes a progressive and irreversible loss of central vision in older people, and accounts for more than half of all registrations for blindness or partial sight. The Macular Disease Society is based in my constituency and I am grateful to its chief executive, Tom Bremridge, the Royal National Institute of the Blind and Simon Kelly, a consultant ophthalmic surgeon in Bolton, for a briefing for this debate. A number of colleagues share my interest, and I am pleased to see my hon. Friends the Members for Reading, East (Mr. Wilson) and for Weston-super-Mare (John Penrose) in their place. The Macular Disease Society brought to my attention a case from the constituency of the hon. Member for North Norfolk (Norman Lamb), who may catch your eye, Mr. Amess, after I conclude.

There are two types of AMD—dry AMD, which is caused by the slow deterioration of cells on the retina at the back of the eye, which is incurable and untreatable, and wet AMD, which is the most aggressive type. It is caused by the leakage of blood and fluid on to the retina. The macula, which processes detailed central vision, becomes obscured, and a healthy eye can then become blind and useless in three months, unless it is treated. People with AMD, who are usually otherwise healthy people and fully functioning citizens, suffer a diminished quality of life. They become unable to read, drive, recognise friends, tell the time or carry out many other everyday tasks. They run a higher risk of falls, hip fractures and depression, and are, of course, higher users of health care and community-supported services.

In 2004, the RNIB published an estimate of the costs of blindness. It showed that the annual total cost of sight loss was in the region of £4.9 billion. That figure makes it clear that treatments that can halt, or even reverse, sight loss will not only help people who suffer from AMD to avoid the distressing consequences, but will significantly reduce the consequential cost. Thus, rationing treatment to save PCT costs is short-sighted. Allowing any individual to go blind when there is a cure is indefensible. It is also extremely expensive for the taxpayer.

Happily, there are now two new licensed treatments for wet AMD. They stabilise sight loss, prevent blindness and in many cases restore lost vision, as long as diagnosis and treatment are relatively swift. They are Macugen, which was licensed for use last May, and Lucentis, which was licensed in January this year. The treatments have dramatically improved the prospects for sufferers, and the medical and public health professions are understandably lobbying for them to be made more widely available. Less happily, most patients—about 26,000 present themselves with the disease each year—cannot benefit from the new treatments because of the NICE review process, which started in September last year and is not due to complete until October; that is a period of 13 months. Yet in the meantime the drugs are in widespread use in the USA, Australia, France and Germany, and Macugen has been licensed for use by a similar process in Scotland, where it has approval. In the case of many other new therapies that NICE examines, an alternative treatment may be available in the meantime, but the new drugs for wet AMD are unique and there is no alternative.

The Department of Health—I welcome the Minister, although I may say some unkind things about his Department—has said that the NICE review process should not be a barrier to the use of new treatments, but it has in effect opted out and delegated the decision on whether funding should be authorised to the 152 primary care trusts in England. Many are overspent, and do not have the resources to conduct the effective reviews of the treatment that they are obliged to carry out. The RNIB and the Macular Disease Society have told me that many primary care trusts hide behind the absence of NICE guidance and simply refuse treatment point blank. In Oxford, a consultant's application for permission to treat was referred to the PCT's exceptional circumstances committee, which takes a month. It turned down the application because going blind was not regarded as an exceptional circumstance. Consultants in Bristol have been told not even to apply for funding. Therefore, in effect, there is a blanket ban on using those treatments for patients. Many of my hon. Friends will know that their own PCTs are under enormous financial pressure and unless they have to provide a treatment, many decide not to.

John Penrose (Weston-super-Mare) (Con): I congratulate my right hon. Friend on the way in which he is making his case. I shall strengthen his argument by citing the example of North Somerset primary care trust in my constituency, which effectively runs the system that he is describing. Basically, if something is not mandatory under NICE guidelines, because there is a double deficit situation—both the PCT and the hospital are in deficit—the treatment is simply not available.

Sir George Young: I am grateful to my hon. Friend for reinforcing the case that I am making. I shall move on in a moment to what I think that we should do about that.

At Health questions, the Secretary of State for Health said:

> "No patient should be refused Lucentis or Macugen simply because NICE guidance does not yet exist". —[*Official Report*, 6 February 2007; Vol. 456, c. 692.]

But that is exactly what is happening. The treatments are not being prescribed because the NICE guidance does not exist.

It is not all bad. Some enlightened PCTs and commissioners of services have authorised the new treatments. If someone lives in Salford they are all right, but if someone lives in Wigan, they are not. Other PCTs have mitigated the cost by authorising the use of the unlicensed treatment Avastin, which is having good results. The Secretary of State has suggested a head-to-head trial between Avastin and Lucentis and I want to press the Minister on the progress of those trials. I understand that Professor Usha Chakravarthy in Belfast and Professor Simon

[Sir George Young]

Harding in Liverpool are leading such a trial with funding from the Health Development Agency. If it goes ahead, the trial will provide good evidence that would allow regulators such as NICE to recommend the use of Avastin over Lucentis and save the NHS a considerable amount of money. I am interested to find out today whether it would be possible to refer people who live in PCT areas, such as those of my hon. Friends, to whatever centres the trials take place in, so that they can have the treatment offered under the trials. That would effectively create a way through the current bottleneck and postcode lottery.

The consultant ophthalmic surgeon Michael Lavin from Manchester Royal eye hospital said:

"If all patients with wet AMD in the UK were treated with standard dose Lucentis, costs to the NHS by year two would be approximately £1,008m a year; if Avastin were used the cost would be about £4m a year."

That sounds a good argument for a trial. Even if one uses the lower current figures for Lucentis, at £782 million there would still be a substantial saving.

Putting to one side for a moment those PCTs that are prescribing Macugen or Lucentis and those that are using Avastin off-licence, for the most part, PCTs are simply saying no to the use of the treatments because they are not under any compulsion from the Department of Health to provide them. For example, Mrs. Beeby has been refused treatment in Southampton. She is already blind in one eye and her consultant said that apart from going to him privately—private treatment varies from £1,000 to £1,750 per injection and up to eight injections may be needed in the first year—the only option was for him to ask her GP to apply for treatment in another area. That does not strike me as a good advertisement for a national health service.

What should the Minister do? Only a tiny minority of people know that smoking causes blindness as well as lung cancer and heart disease. More teenagers said that they would quit smoking if they had early signs of blindness compared with lung or heart disease. Does the Minister think that it is time to warn the public of that risk and perhaps to have the message "smoking causes blindness" on tobacco products as well as the more conventional warnings?

I have already said that there is a role for the Government in the head-to-head trials between Avastin and Lucentis and I want to find out whether there is enough funding available for those trials to take on board the constituents of my hon. Friend the Member for Weston-super-Mare and, indeed, the constituents of other hon. Members who find that they are blocked by the current funding policy of their PCT. I hope that the Minister can assure me that the centres at which the trials are taking place will have enough capacity to deal with those people who I am particularly concerned about.

More should be done now. As I said, 26,000 people a year present themselves with this disease and treatment is available now, so it should be provided now. The Government should tell those PCTs that hide behind the absence of NICE guidance that it is unacceptable not to provide the treatment, and that all applications for treatment by consultants should be processed promptly with a presumption that treatment will be given unless there are clinical reasons for that being inappropriate. Ministers should reaffirm that we have a national health service, not a collection of independent trusts, and that the current postcode lottery for treatment must come to an end.

Wet AMD eyes do not wait for the NICE review, for PCTs, for exceptional circumstances, for committees to convene and come to a decision, for patients to appeal against local decisions, or for lobbying to MPs. Such eyes do their own thing and to leave people to go blind within three months is unacceptable, so I ask the Minister to prescribe some humanity now and to provide the service that I am sure he would want for his mother or father.

1.41 pm

Norman Lamb (North Norfolk) (LD): May I first congratulate the right hon. Member for North-West Hampshire (Sir George Young) on securing this important debate? I am grateful to him for enabling me to speak in it.

I want to highlight the cases of two constituents. First, Jack Strange hit the headlines last week. He is elderly and has had to spend most of his life savings to pay for Avastin. His family tell me that it had an immediate and dramatic effect on his quality of life, and has halted his developing condition. That very rapid improvement has come only because he could pay for it, but he has used all his life savings in doing so.

The second case is a 56-year-old who is in work as a self-employed gardener. He has not yet had a decision, so he is waiting as he loses his sight in one eye. He has been told that he could lose his sight in both eyes within five years. That will ruin his quality of life, but he will also become completely dependent on the state. For reasons of quality of life and the overall cost equation for the country, it is ludicrous for people who could benefit from the treatment not to have access to it.

I want to reinforce the fact that time is of the essence because the disease is time-sensitive. I understand that it involves the formation of unstable new blood vessels in the macula, right at the heart of the eye, under the retina, and that scarring occurs with irreversible loss of sight. The drugs work only when that process is occurring. When it has occurred, it is too late and nothing can be achieved. For those who need help now, time is slipping away, and it is so important for them that a speedy decision be made.

It is interesting that the Norfolk and Norwich hospital has proposed to Norfolk primary care trust that it should use Avastin. As the right hon. Gentleman pointed out, it seems that it works effectively in many patients. However, Norfolk primary care trust has a deficit of around £47 million, so it is caught between a rock and a hard place. It is unfair and unacceptable that people are paying the price. They need their sight to be saved, and it is crazy for the rest of us to have to pay for the care of someone who becomes blind when their sight could have been saved.

I am grateful to the right hon. Gentleman for giving me the opportunity to make those points.

1.44 pm

The Minister of State, Department of Health (Andy Burnham): I begin by paying tribute to the right hon. Member for North-West Hampshire (Sir George Young) for bringing us here today to discuss what he rightly said is a crucial matter. We have all had constituents who have been in this position. It is of huge significance to them and their families. The hon. Gentleman is right to say that there are approximately 26,000 new cases of wet age-related macular degeneration every year and that it is the most common cause of sight loss in people over 60.

Mr. Rob Wilson (Reading, East) (Con): I, too, congratulate my right hon. Friend the Member for North-West Hampshire (Sir George Young) on bringing this important matter before the House today. May I tell him briefly about the case of Les Dean, which was covered recently in the *Reading Evening Post*? He woke up one morning with bloodshot eyes and was quickly diagnosed with wet AMD. He was refused the drug Lucentis soon after. He is a 79-year-old man and he has had to spend his entire life savings on buying the drugs himself. He was forced to choose between going blind and spending his life savings. Does the Minister agree that it is not morally right that any Government or local organisation should force someone into that position?

Andy Burnham: I am afraid that I do not have the details of that case. I hope that the hon. Gentleman will allow me to say that the issues are complex. We will get into some of the complexities that face decision makers in the public sector later in the debate. We have to recognise the important and difficult job that they do on behalf of all patients in their local communities.

I should like at the outset to pay tribute to the Macular Disease Society, which is based in the constituency of the right hon. Member for North-West Hampshire, for the important work that it is doing to raise public awareness of these issues and to the RNIB. I worked very closely with the RNIB as a Back Bencher on issues related to age-related macular degeneration, particularly around the time when photodynamic therapy was being introduced. It ran an excellent campaign across the country to look at areas where, with greater focus, the services could be introduced more quickly. I co-operated with it on a scheme in Wrightington, Wigan and Leigh hospital.

I wanted to assure the right hon. Gentleman that I understand the importance of the issues he raises. If he will permit me, I will just give some background on the Government's commitment to eye care services. In 1999, the Government reinstated free sight tests for everyone aged 60 or over, recognising the increased risk of eye disease as people age. The eye test remains one of the main, if not the primary means by which age-related macular degeneration can be detected.

The national cataracts programme has helped to reduce maximum waiting times for cataract operations to just three months, which is four years ahead of the original target in the NHS plan. The Department of Health has only recently launched a toolkit to help primary care trusts commission a greater range of community-based eye care services to improve patient convenience and choice. However, we need to ensure that we continue to support the NHS in delivering improved eye care services for patients in line with the improvements that medical technology and science allow.

I fully understand that there is a great deal of interest in this area, with the development of new treatments potentially offering hope to more patients than it has been possible to treat in the past. As the right hon. Gentleman said, there are two main types of macular degeneration, usually referred to as dry AMD and wet AMD. The dry type of AMD is the more common form. The onset of this condition tends to be slow, with the vision deteriorating gradually. People are often not aware of the loss of vision, if initially only one eye is affected, and these cases are often picked up at an eye examination carried out by an optometrist as part of an NHS sight test.

It remains a sobering fact that dry AMD is not treatable. However, there is a great deal that can be done to support people with visual impairment, partly through vision aids but also through rehabilitation and training services. In that context the effective collaboration of relevant agencies across health, social care and the voluntary sector is vital.

Our debate focuses on the other type of macular degeneration, known as wet AMD. It is less common but tends to be more severe, with a rapid effect on the central area of vision. Blood vessels form under the retina at the back of the eye and may leak, causing a rapid and significant reduction in central vision. In 2003, the National Institute for Health and Clinical Excellence recommended the use of photodynamic therapy for treating wet age-related macular degeneration in some patients. All PCTs are now funding photodynamic therapy in accordance with NICE's guidance. That is an important point of context for this debate—NICE has already recommended a treatment that all PCTs are funding.

However, NICE is currently appraising two drug treatments that have been developed, Macugen and Lucentis. The new treatments offer the scope to treat a greater range of patients than with photodynamic therapy. NICE is expected to publish guidance on Macugen and Lucentis this October, following a public consultation on draft guidance in the summer.

I stress to the right hon. Gentleman that NICE plays an important role in appraising those and other new treatments. He claimed that the Department had opted out of the process and simply left the decision to the 152 primary care trusts. The NICE process invests in that independent body the capacity to advise the national health service about new treatments, and I think that he and others would be the first to complain if the Department intervened on every similar issue to take decisions based on levels of public concern or anxiety. It must be a clinical decision. It is also right that it is a clinical decision at local level whether funding is made available for NICE.

Sir George Young: How come Scotland has gone around that course already and has licensed and approved Macugen?

Andy Burnham: I am sure that the right hon. Gentleman would accept that the NICE process is incredibly thorough and detailed. Because of that, it inevitably takes some time to complete. NICE has

[Andy Burnham]

developed a reputation around the world for producing the gold standard of advice on new drugs and technologies, such is the quality of its work.

I refer again to my guidance to the national health service on 14 December last year on precisely what happens in the interim when a treatment is being considered by NICE. I say categorically for the record that it is not appropriate for PCTs to refuse treatment simply on the basis that NICE guidance has not yet been issued. I cannot be any clearer than that. Neither is it appropriate for such decisions to be taken in Whitehall, bypassing the system established to ensure that national clinical guidance is of the highest quality and based on a robust and independent assessment of the evidence, which is exactly what is happening at the moment. I fully appreciate people's frustrations as that process takes its time, but I repeat what the Secretary of State said a few weeks ago: no PCT should deny patients Lucentis or Macugen on the basis that NICE has not yet finalised its deliberations.

John Penrose: I appreciate what the Minister says about the guidance that he issued. Does he have any evidence either way that it is actually being followed? Anecdotally—around the country and, I suspect, in many hon. Members' surgeries—there is abundant comment from patients and others that decisions are being taken locally on the basis of finance. The decisions have to be taken on that basis because the money is not there to pay for this stuff. I am concerned that the Minister's guidelines may, generally, not be being followed as he thinks they are.

Andy Burnham: It is for PCTs to determine those questions. In many cases they will set clinical criteria, whereby cases will be considered on an exceptional basis and a clinically led decision will be taken locally. That is the right way for them to proceed. Opposition Members often say, "Trust the professionals. Trust the NHS. Don't interfere in all the decisions that the system makes." At the same time, however, we get another request to do differently. In this case, the guidance from the centre could not be clearer: PCTs should consider the best available international evidence, and other clinical evidence, available today on those treatments and make their decisions on the back of that. However, like all health commissioners, they have to balance available resources with the clinical evidence. That is the job that NICE has to do, too.

Mr. Wilson: Will the Minister give way?

Andy Burnham: No. I have given way a couple of times to Opposition Members.

I want to take up some of the particular cases picked up in the debate. The right hon. Member for North-West Hampshire mentioned Bristol, but he was incorrect. I understand that Bristol teaching primary care trust has not advised consultants that its patients cannot apply through the exceptional funding panels for funding for this treatment. All cases will be considered on individual merit. In such cases it is crucial to be precise with the information, because this matters a great deal to people in those areas and it is important that that clarification is put on the record.

The hon. Member for North Norfolk (Norman Lamb) mentioned two cases in his constituency. Like anybody, I could not help being moved by the instance that he put forward. Norfolk primary care trust will be reviewing its policy on funding treatments for AMD in May and a decision will be taken at the board meeting on 22 May. I think that the hon. Gentleman said that Norfolk and Norwich University Hospital NHS Trust has put a specific proposal to the PCT about Avastin and a different way of doing things. Again, those decisions are to be taken locally. It is not for me to intervene in those decisions. I hope that the hon. Gentleman feels that there is some comfort in that time scale and that these issues are being addressed quite speedily.

The right hon. Member for North-West Hampshire mentioned Mrs. Beeby from Southampton. I am advised that until recently there was no formal process for managing the authorisation and treatment of patients with Lucentis or Macugen within Hampshire PCT and, as there was no clear procedure, the consultant at Southampton eye clinic was not able to correctly refer the patient in question. However, the PCT identified that problem. It recently met Southampton University Hospitals NHS Trust and agreed a process for managing the authorisation and treatment of patients on a case-by-case basis. There should now be no barriers to cases being advanced for consideration by clinicians.

The right hon. Gentleman mentioned the head-to-head trial, which is important and is, perhaps, an area where we can find some good measure of agreement. He asked about progress. I am pleased to advise that the National Institute for Health Research health technology assessment programme has agreed to fund a head-to-head trial of Avastin and Lucentis over a 42-month period. We hope that the project will start on 1 May 2007. The right hon. Gentleman made an interesting suggestion about whether people could be referred to that trial from different parts of the country. I can tell him that contracts are yet to be signed. Details will follow about whether that is possible. However, the Department will feed that proposal into the process. It would be too early for me to promise anything, but it is a point well made. I will take that away and I will, if I may, come back to him in due course.

These are important issues. I am not oblivious to the cases raised or the passion felt by Opposition Members. I hope that by working together we can get to the right solution for our constituents.

It being Two o'clock, the motion for the Adjournment of the sitting lapsed, without Question put.

Westminster Hall

Wednesday 18 April 2007

[ANN WINTERTON *in the Chair*]

Local Government (Lancashire)

Motion made, and Question proposed, That the sitting be now adjourned.—*[Steve McCabe.]*

9.30 am

Kitty Usher (Burnley) (Lab): I rise with trepidation to open this Adjournment debate, given the potential contentiousness of the issue in hand and the fact that it affects so many able and committed councillors in Lancashire, many of whom are personal friends. I wish first to thank friends and colleagues on Burnley borough council and Lancashire county council for their help in preparing my remarks this morning. I hope that my contribution will reflect not only my experience, but their experience. I am also grateful for the advice of my hon. Friends who represent Lancashire constituencies. They have been in this place a little longer than I have and have shared their experiences with me. I am particularly pleased to see so many of them here this morning.

I am pleased to welcome the chief executive and the leader of Burnley borough council to the Public Gallery. Their 500-mile round trip to be here today demonstrates the importance of the issue to my constituency. I am grateful to the Minister for the time that she will spend in the Chamber today and look forward to her response. It is a privilege, Lady Winterton, to have secured this Adjournment debate under your chairpersonship.

Ann Winterton (in the Chair): Order. Chairmanship.

Kitty Usher: Thank you, Lady Winterton. I am grateful for the clarification.

I shall come straight to the point. It is my strong belief that the issues faced by my constituents require an end to two-tier and a return to unitary government. Having consulted widely, I know that the majority of other Members of Parliament who represent Lancashire constituencies—certainly Labour hon. Members—believe the same given experiences in their own constituencies. Indeed, my right hon. Friend the Leader of the House of Commons, who unfortunately cannot be here this morning, summarised his views in a note that he wrote to me yesterday. It states:

"I have long been in no doubt that the two-tier re-organisation of local government which Edward Heath forced through in 1972 (against heavy opposition, not least from the Labour Party) was and remains fundamentally flawed in conception and execution. It has progressively been abandoned by successive governments—totally within the metropolitan areas, and in part in the shire areas.

What is significant is that almost the moment an area moves to single tier local government the benefits become obvious all round, and no one argues for the restoration of the status quo ante.

You will be aware that our party has long seen the merits of unitary councils."

My right hon. Friend speaks with authority on the matter, not least because he saw with his own eyes the effects of his constituency moving from a two-tier to a unitary system.

I shall not argue for a particular map, but rather that my right hon. and hon. Friends on the Front Bench accept the principle of what I will call a unitary solution to the Lancashire question and that they should lead a process that will resolve the issue for our generation. As for outcomes, there are many potential options, one of which is a unitary county council. Another is the abolition of the county council and its being replaced by a number of unitaries operating across the geographic county of Lancashire, either with or without alterations to existing local authority boundaries. Furthermore, we could allow a handful of the current boroughs to opt out of county and go it alone, as Burnley and Pendle, Preston and Lancaster have sought to do.

People will have strong views on the various options and no doubt we could be here for several days discussing various permutations, but that is not my aim. Instead, I sought to secure the debate to establish the principle of unitary government, something that our party has long supported. I hope that the Minister will confirm that her Department agrees with that and will offer a process on the way forward to achieve its implementation in Lancashire. It is up to the Government to propose the answers to the Lancashire question by initiating a review of the current two-tier arrangements.

The argument for unitaries is straightforward. First, as described in the local government White Paper, we need local authorities to be both strategic leaders and place shapers. It is no secret that my constituency is one of the poorest in Britain, with specific regeneration issues. To put matters in a nutshell, we have empty boarded-up houses, depopulation and massive health and infrastructure issues that need to be resolved. The far right is active and, while I do not like to mention it because it puts us on the map for all the wrong reasons, hon. Members will recall that we had violent clashes in the streets in 2001.

Cash is now flowing in from central Government as it is to other towns in the north of England: £500 million earmarked for my constituency alone in the next few years. Fragmented two-tier local government is a barrier to the strong local leadership necessary for the effective allocation of those resources. Only strong leaders with a clear vision and with all available resources at their disposal will be able to drive forward the transformation of places such as Burnley, and to create a place that my constituents want and deserve. Lancashire county council delivers services effectively but, in my view, its coverage is too wide to provide the place-shaping leadership role that my constituency requires.

Mr. Eric Pickles (Brentwood and Ongar) (Con): Will the hon. Lady say what the people of Lancashire want? Does she agree with her right hon. Friend the Deputy Prime Minister about local government structure and reorganisation—that people who live in counties should hold a ballot if they want a unitary authority? Does that seem fair?

Kitty Usher: I will indeed come to the point about what constituents want. As far as I am concerned, the main thing is that they find the current arrangements extremely confusing and difficult to understand. I shall also be making some points about what Opposition Members want—they have demonstrated their usual degree of flip-floppery about their intentions over the past few years.

[Kitty Ussher]

The second argument for unitary status is that taxpayers' money and resources are being wasted by disputes between the two tiers of local government. I can think of three immediate and high-profile examples from my local area from the last two years, all of which are a source of immense frustration, but they illustrate the point.

First, Burnley college and the university of central Lancashire, which was supported by the borough council, wanted to build a new sixth-form college, university faculty and business park on some land that was leased to the county council and which was being used for a waste depot. The issue led to considerable acrimony between the two institutions and the wasting of many hundreds of man hours in an attempt to find a non-legal resolution—all to no avail. Only when the borough had to forcibly evict the county council from the site did a solution began to appear—when there were no other options.

Secondly, while that was happening, the county council had a compulsory purchase order served on the borough council for a strip of land on which to build a new secondary school despite having outline planning permission. Thirdly, both sides have taken legal advice about the site of a second new school.

All those disputes have been pursued using taxpayers' money and they have all helped to dwarf the otherwise positive ratings for service delivery that both institutions received from the Audit Commission—the county is currently rated as excellent and the borough as good. If there had been a unitary structure, the problems could have been solved internally and in the interests of the town, as opposed to the interests of the respective institutions.

There are democratic issues. Because Burnley has a strong local identity, my constituents automatically look to the borough council to solve their problems. My constituents' sense of place is to Burnley and the surrounding towns and valleys, not to Lancashire as a whole. For its part, the borough council clearly sees itself as having a leadership role in bringing local partners together to address the many and varied challenges facing the town, yet the vast majority of the money my constituents pay in local taxation goes to the county council.

Two things follow from that situation. First, while the six county councillors wield most of the power, the 45 borough councillors feel the democratic pressure and get the majority of the casework. Secondly, my experience is that sometimes Lancashire officers who advise county councillors on the decisions that affect my constituents live and work many miles away and have no desire to speak to local residents, no links in the local community and no understanding of local sensitivities. Perhaps that goes some way towards answering the point made by the hon. Member for Brentwood and Ongar (Mr. Pickles), but it is a state of affairs that feels all wrong. Also, the problem is compounded by the fact that many of our talented local politicians seek career advancement by standing for the county council, for which offices they are better remunerated.

Mr. Pickles: The hon. Lady seems to think that she satisfied me, but my question is straightforward: who should decide? Should it be her preferred option, that the patricians decide for the people, or should the people themselves decide?

Kitty Ussher: I am grateful for the opportunity to clarify my remarks. By leading this debate, I am attempting to secure from the Government the initiation of a process by which to resolve the matter. Once we have some proposals to which the stakeholders can agree, I am comfortable for them to be put to the population as the final stage of the process, but that is not something that I wish to address today. I am making the point that the current two-tier system is in many ways anti-democratic.

As I was saying, the problems are compounded by the fact that many of our talented local politicians seek career advancement by standing for the better remunerated county council, thereby spreading their experience and expertise more thinly, as far as my constituents are concerned. It should be possible for some of our best councillors to get career satisfaction from resolving the large and well documented regeneration issues in their own communities, but the current structure of local government militates against that. The stronger our local leadership, the more effective could be our efforts to improve community cohesion, which is a key issue in my constituency.

Mr. Lindsay Hoyle (Chorley) (Lab): My hon. Friend has secured a very important debate and I thank her for giving way. However, in the end, what is happening today is the raking over of the ashes of Government decisions on the future of unitary status—or the absence of such a future, in Lancashire's case. Does my hon. Friend agree that we expect a clear message from the Minister about whether a flame will be reignited from the fire, so that Lancashire can decide? If not, let us be told that it will be 10 years before the matter can be considered. Let us have a clear message for the people of Lancashire; then we will know where we are going.

Kitty Ussher: I could not agree more with my hon. Friend. I have several questions for the Minister, which she will be delighted to know are only a few paragraphs away.

Mr. Hoyle: Clear messages.

Kitty Ussher: Absolutely. We want clear messages.

Having established the case for unitary government, I want to consider why the issue is one to consider now, which picks up on the point made by my hon. Friend. In a sense we have been here before, quite recently. When we had the prospect of elected regional assemblies, it was Government policy, rightly, that those should be accompanied by an end to two-tier authorities. A consensus-building exercise was conducted, and two options were drawn up to be put on the ballot paper, to enable people to decide alongside the referendum on a regional assembly. I remind hon. Members that the first option was a unitary Lancashire county council, and the second was the expansion of Lancashire's existing unitary councils and the creation of three new ones, including one that would have covered Burnley and Pendle and neighbouring areas, with Rossendale. When the referendums were put on hold, so was the process for agreeing a structure for unitary government. However, by then it had acquired a certain momentum and a broad buy-in, and my argument is that we should now pick up where we left off.

Separately the result of the opportunities created by last year's local government White Paper was that bids were received by the Government for unitary local authorities in Burnley and Pendle, Preston and Lancaster.

All were turned down, but the general question of what to do about the case for a unitary solution across Lancashire as a whole was not addressed. Indeed, the Burnley and Pendle bid, which I supported, passed on every criterion, apart from the effect with regard to service delivery across Lancashire. Other bids with the same extrapolated points score were able to proceed but ours was not. My first question to the Minister is what failing in that category actually means. Does it mean that the bid cannot be supported because it would weaken the county's ability to deliver services to the residual area of Lancashire? If so, surely the logical next step is to consider a new unitary solution for the whole county, rather than to dismiss an otherwise good bid from part of the county. Perhaps the Minister would care to respond to that point.

My main question is this: does the Department support the case for unitary government in principle? I presume that the answer is yes, or my hon. Friends on the Front Bench would not have proposed its introduction in the event of regional assemblies being accepted. Indeed, the White Paper, which was published in October, states that a move to unitary government would

"improve accountability and leadership, increase efficiency and improve outcomes for local people."

If that is indeed the case, my third question is what the Government intend to do to explore which unitary solution is best for the geographic county of Lancashire. Will they ask the Boundary Commission for England to investigate the various options and report back? Will they use the powers in the Local Government and Public Involvement in Health Bill, once it receives Royal Assent, to direct Lancashire local authorities to state which of the various unitary solutions they would prefer, perhaps on the basis of the work done before the aborted referendum on the regional assembly? Will they meet me to discuss a way forward, with urgency? I ask the Government to tell us what they believe, and to act out of conviction.

After all, there is nothing particularly brave or radical about supporting unitary authorities. I remind the hon. Member for Brentwood and Ongar that Governments of all hues have done so for some time. It may be worth reminding all Opposition Members of the words of Michael Heseltine in April 1991, when he announced his forthcoming consultation paper entitled "The Structure of Local Government in England". He said:

"First, unitary authorities are more clearly responsible for the delivery of services, and more clearly accountable for the bill local people are expected to pay. Secondly, two tiers may lead to excessive bureaucracy and duplication of effort...the present structures of local government do not win universal favour with local people".—[*Official Report*, 23 April 1991; Vol. 189, c. 901.]

Perhaps Opposition Members could therefore enlighten me during the debate as to precisely what has happened between now and then to cause them to do an about-turn and oppose those Labour and Liberal Democrat councillors up and down the country who now support a move to unitary government.

Perhaps it was the Conservative party's gut preference for unitary structures that led the then Government to ask the independent Local Government Commission to look again at the case for unitaries in Blackpool and Blackburn after it had returned a negative proposal in 1995. As a result, two new unitary governments were created in Blackburn and Blackpool, but it is worth noting the Local Government Commission's words about Blackburn at the time. It said that Blackburn's

"case for unitary status is strong",

but added:

"There will be consequences for Lancashire County Council in providing services to East Lancashire, but these are not of sufficient magnitude to deter the Commission from a draft recommendation for unitary status for Blackburn."

In summary, my argument is simple: it is time to recognise that the consequences for east Lancashire, which were set out 12 years ago, are ones that we can no longer accept. It is time to pick up where we left off during the debate on regional assemblies and to come up with a coherent view of the structure of local government in Lancashire. The Government have kicked off the process by inviting local authorities in Lancashire to express their interest, and four local authorities from all corners of the country have responded positively. That demonstrates that there is real demand, which raises all sorts of new questions that need to be resolved for the county as a whole. The strength of feeling among my hon. Friends will be demonstrated in the next hour or so, and I believe that the Government's preference for unitary authorities was implicit in their response to those who made bids.

Let us now consider the wider questions and come up with a process that resolves the issue of unitary government in Lancashire once and for all in the interests of our constituents and the places that we represent.

9.47 am

Mr. Mark Hendrick (Preston) (Lab/Co-op): I congratulate my hon. Friend the Member for Burnley (Kitty Ussher) on securing this important debate. Discussion of this issue has been raging in Lancashire for some years, and certainly since well before I became the Member of Parliament for Preston. Obviously, I concur with much of what my hon. Friend said about the logic and rationale behind introducing unitary authorities in Lancashire. As Preston's Member of Parliament, however, I should like to put things in a different perspective and particularly to give Preston's point of view.

As many hon. Members know, Preston bid for unitary status, along with Burnley and Pendle, and Lancaster. Initially, it was meant to make a joint bid with the borough of South Ribble, and that would have proceeded quite well. Indeed, I would also have liked Chorley to be included, because the size and population of the resulting area, which would eventually have become a unitary authority, would have given it some rationale and allowed it to achieve efficiencies and economies of scale. However, Preston bravely made a bid on its own.

Rosie Cooper (West Lancashire) (Lab): Where does my hon. Friend see West Lancashire fitting into the geographical designation?

Mr. Hendrick: I was talking about what would have happened had things moved along quite quickly, and I shall come to West Lancashire a bit later.

As I said, Preston made a bid on its own, so its bid did not have the necessary gravitas to be accepted first time. We are therefore here today to map a way forward that will allow us to achieve unitary solutions across Lancashire as a whole.

[Mr. Hendrick]

Lancashire has been promised a good number of things over the years, and I look to my hon. Friend the Minister in saying that. For quite some time, both before the Labour party came into office in 1997 and afterwards, the north-west was promised regional government, but those plans have taken a back seat—possibly indefinitely. Recently, we were also promised that the Lancashire and Cumbria police forces would be merged, but again those ambitious proposals have taken a back seat. Now, with the local government White Paper, several local authorities will be granted unitary status. Unfortunately, those bids that came from Lancashire have not yet been accepted. We want that promise of unitary status to be upheld by the Government and to be realised through the review and discussion that was mentioned by my hon. Friend the Member for Burnley because there is still a very strong case for creating unitary authorities across Lancashire.

Preston, in particular, is working very closely with South Ribble and Chorley on issues such as the local government framework and the regional spatial strategy. There is already a good deal of horizontal co-operation between those three authorities, and in the future I can see us working more closely with West Lancashire. Therefore there is a good deal of good will, good co-operation and sharing of best practice across central Lancashire at the moment. As my hon. Friend the Member for Burnley pointed out, what is not working very well is the idea of two-tier government—the vertical relationship between the county and the districts. It is that problem that the unitary solution would address.

The logic behind unitary status is clear. As has been said, two-tier working is outdated, inefficient and bureaucratic. We want local people to have control over their own affairs through locally elected councillors who are familiar with and relate to the areas that they serve. That includes the extremities of that authority area. The idea of having somebody at one end of Lancashire making decisions that affect the other end of the county when they probably do not have much affinity with that particular area is an outdated viewpoint and one that would be addressed by unitary authorities.

The other point is that there are a good number of economic drivers in central Lancashire that make a great deal of sense. For example, shopping and the economy are very much affected by what happens in Preston. Much of the housing is provided in South Ribble, Chorley and parts of West Lancashire, but all look to Preston for economic activity and generation. Many residents of those areas will probably work in Preston, and Preston people will probably work in the outlying authorities as well. Transport and the general infrastructure are very much interrelated and interdependent. Therefore, central Lancashire as an economic unit is functioning very successfully. It is functioning as well as Manchester and Liverpool and, if I dare say so in present company, better than the rest of Lancashire. Unitary government will bring a lot to central Lancashire and its time has clearly come.

Mr. Ben Wallace (Lancaster and Wyre) (Con): The hon. Gentleman has given a very good justification for granting unitary status, but is there any reason why he believes that having lots of small unitaries is a better way to use taxpayers' money than having one larger unitary, perhaps countywide or even two per county?

Mr. Hendrick: I thank the hon. Gentleman for his intervention, but I think that the county is too big to be a unitary. We want a local council, but one that is big enough to be able to provide services and give economies of scale to ensure value for money for the council tax payer. I think that Preston is too small to become a unitary and Lancashire county is too big. We need something in between. I believe that four or five unitaries across Lancashire offer that balance between localness and economies of scale and efficiency that local councils could provide.

As a result of the local government White Paper, all the major conurbations in Lancashire are either bidding to become unitary or, as in the case of Blackpool and Blackburn, are already unitary. In my view, if it is good enough for Blackpool and for Blackburn then it is good enough for the only city within the county boundaries, which is Preston, to become a unitary authority through a new central Lancashire authority. In solving this problem, one of the oversights by Ministers in the past—

Mr. Pickles: The hon. Gentleman is speaking powerfully for the people of Preston. Will he give the Chamber an indication of how much of an additional population needs to join the Preston borough to create something that has sufficient size and sufficient weight to be able to run? What addition does he think is necessary?

Mr. Hendrick: I thank the hon. Gentleman for that intervention, and I should put the situation to him plainly. Before I represented the central Lancashire area as a Member of a Parliament—I was a Member of the European Parliament before I became a Member of the House of Commons—I served as a city councillor in Salford. That is an authority in Greater Manchester, which itself had a county council until that was abolished in the mid-1980s by the previous Conservative Government. An authority that had about 250,000 inhabitants was created in Salford. We have seen that authorities of a similar size work well in Greater Manchester, and such an authority can sustain effective, good local government. Having said that, anything between 150,000 and 300,000 people is a reasonable size for a unitary authority, and would balance localness with the efficiencies of scale that being a unitary authority would bring. In addition, there would be the efficiency of having just one tier of decision making.

As I said, all the major conurbations—Lancaster, Burnley, Pendle, Preston—have bid, and Blackpool and Blackburn are already unitary authorities. One of the oversights of Ministers when they put forward these proposals, to which authorities obviously responded, involved what would happen to the rump of what is left of Lancashire county should those bids be accepted: what should be done with the remaining authorities that did not bid to have a unitary authority and did not give an indication?

I hope that a process is now under way, partly as a result of this debate and partly because of discussions that I and my hon. Friends have had with Ministers about what to do with the remaining authorities. I understand that the remaining authorities, which have not bid, will be consulted and asked which neighbouring

authorities they feel most closely associated with. I hope that leads to a process whereby the major conurbations join with a variety of other authorities to become a unitary solution for the whole of Lancashire that would fit together like a neat jigsaw. I hope that in my area, Preston, South Ribble and Chorley will come together to form a unitary authority along with either the whole or part of West Lancashire, which we would not want to be left out on a limb and subsumed into Merseyside or Greater Manchester as a whole.

These are important issues and the people of Lancashire have unfortunately been left to deal with them for many years. The time has come for the Government to make these things a reality, not just a promise. I hope that the Minister takes the views expressed in this debate back to the Department, because I think that she will find that the overwhelming number of Labour Members are fully supportive of a unitary solution for the whole of Lancashire. That does not necessarily mean a unitary solution for Lancashire county as it stands at the moment, but one where four or five authorities spread from east to west across the county.

Ann Winterton (in the Chair): I was about to call "Pope Gregory", which is the name that I normally use as a joke. I call Gregory Pope.

9.59 am

Mr. Greg Pope (Hyndburn) (Lab): Either way, I am grateful to be called by you to make a brief contribution in this important debate, Lady Winterton, and I thank my hon. Friend the Member for Burnley (Kitty Ussher) for securing it.

When I was first elected to this House, I thought that two things would not be around for very long. One of them was me, because I had a very small majority—it was the same as the year of my birth—and I thought that I would be in this place for only a couple of years. I thought that the debate over the future of Lancashire would not be around for much longer either. As it turns out, 15 years on, both are still here.

The uncertainty over structures in Lancashire is unhelpful and bad for morale. If one talks to officers of almost any district, or indeed of Lancashire county council, the issue of reform dominates the conversation—it is always at or near the top of the agenda—and when one talks to councillors, the same issue is raised.

I represent the whole of the borough of Hyndburn, part of the borough of Rossendale and part of the Lancashire county council area. I want to make the point at the outset that none of my comments are meant to be criticisms of those authorities. Over the last 10 years, all those councils have improved hugely. Generally speaking, there are hard-working councillors and officers. I would like to single out, in particular, Hazel Harding at Lancashire county council, who has made a huge improvement in the time that she has been its leader. The county is much improved and is far more responsive than it was previously.

It is the structure that lets these authorities down. They cannot deliver the level of service that my constituents and I want, because the structure fails them. In short, the two-tier system imposed by the Local Government Act 1972 has proven, over time, to be a failure. As my hon. Friend the Member for Preston (Mr. Hendrick) so eloquently put it, the county is simply too big and the districts are too small.

The conundrum for the Government—my hon. Friend the Member for Burnley spoke of this—is that there is a fierce pride in the towns and districts and people identify with the towns. My hon. Friend knows this better than most, because we are currently going through a health service review, part of which involves centralising accident and emergency services in Blackburn and maternity services in Burnley. The truth is that people in Burnley do not want to be patched up in Blackburn, and people in Blackburn do not want their babies to be born in Burnley. There is fierce pride in both, and whenever the two football teams meet, the pride that people have in their districts is all too evident. It sometimes seems to me that people's pride in their districts is almost in inverse proportion to the ability of the district structurally to deliver the level of service that is needed.

For example, the budgets of these district councils are tiny and the councils are constrained by this. I do not have the exact figures to hand, but Hyndburn borough council's total budget this year is something like £14 million. Burnley's will be slightly larger than that, and Rossendale's slightly smaller. These are tiny amounts of money, yet the burden of expectation that is placed on the districts is huge, because people identify with them far more than they do with the county council.

Why has this not changed over time? I think that it is partly because the Government have pursued the chimaera of consensus when in fact there is no consensus at all, and partly because of the fierce pride that people have in their districts. When we went through this process a few years ago in the run-up to the plan for regional government, the *Accrington Observer* in my constituency effortlessly compiled a huge petition against Hyndburn being merged with Blackburn. People in Hyndburn perceived that Blackburn would be a larger neighbouring authority, a big brother, which would swallow them up. I think that it is also safe to say that, at that time, Lancashire county council ran an effective, if perhaps disingenuous, campaign, which managed to muddy the waters. It was able to say that people identified strongly with Lancashire. Of course people in Lancashire identify strongly with Lancashire; that is not the same as saying that they identify strongly with Lancashire county council administratively, which has different borders from the traditional palatine county of Lancashire.

There are also powerful vested interests. There are hundreds—possibly in excess of 300—district councillors across Lancashire; there are, I think, 84 county councillors on Lancashire county council; and there must be well over 100 councillors in the unitary authorities of Blackpool and Blackburn with Darwen. If we go for a unitary system, all those council seats will be abolished and replaced with far fewer seats, which will not only be more efficient for the people of the county of Lancashire but will be damaging to the careers of the councillors who serve in those wards. There are powerful vested interests against it. It sometimes seems to me that the Government look like they want this problem to go away. They give every indication that they think that, somehow, this is not solvable. It is perhaps the Schleswig-Holstein question of the 21st century.

Hon. Members will recall that Lord Palmerston said that only three people understood the Schleswig-Holstein question. One was Prince Albert, who was dead; one

[Mr. Greg Pope]

was a German professor, who was in a lunatic asylum; and the other was Lord Palmerston himself, who had forgotten the solution. I put it to hon. Members that in this scenario my hon. Friend the Minister for Local Government is, not for the first time, Lord Palmerston, because he has forgotten the answer to the problem.

We should make it easy for the Government by saying that they should ask themselves this simple question: would unitary councils in Lancashire deliver better services than the current two-tier system? The answer is, emphatically, yes. Let us consider the boroughs that have left Lancashire recently: Blackburn with Darwen, and Blackpool. Does anyone anywhere believe that the people of those areas would be better served by those councils giving up 90 per cent. of their budgets and services and returning to a two-tier system? Nobody believes that; it is simply unthinkable.

I echo the point made by my hon. Friend the Member for Preston. If it is good enough for the people of Blackburn with Darwen and of Blackpool to have quality unitary local government, I am pretty sure that it is good enough for the people of Hyndburn, Burnley, Pendle and Rossendale too—perhaps not in individual unitary authorities, but in amalgamations of authorities under the existing system.

I was going to say that it was telling that not a single Member of Parliament in the whole of Lancashire believes that the current two-tier system is that effective. I stand to be corrected, but I am fairly confident that nobody will stand up to defend the status quo. Given the length of their experience—I think that there are 12 MPs in Lancashire—that is a fairly stunning comment. Again, these are criticisms not of the hard-working councillors but of the structures.

The solution is fairly straightforward. The Government should stop dithering, bite the bullet and get on and do this. They should announce that there will be unitary local government in Lancashire. They should state at the outset that the county is too big to be considered a unitary authority and that the districts on their own are too small to be considered unitary authorities, and they should invite bids based on something in between.

Everybody I have spoken to—every MP, every councillor, every officer, everybody—knows that Lancashire can and should be split into four or five separate unitary authorities. My constituents deserve what the people of Blackpool and Blackburn with Darwen already have—that is, to be covered by a unitary authority. My personal view is that it should be a unitary authority covering the whole of east Lancashire. We are the size of a city, with getting on for 500,000 people, yet we are fragmented into four or five tiny boroughs, which cannot make the difference that we all want to see. I hope that my hon. Friend the Minister will take away from the debate the message that the representatives of the people of Lancashire want the Government to find the political will to make that happen.

10.8 am

Mr. Gordon Prentice (Pendle) (Lab): I have just a few observations. I congratulate my friend next door, the Member for Burnley (Kitty Ussher), on initiating the debate, which comes at a very appropriate time. I do not want to sound a discordant note, but let me say at the outset that I do not believe that two-tier systems are necessarily anomalous. There are two-tier local government systems across the developed world and they function well.

One of the curiosities of what the Government propose is that the new unitaries that may be created will largely be county-based. Sixteen proposals have been waved through to the second stage, and of those, 10 will be county unitary authorities. My constituency is next to North Yorkshire county council, which it is proposed will be a county unitary. The idea that such a vast county that stretches from Craven, which is next door to where I am in Pendle, through Harrogate, all the way to Scarborough, should have a unitary authority is astonishing. That is not local government—such a huge county unitary is not what local government is about.

My preference is for local government that is actually local. The bigger the authority, the fewer councillors there are and the shallower the connections are with local people. I want to see local government that is local. However, I also want new ways of working. As my friend the Member for Hyndburn (Mr. Pope) said, the old ways of working did not reflect the new realities. People want openness, transparency, and responsiveness in their local authorities, and they want to know who is carrying the can. The leader of Lancashire county council, Hazel Harding, has made a qualitative difference, and that council is now a much better authority than it used to be. The problems that we remember with Lancashire county council in the past—the closure of care homes, difficulties with social services and so on—have been turned around. The council now trumpets that it is an excellent four star performing local authority and we should echo that.

Compared with other local authorities, Labour-controlled Lancashire does quite well. However, the transformational agenda that I have talked about must continue so that people feel comfortable and at home with the idea of a Lancashire local authority. It has just published a document on improving two-tier working between district and county councils, at the back of which are practical examples of how the two-tier system can be improved.

I remember the local government reorganisation of the 1990s. Sir John Banham, who was in charge at that time, memorably said of local government that

"any reorganisation costs more, takes longer and delivers less than any proponents of change ever thought".

That is true. The opportunity costs of restructuring and of drawing up plans are absolutely huge—whether those costs relate to the health service or to the abortive plans to merge Cumbria and Lancashire police forces. Chief executives and leaders of councils, who have come all the way down from Burnley and Pendle, are here. The amount of time that must have gone into preparing the document, "Burnley and Pendle: reaching for new heights" is legion. It says in the document that Burnley and Pendle councils are proposing the creation of a new unitary authority, which arises out of an exciting vision that was developed and shared by their citizens, partners and elected members.

I think that that is a complete fantasy. The document was not developed and shared by citizens. I was never consulted; people in Pendle were never consulted; and

of course people in Burnley were not consulted either. Yet a leading member of Pendle council, who is a friend of mine, John David—I like him although he sometimes says silly things—said to the *Burnley Express* that I was a disgrace for not supporting the Member for Burnley. The article stated that he

"expressed disappointment that while Burnley MP Kitty Usher had given her backing to the bid, Pendle's Gordon Prentice had not, something he said was 'a disgrace'".

That is completely over the top. We had a difference of opinions. I had a difference of opinion with the previous Member for Burnley, my old friend Peter Pike, who constantly harked back to the glories of the county borough of Burnley and long believed in having a unitary authority to cover the whole of east Lancashire. He had a different view from mine, but I do not think that he is a disgrace or that my friend the Member for Burnley is a disgrace; we just have different views.

There are different views between political parties as well as within them. I wonder what the Liberal Democrats in Craven, Harrogate or Scarborough will say when those district authorities are swept away and we have this possibly huge new creation of North Yorkshire county council. While I am on the subject of the Liberal Democrats, allow me to say this—

Mr. Pope: The hon. Member for Hazel Grove (Andrew Stunell) is a nice guy.

Mr. Prentice: He is a nice guy. He is also a friend, and I get on well with him. Nothing I say is ever personal.

The Liberal Democrats published their policy paper on local government less than a year ago. The ink is still wet. It stated:

"Any move from two-tier to single tier must be preceded by a local referendum, not imposed by central government".

And yet—

Andrew Stunell (Hazel Grove) (LD): I wonder whether it would help the hon. Gentleman in deploying his argument if I advised him that that policy paper was referred back by our conference, and is not yet established party policy.

Mr. Prentice: It should be. It is a disgrace.

I do not want to go into this. I have lived with these changes for too long. However, if local government is to be truly local, and if people are to have a sense of place, as my friend the Member for Burnley said, they should be consulted. Sometimes, my local authority in Pendle, which is Liberal-controlled, as is the authority in Burnley, consults people. I remember getting a form—last year or perhaps the year before; I cannot remember—inviting me to give my views on a proposal to establish new parish and town councils. I thought that that was great. Pendle's housing has now been floated off, and is no longer the direct responsibility of the district council, but the tenants were consulted. The tenants voted in favour of having the repairs done, and so on. They were persuaded, as there was a public campaign, but I do not have any problems with that, as they were consulted. The idea that we can propose these huge changes to local government just by referring to the views of stakeholders, whoever they might be, and not consulting the people is absurd.

To sum up my position, I am not persuaded that it is necessary to go through huge restructuring and upheaval to deliver the better services that people expect, and have a right to expect. I want to see the transformational agenda continue. I want to see local government providing services that are tailored to the needs of local people, and are responsive. I do not resile from that agenda. However, the dividing line is that, before these changes occur, if they do occur, local people should be consulted.

10.19 am

Mr. Ben Wallace (Lancaster and Wyre) (Con): Earlier, I had discussions with councillors from Preston and officials from Lancaster. I want to welcome those who have come here today.

Ann Winterton (in the Chair): Order. It may help hon. Members if I make the point that it is not the custom to refer to people in the Gallery either here in Westminster Hall or in the main Chamber. It has happened twice, but I did not pull up the initiator of the debate as she is a new Member.

Mr. Wallace: Thank you, Lady Winterton. I, too, am a new Member, so perhaps a bit of leeway might be given.

I thought that it might be interesting to make a point about the automatic assumption that unitary rather than two-tier is best, and perhaps echo some of the comments of the hon. Member for Pendle (Mr. Prentice). He and I have one thing in common: we are both from Scotland. I represented a region in the Scottish Parliament and saw the consequences of the Conservative Government's changes. Lord Lang, as he is now called, abolished overnight the two-tier system across the whole of Scotland. I can certainly say from experience that that did not lead de facto to better services across Scotland. It is still the case that what make for better local authority services in Scotland are the quality of the councillors and officials, and where the boundaries are drawn.

I represented Aberdeenshire, and the area that I had to cover was more than 10,000 square miles. In larger regions, the urban environment inevitably wins out over the rural. In comparison, services in urban areas are better than those that people in rural areas have to accept. We should not simply assume that two-tier is wrong. It works in other countries. Perhaps we do not have the boundaries right, and perhaps the population thresholds need to change.

I kept in touch with my local authorities, and what I found most disturbing was the process that the Government went through in deciding who should be considered and who should not. It may have led to some confusion for my colleagues in Lancashire and for councillors, as it was not clear what councils had to do to qualify and what they had to promise to deliver in order for their bid to win. That has not helped the situation.

There is a good dose of politics in all local authority reorganisation, whichever Government are doing it. It is no coincidence that the list of the 16 successful bids begins with Conservative, Conservative, Liberal Democrat, Conservative, no overall control, Conservative. The vast majority happen to be Conservative, Liberal Democrat or no overall control local authorities.

I could mischievously speculate that Lancashire county council without Preston and Burnley would much more likely be a Conservative-run council.

[Mr. Wallace]

Several county councillors would be lost—they would go into the pot—and perhaps that is not desirable. As the Conservatives found in Scotland, if a Government abolish all district councils, overnight they lose party workers who worked for them in the election. At the stroke of a pen, they wipe out hundreds of Labour or Conservative councillors—they are no longer around.

It is interesting that the direction of flow in unitaries has been upwards. I am a devolutionist, which is fairly rare in the Conservative party. I do not have a problem with devolution. I believe in letting people in communities make many of the decisions about boundaries and direction, as they know what they want and how they want to be governed. I find it peculiar that the vast majority of bids in the list involve districts going up to county—they will not be closer to the people but further away. It is a cause for concern that the direction is not towards re-engaging local people but towards making authorities bigger.

The hon. Member for Pendle is absolutely right. One of my borders is with North Yorkshire. In fact, before the 1974 changes, part of my constituency was in Yorkshire. Hon. Members can imagine how many Yorkshiremen there are in my constituency who are happy that they are now in Lancashire.

Mr. Pickles: No.

Mr. Wallace: Is there such a thing as a happy Yorkshireman? Perhaps we should ask ourselves that question.

I certainly think that some of the regions are too big. My experience in Aberdeenshire tells me that North Yorkshire is too big. We must determine what is the right size. In a parliamentary question, I asked for a population guide for authorities making a bid, but the Government do not have one. They certainly did not publish one or say that there was one but that it would not be used. The issue is important, and it needs to be addressed.

I represent the constituency of Lancaster and Wyre, a large part of which is the borough of Wyre. My constituency is predominantly rural. My right hon. Friend the Member for Fylde (Mr. Jack) and my hon. Friend the Member for Ribble Valley (Mr. Evans) are not here, but theirs are large rural constituencies in Lancashire.

Why have the urban conurbations been quicker to queue up for the unitary system? It is because, as we all know, a lot of services in rural areas are more expensive to deliver. Such services include health care; in Cumbria, for example, historically there have been funding problems, right back to the Black report, about delivering health care at the primary and acute levels in rural settings. We know that delivering social services and school transport is more expensive in rural areas.

I am a Unionist and I worry that we get into the "every man for himself" routine when it comes to drawing up unitary boundaries—"You know, we would be much better off if we just got rid of those people along the road. We do not want them."

Mr. Hendrick: The hon. Gentleman and my hon. Friend the Member for Pendle (Mr. Prentice) seem to make continual reference to authorities elsewhere in the country, and some in other counties are not so far away. A number of Labour Members including me, would like unitary authorities to be based not necessarily only on the conurbations about which we have spoken—those that have made the bids—but on much wider and bigger ones that also encompass rural areas. There are huge rural areas in places such as West Lancashire, South Ribble and Chorley. We have nothing against rural areas. If unitary authorities are good for a conurbation such as Preston, they are good for rural areas as well. We are not being exclusive.

Mr. Wallace: I have not said that I am against unitary authorities—nor, if I am not mistaken, did the hon. Member for Pendle. It is interesting that we would all be in a different position if the Government said, "You must find 300,000 or 250,000 people before you get through the front door of a unitary status bid." That would force a lot of us in this Chamber to work together to find an applicable boundary. It would make us say, "We have to have Wyre or Ribble Valley", or Ribble Valley might have to find somewhere else.

That would have been a good starting point, but I am afraid that we did not get it. We got a lot of warmish words and a few targets, but nothing specific. That is what I meant in saying that we should try to clear up any confusion before going along the path. There is confusion about who the stakeholders are and how they should have to consult—a local referendum? Like the hon. Member for Pendle, I did not get lots of requests and forms. I was not asked lots of questions. I was not particularly consulted. We should have had a clear consultation process as well.

How much of the issue is also about disappointment in the county delivery of services and performance?

Rosie Cooper: I had hoped to have made a longer contribution in this debate. It is really important that we recognise the difficulty that constituents face because of the two-tier system and whether county or district should be responsible. In talking about bringing representation down to the local level, people have forgotten the Government's recent decisions about parish councils. Constituencies such as mine—and, I am sure, the hon. Gentleman's—also face the big city regions such as Liverpool, Manchester and Preston. We are not important to such areas and will not be unless we become a bigger player. We need the weight and size to be able to have a strong voice. My constituency loses out time and again.

Ann Winterton (in the Chair): Order. The hon. Lady is making an over-long intervention.

Mr. Wallace: Lady Winterton, I shall be brief, because I recognise that the summing up will have to start soon.

To answer the hon. Lady, a lot of the strategies that affect our constituents are now regionally-based anyhow. In respect of economic development, we are constantly frustrated that Manchester, Liverpool and Warrington seem to be involved and the rest of us can go hang. That is one of the problems.

In summary, unitaries should be formed on a case-by-case basis; we have to accept that. We need clearer guidance from the Government on where to go,

how to qualify and what they are trying to achieve. We should not throw everything out because we think that two-tier is wrong and unitary is good. I do not accept that; my experience has not been that. The Government could have been clearer about what they were trying to achieve and about all the different points in respect of how to qualify for a bid to become accepted as a local authority. If that is so, Lancashire may come up with some solutions in future. I do not know. I hope that the Minister will indicate today that that will be so. We have to ask some questions about the delivery for the county and how much that drives people's frustration at the moment.

10.30 am

Andrew Stunell (Hazel Grove) (LD): This has been an interesting debate for those of us whose specialist subject is local government in Lancashire from 1970 to 2007. It has a parallel with the Schleswig-Holstein question, although I am not sure whether the Danes or the Germans will come out on top in this particular matter. I appreciate the strength of feeling in the Chamber and I am sure that that will be one of the problems that the Minister and her Department encounter in deciding what should happen and what they should do next.

The hon. Member for Burnley (Kitty Ussher) is to be congratulated on advancing a sane, calm and reasoned case on behalf of the Burnley and Pendle application and on considering her constituents. That is her right and it is proper that she should do so. She prayed in aid Lord Heseltine and she could have mentioned the Liberal Democrats, as the hon. Member for Pendle (Mr. Prentice) was kind enough to do, because it is true that they believe that, normally, a single tier of authorities at local government level would be appropriate. However, we have an essential, vital qualification, which is that reorganisation should be validated by clear evidence of public support locally. We in the House have to remember the damage that the impatience of rulers d[illegible] whether we take Thomas à Becket as our example of when things go wrong or more recent examples, even in respect of the current Administration. If there is not public consent and public validation, the reorganisation of representative democracy, particularly, is likely to fail.

The hon. Member for Pendle was not a million miles away from expressing my view: where there is clear local consent there should be a move towards unitaries, and where there is not there definitely should not. We are not just talking about a mechanical process for the delivery of services but a representative, democratic system, so things have to be done with popular consent.

The Minister knows that we have argued strongly in the Committee on the recent local government Bill against giving the Government continuing powers to return to this topic time and again. It is right that there should be an opportunity to discuss the proposals, but there should not be an ever-open door allowing them to rattle around. The cost and destabilisation of returning to this matter every three or four years means that that should not be attempted. Reorganisation should not be carried out lightly or repeatedly and it certainly should not be done punitively.

The hon. Member for Lancaster and Wyre (Mr. Wallace) suggested that there might be some ulterior motives in the choices that the Government have made. I am sure that the Minister will deny that. Clearly, reorganisation should not be carried out because of expected political outcomes or as punishment for previous political outcomes. The Conservatives did that with the abolition of the Greater London council and they lived to regret their choice. It should not be done, either, on the basis of poor performances or perceived failures to meet Government targets; it should be done to reinforce and enhance democratic representation.

It is not my job as a Front-Bench spokesman to support or reject any set of options for Burnley and Pendle, but the hon. Member for Burnley made an interesting case. I understand that all three mainstream political parties in Burnley are in favour of the bid and in Pendle the Liberal Democrat and Labour members are in favour of it, although I understand that the hon. Member for Pendle is not.

Affordability was good, neighbourhood engagement was excellent and strategic vision was good too. The problem seemed if anything to be with service delivery, which, as the hon. Member for Burnley observed, was a problem for the rest of Lancashire rather than being attributable to the inability of the authority—if it comes into being—to deliver services. Will the Minister therefore carefully consider the case that has been put to her for reconsidering the Lancashire situation? If she is minded to approve or push forward any of the bids that have been submitted to her for Lancashire—not just Burnley and Pendle, but Lancaster and Preston—will she attach a strong condition that there should be clear evidence of local popular support for that measure?

As other hon. Members have mentioned, failure to do that will lead to real difficulties. I listened carefully to the hon. Member for Hyndburn (Mr. Pope), and he had the impatience of rulers—writ large. Having explained how none of his constituents wanted to be born in the wrong hospital, or indeed cross over the border, he then said that he thought the real solution was an east Lancashire authority that should be imposed on people whether they liked it or not. That is absolutely the wrong approach to the problem. There should be an organic bringing together of communities that have taken decisions in common—not some shotgun marriage, imposed from Whitehall or from this building.

It will be interesting to hear the Minister's response, and I hope that her colleague the Minister for Local Government has left her a few jottings for this morning on whether the Danes or the Germans should take control of Fylde and the Ribble under the new arrangements.

10.37 am

Mr. Eric Pickles (Brentwood and Ongar) (Con): It is a great pleasure to appear before you in this important debate, Lady Winterton, and I congratulate the hon. Member for Burnley (Kitty Ussher) on successfully securing it. She started by saying that she had a degree of trepidation, but I had the opportunity of seeing her arrive in the building, and she was wearing a bright yellow, fluorescent flak jacket. I hope that that was not an indication of how things will develop. *[Interruption.]* I know—I was making a joke. I knew the jacket was for the hon. Lady's bike and I was just being nice. I did not really think that she required bullet-proofing but I am grateful for the correction.

[Mr. Eric Pickles]

Don't politicians just love restructuring? They find it fascinating. If it was up to me I would draw the boundaries of my own constituency. Heck, I would even do the same for the Minister, my neighbour. We like to discuss restructuring because it reminds us of canvassing and stops us getting involved in really important things such as policy, care for the elderly, education, or the problems of sheltered housing. We can spend and waste millions of pounds of taxpayers' money trying to find the right structure for an organisation that will go into limbo for year upon year until that right structure is actually found.

I might be doing the hon. Member for Burnley an injustice. However, as far as I understand it, the hon. Lady's justification for her position is that her constituents are confused. She believes that all the decent councillors want more money, and that rather than spend time serving the people they would disappear to the county council to get a few extra bob.

I do not know what motivated you, Lady Winterton, but the amount of money that I receive as a Member of Parliament is not my predominant motivation, and I can say the same about most councillors. They are not that bothered about the amount of money that they receive; civic duty and putting something back into the community motivate most people in local government. To her eternal credit, however, the hon. Lady thinks that when there has eventually been a decision on the right structure there should be some consultation with the odd member of the public.

The hon. Member for Preston (Mr. Hendrick)—who I suppose is seeking expansion, as Bismarck was—is looking toward a greater or über-Preston. He thought that adding two might make up a central Lancashire city. There is a good reason why Preston was a Nobby no-mates when the application came for a unitary system: nobody else wanted to join.

I am most obliged to a redoubtable local campaigner, Mrs. Lorraine Fullbrook, who led a very successful campaign in South Ribble to persuade the council—Conservative, Labour and Liberal Democrat—not to join. The reason why she was so successful was that she had a clear idea of what the situation was likely to be. She said, "First of all, let's consider the cost. The cost for the people of South Ribble is likely to be £350 per household a year for no extra teacher, no extra policeman, no extra health service and no extra paper clips"—£350 so that we politicians can be happy just for moving the process around. She then asked whether it would be an equal partnership. She read the regional and sub-regional strategy updates of the Cabinet meeting, which said that South Ribble would be used to

> "drive the growth of Preston...South Ribble is seen as more 'dynamic' than Preston. South Ribble has an important part to play in supporting Preston's emergence as a growth centre".

In other words, what Preston wants is to take South Ribble into its friendship and then build all over it—to take away those bits of South Ribble that make it unique.

Mr. Hendrick: On a point of order, Lady Winterton. Is it in order for a Member of this House, particularly a Front-Bench Member, to publicise a Conservative parliamentary candidate during a debate of this nature?

Ann Winterton (in the Chair): It is perfectly in order.

Mr. Pickles: I was speaking about the remarkably successful Lorraine Fullbrook, who will undoubtedly be a Member of this House soon. I am grateful to the hon. Member for Preston for pointing that out—no doubt the press will pick it up—but I detect his nervousness, so I shall try not to mention the name of Lorraine Fullbrook, Tory candidate, again. There were other considerations about the amount of open space and green belt threatened in South Ribble, but to spare the hon. Gentleman's blushes I shall move on from the marvellous work of Lorraine Fullbrook, Conservative candidate.

The hon. Member for Hyndburn (Mr. Pope) said that when two or three officers are gathered together, they talk of little else but restructuring. I am not entirely surprised. For an officer, moving toward restructuring is better than getting a telephone call from Chris Tarrant. There is loads of money in it. We know that from *The Sunday Times*, whose appointments page suggested that chief executive salaries will rise by at least £30,000 if restructuring proceeds. That is a lot of money, so I am not surprised that officers are interested in the idea of restructuring, but I am pretty certain that were we to go down to the dog and duck in Hyndburn—although I do not know whether there is one—and wander across to talk to members of the public when two or three of them are gathered together, they would not want to talk about restructuring. They want to talk about council services. They want to know why their granny cannot get into an old persons' home or get additional help through home care. They are concerned about their children's education, not whether a particular restructuring will occur or a chief executive can at last buy the villa on the Costa del Sol that they so richly deserve.

I was surprised by the idea that people are so proud of their locality. I would like to think that no matter what area we represent, we are all proud of our locality. The great thing about British local government and constituencies is that they are not entirely an electoral quota. They tend to be made up of real communities, and real communities should have pride. Just because a real community will not vote for its extinction is no reason to deny it the vote.

My hon. Friend the Member for Lancaster and Wyre (Mr. Wallace) asked whether Yorkshiremen had a sense of humour. I come from Essex, but have vague connections with Yorkshire, and like a Scotsman, one can never mistake a Yorkshireman with a grievance for a ray of sunshine. My hon. Friend was right to talk about the quality of services and to say that rural areas matter most. We know that the issue has caused enormous problems in all political parties. The last time we debated it, I quoted from Labour's national policy forum blog in which the Prime Minister said that he was aware of the many differences between county and district, and urged us to concentrate on issues that voters care about.

We know, courtesy of the *Municipal Journal*, that the Cabinet was split over the proposals, and that the Environment Secretary was keen to avoid the political bloodbath that opposing bids were likely to create, but his efforts to have some of the bids removed from the shortlist caused major delays. He may well have been right, judging by what has ensued.

I agree with much of what the hon. Member for Pendle (Mr. Prentice) said. The substantive point is that it does not matter whether an authority is unitary or two-tier because it is services that are important, and changing structures is so old-fashioned. It is up to us to sort out the confusion that may exist in people's minds; it will not be sorted out by changing the structures, because of the changing reality. I have been tremendously heartened by the growth of local area agreements between districts, counties and different sorts of organisations such as health authorities and police authorities. That should be the future. We should allow local authority structures to grow naturally and organically, and see where that process goes, instead of imposing non-reality on what is happening on the ground. We will ensure in those processes that people receive better services.

In conclusion, I say to the hon. Member for Burnley that I am sure that every Member of the House would be willing to co-operate on that basis.

10.48 am

The Parliamentary Under-Secretary of State for Communities and Local Government (Angela E. Smith): I am grateful for the contributions to the debate and congratulate my hon. Friend the Member for Burnley (Kitty Ussher) on securing it. The matter is obviously a key issue for the people of Lancashire, and I appreciate the strong feelings that are held and the passion with which she and my hon. Friends the Members for Hyndburn (Mr. Pope), for Preston (Mr. Hendrick), for West Lancashire (Rosie Cooper) and for Pendle (Mr. Prentice) described the issues affecting their constituents.

I have to take issue with the hon. Member for Brentwood and Ongar (Mr. Pickles). It pains me to do so, as he is a fellow Essex MP, but I think that he is rather cynical on these issues. I hope that his comments about the motives of those who secured this debate and about officers and politicians discussing structure were tongue-in-cheek. My hon. Friend the Member for Burnley secured the debate not so that she could avoid discussing anything else that was important, as he suggested, but—this came through clearly in the contributions—because of a commitment to service delivery to constituents in her area. That seemed to be the motivating factor for all hon. Members who spoke.

I also take issue with some of the comments about the reasons for decisions. Hon. Members will be aware that 26 proposals were received from local authorities for the creation of unitary structures in their areas in response to the invitation published alongside the local government White Paper in October last year. The hon. Members for Lancaster and Wyre (Mr. Wallace) and for Hazel Grove (Andrew Stunell) suggested that the Government might have been politically motivated. The hon. Member for Hazel Grove rather ingeniously referred to similarities between that and the abolition of the GLC. It is absolutely clear that these were proposals that came through local authorities themselves, put forward because they wanted to be considered for unitary status. I am not aware that the GLC ever said, "Hey—let's abolish ourselves". That was imposed by the Government of the time; these are proposals whose true definition is bottom-up, with local authorities themselves making the decision to put them forward and asking the Government to consider them.

Mr. Wallace: The Minister will be aware that there can be conflicting views within a county. In Shropshire, the districts were against a move upwards while the county wanted to become unitary, but on most occasions—in that example and others—the Government chose to listen to the county rather than the anti-unitaries from the districts.

Angela E. Smith: We are considering that particular bid at the moment. The hon. Gentleman made a point about it being political, but Shropshire county council is a Conservative council and the districts opposing it are Conservative districts. It can hardly be a political issue if they are all of the same party, and I take issue with that point in his comments, which were totally unfair.

After careful consideration against published criteria, it has been agreed that 16 proposals will go forward to further stakeholder consultation. I hope that my hon. Friend the Member for Burnley and others will understand that I am somewhat constrained in what I can say about those: we are now in the middle of a legal process and, for reasons of propriety, I cannot get into a debate about the merits of specific proposals. I know that a number of hon. Members have raised issues different from those of Lancashire, but I cannot get into a debate on them. The reasons for the judgment are set out in the decision letters that were sent out to local authorities.

However, my hon. Friends raised a number of important issues about the next steps for local authorities, following that decision in Lancashire. It is important that I set out first how we got to where we are.

Mr. Pickles: I have a simple question. What powers is the Minister relying on to make these deliberations?

Angela E. Smith: Powers in the Local Government and Public Involvement in Health Bill that is going through Parliament. The hon. Gentleman is aware of that, and it is a lawyer's trick to ask a question to which one knows the answer.

Mr. Pickles: I am not a lawyer; God forbid.

Angela E. Smith: As I said, a number of important issues must be addressed in what happens next and where Lancashire goes from here. That is the point that my hon. Friend the Member for Burnley and her colleagues were pressing. The invitation to bid for unitary status was published in response to views expressed during the long-standing debate on the future of local governance—that existing arrangements in some two-tier areas do not deliver the governance that places need. There is no doubt that there are risks of confusion, duplication and inefficiency in a two-tier structure.

In response to some comments made, particularly by my hon. Friend the Member for Pendle, let me say that at no point have the Government said that in no cases can a two-tier structure be efficient and effective. That is a matter for local areas themselves to judge on. The White Paper made it clear that two-tier areas faced challenges, and councils within those areas could make bids for unitary status against the criteria set down where they felt that there was a case to be made.

It was put to us that, in a number of areas, accountability could be improved and that there could be stronger and more focused leadership, greater efficiency and improved outcomes for local people. Again, I take issue with the

[Angela E. Smith]

hon. Member for Brentwood and Ongar, who said that it was not about outcomes, when the guiding principle on restructuring and reorganisation is clearly the outcome of service delivery for local people. So we were allowing restructuring to take place where that view was held, and that was quite evident when we received 26 proposals at the time.

On 27 March, my hon. Friend the Minister for Local Government announced that 16 proposals had been shortlisted to proceed to stakeholder consultation. In reaching that decision, the Government had to look at all the relevant information that was submitted. We have written to all councils that submitted proposals, setting out the reasons and the basis on which we reached our decisions. The proposals were assessed against the criteria, and it would be helpful if I said something about those criteria, because they have been mentioned and the hon. Member for Hazel Grove may have misunderstood them.

We are very clear that the proposals must be affordable. Any change in unitary structure must give local residents value for money and must be met from the council's existing resource envelope. Proposals must also be supported by a broad cross-section of partners and stakeholders. My hon. Friend the Member for Hyndburn said that there must be consensus, but it is difficult to reach absolute consensus on such things. None the less, there should be broad agreement and evidence that there has been broad consultation and involvement.

In addition to affordability and support, proposals must provide strong, effective and accountable strategic leadership across the area. They must also deliver genuine opportunities for neighbourhood flexibility and empowerment—my hon. Friend the Member for Pendle was concerned that there should be local empowerment and local engagement. Finally, they must deliver value for money and equity in public services.

After careful consideration, it was agreed that 10 proposals would not go forward and that 16 would. The judgment was that there was not a reasonable likelihood of the 10 proposals, if implemented, achieving all the outcomes specified in the five criteria. The decisions are now being consulted on, and all the information presented to Ministers will be considered during that process. When we take our final decisions, we will proceed to implementation only if we are satisfied that the proposals fully meet the criteria.

As regards our next steps, the Budget confirmed that the whole public sector will be expected to achieve 3 per cent. per annum net cashable efficiency savings, and the potential new unitaries have shown what can be achieved. We expect all councils, whatever their structure, to work together to achieve greater improvement and efficiency gains. We therefore want to see similar improvements, whatever a council's structure—again, the focus is on outcomes, rather than just structure. We asked all the principal councils that are already committed to going for a greatly improved and innovative two-tier approach to step forward and act as pathfinders. Five county areas have come forward to be pathfinders, and their proposals are being considered.

It is clear from the points made by my hon. Friend the Member for Burnley that there is a real desire to move to more effective, efficient and accountable local government in Lancashire and to achieve value for money. At this stage, it is important that all local authorities in Lancashire reflect on how that can be achieved within the existing structure.

My hon. Friend asked some specific questions, and we want to reflect carefully on them. She wanted to know whether the Government would meet her and other hon. Members on this issue, and I can give her an assurance that we will. It will probably be the Minister for Local Government—

Mr. Pope: Palmerston.

Angela E. Smith: I was not referring to Lord Palmerston, and I am not sure whether my hon. Friend the Minister for Local Government will still want to meet hon. Members when he finds out that he has been compared to him, but we shall put that to him. However, he has agreed to meet hon. Members and he will reflect on the request of my hon. Friend the Member for Burnley.

My hon. Friend asked two other specific questions. First, she wanted to know what failing actually means and to have information about the ability to deliver. The judgment on delivery was taken in the round against the five criteria that I outlined. That made it clear that account must be taken of the whole affected area and of the impact outside it. A judgment was made not about the services that the existing structures currently deliver, but about the impact of the new structures.

My hon. Friend's second question was whether we support the case for unitary authorities in principle, and I think that I have made that clear. We are not saying that the two-tier structure is inappropriate or wrong in every case, but there are clear risks associated with it, which I have addressed.

The hon. Member for Brentwood and Ongar asked about referendums, should they become necessary. Traditionally, change in local government has been top-down, and I mentioned the GLC. However, we are talking about a bottom-up approach, and there must be consultation and engagement, with bids coming from local authorities themselves.

It is clear that there is a drive in Lancashire to ensure that authorities are real players and that there is greater service delivery. We must go away, reflect on the comments that have been made and offer a meeting with those hon. Members who have raised the issue. Whatever the structure, however, it is clear that there must be good service delivery, with the citizen as the focus.

Sea Cadets

11 am

Chris Bryant (Rhondda) (Lab): Some colleagues have asked why on earth the Member for Rhondda is introducing a debate about sea cadets, as the Rhondda is landlocked and I have no personal experience of the sea cadets, nor any naval connections other than the fact that my maternal grandfather was a naval architect and that my great-grand uncle designed and built the Indomitable, which helped Britain in its endeavours in the first world war. He was described by Admiral Jackie Fisher as Britain's greatest ever naval architect.

Rhondda, however, has a sea cadet unit, although it is difficult to ensure that the sea cadets can do everything that they would like to be able to do. The debate is unusual as there have been few debates about the sea cadets over the years, and my reason for securing it is that the sea cadets organisation is one of the most valuable, but least valued, in the United Kingdom. It was founded in 1910 as the Naval Youth Brigades, formally recognised by the Admiralty in 1919 as the Navy League Sea Cadet Corps and given a formal charter in 1947. The Navy League transformed itself into the Sea Cadet Association in 1976 and the girls' groups which existed alongside the Sea Cadet Association were amalgamated into the sea cadets in 1992.

The Marine Society and Sea Cadets is the umbrella organisation that runs the 400 sea cadet units across the United Kingdom, which also run themselves semi-autonomously. Four national training centres provide support for the individual units around the country. It is an important point, to which I will return later, that the Marine Society and Sea Cadets is run as a charity rather differently from the other organisations that are run in association with the Ministry of Defence.

In 2005, the last year for which I have been able to find precise figures, the sea cadet corps numbered nearly 13,000 cadets, with 4,400 adult volunteers staffing the units throughout the UK. For completeness, I point out that the sea cadets are for 12 to 18 year-olds, but they also have a junior section for cadets from the age of 10. Everyone wears a uniform of some kind once they have done their initial training, which is free.

The value of the sea cadets is immense, especially in some of the poorest communities in the UK, such as the one that I represent. They provide a series of skills for young people, based on a maritime or nautical theme, including leadership, teamwork, personal discipline, individual respect, care for others and citizenship: all the things that we would want every young person to grow up with.

The core values of the sea cadets are clear. They state as their founding premise that they are there

"to encourage valuable personal attributes and high standards of conduct using a nautical theme based on the customs of the Royal Navy."

The organisation is designed to promote personal development, social inclusion and citizenship among the country's young people, whatever their background, race, creed or colour.

The movement tries to introduce young people to an organised, disciplined and stimulating environment where they can learn new skills, interact and collaborate with their peers, and where confidence and self-esteem can flourish while, most importantly, they have a huge amount of fun. I know that the last point is true because I visited the Rhondda sea cadets last week at TS Minerva in Llwynypia. It was a delight to meet the commanding officer, Jeremy Williams, the other eight members of staff, members of the very committed lay board, chaired by Bob Evans, and many of the kids, who were boiling over with enthusiasm about their experience of being in the sea cadets, despite some of them being away on holiday.

As one staff member put it, delightfully, the whole point is that the sea cadets start

"kids off on the right course in life—and luckily most of them don't get seasick."

The sadness of the Rhondda sea cadets, though, is that the amount of direct cash that they get from the national Marine Society and Sea Cadets, and therefore from the MOD, is the grand sum of £200 a year. The insurance costs that they will soon have to pay come to £1,500, a figure that has grown dramatically because of some of the work in which they are engaged. The insurance costs for youth work, and particularly for adventure youth work, are very high. They do not have to be met by the other cadet associations but they do by the sea cadets.

Fascinatingly, 33 per cent. of the youngsters involved in the Rhondda sea cadets are in foster homes or care homes. The work of the sea cadets in the Rhondda is essential to every element of what the Government would like to achieve in youth work in the valley. The Rhondda sea cadets are very proud, and I know that they would not like me to let this moment pass without pointing out that they have come in the top fifth of all unit brigades for the past 15 years. They have done extraordinarily well in a series of competitions; in particular, the band, which I have seen on many occasions, has been successful, winning best novice band, best original composition, best solo drummer and best solo bugler in recent years. I know that a lot of people in the Rhondda take particular pride in the work of the sea cadets, and I know that the cadets themselves and those who work with them take pride in their work.

It is not just the sea cadets in my constituency who have a particular set of needs. The Marine Society and Sea Cadets has looked around the country and is trying to investigate the state of the buildings in which many sea cadet units are based. It is certainly true at TS Minerva that, while they make the best they can of the building, it is pretty dilapidated, tired, does not heat well and is not very well electrically wired. There are a lot of issues to be addressed urgently, and that is true of many other units.

The Marine Society and Sea Cadets has examined its south-west region, which has 81 units and covers Wales and the south-west of England, and seen that a large number of units are in urgent need of between £75,000 and £150,000 for major refurbishment. Seventeen units have serious accommodation problems and may have to close in the near future if they cannot be addressed, and four believe that they may have to close in the next 12 months. As one staff member put it to me in Llwynypia, the trouble is that, if the building is shoddy, the youngsters will not be interested in going along to it because they cannot take pride in it. Equally importantly, if the sea cadet unit spends all its time fundraising and shaking tins on the high street, it will not have time to do the

[Chris Bryant]

core business of the sea cadets—allowing youngsters to acquire the qualifications and skills that they should be trying to achieve.

There is an important point to be made about training. The MOD's annual report last year stated:

"The Cadets attract some 130,000 youngsters across the UK from all walks of life. This number is steadily growing, but a shortage of adult volunteers has required serious examination of how much more growth can be sustained. We are therefore looking at how the Cadet Forces will operate in the long term. This will include the parameters that we think should govern their operations, and ensuring we retain and attract the right calibre of adult volunteer that will enable the Cadet movement to prosper."

There are 4,400 adult volunteers working in the sea cadets, but one of the difficulties for the sea cadets that the Army and Air Force do not have is that all the training that those volunteers go through has to be paid for by the volunteers themselves. There is a hefty disincentive for many people actively to engage as adult volunteers in the sea cadets, as that can cost a significant sum. As well as the energy and commitment that we expect from those people, it is difficult to expect them also to pay for their own training. The young adult volunteer in the Rhondda, who should gain promotion to petty officer in the near future, is anxious about doing so because she knows that she will have to pay a fairly hefty sum for her training to qualify for that position.

On top of that, under statute, employers do not have to provide any time off for people engaged in the sea cadets as adult volunteers. That is another area in which the sea cadets lose out to their Army and Air Force compatriots. The MOD regularly says that it does not give so much money to the sea cadets because they are a charity and so able to raise money in other ways. I obtained a precise breakdown of national lottery money that has gone to them, not least because my local sea cadets complained that they are regularly told by various awarding bodies that they fall between two stools and therefore lose out on many grants. According to the national lottery figures, 353 sea cadet units have received £4,894,137 since 1996. Frankly, that is a drop in the ocean of their needs, which is why it is important to put the sea cadets on more of a par with the Army Cadet Force and the Air Training Corps.

The MOD's defence statistics for 2003 show that approximately 132,800 people between the ages of 12 and 22 are involved in the cadet forces. According to the statistics for 1999, which, as far as I can see, is the last time that the MOD provided the breakdown for the different cadet forces, there were 19,900 naval cadets, 65,700 army cadets and 42,700 air cadets. That suggests that 15 per cent. of the cadet forces are in the sea cadets. They certainly do not receive 15 per cent. of the money, however. Between 2003 and 2006, the budget of the Air Training Corps increased from £19.9 million to £26.4 million; the Army Cadet Force now gets £51.5 million. The figure that I have for the sea cadets is £8.4 million, although I suspect that the Minister will give a figure of £9 million. That is not the figure that the sea cadets have given me, however. Despite having 15 per cent. of the cadets, they are getting only 11 per cent. of the funding.

It is therefore important that we put all the organisations on a similar footing, not least because numbers have fallen in the sea cadets while rising in the other cadet forces. I suspect that that is because of the lack of money for facilities and accommodation, which is provided directly by the MOD for the Army and the Air Force, but not for the sea cadets. There is also a lack of funding for training and a lack of opportunity to do things, as the sea cadets have to spend so much of their time fundraising. It is turning into a vicious circle and it is vital that we act now if we are to ensure that the sea cadets will survive as a strong and healthy force.

I have some demands. I am not the only person who is making them: 2,500 people have called for more funding for the cadet services on the No. 10 Downing street petitions website. I know that Ministers are anxious about that website. The MOD should at least pay or organise the insurance for the whole sea cadets nationally, because that would make a significant difference in the Rhondda and throughout the country. It is time that we had a major review of all the buildings and facilities that are provided for the sea cadets and of the training costs for sea cadet units and their staff. Otherwise, there is a danger that there will be a direct disincentive to be a qualified volunteer staff member in the sea cadets. The Ministry should consider whether it would be possible to require employers to provide time off for sea cadet volunteering activities.

I want to end with some comments from youngsters whom I met last week, who were among the liveliest and most forthright that I have met in the Rhondda. It was hard to stop Cadet Declan Molloy talking, but one of his briefer remarks was, "Sea cadets as a whole need more funding." Cadet Laura Morgan wanted better heating, and, to use a technical term, "better heads". That is a particular issue at Llwynypia. Able Cadet Ben Russell said, "Sea cadets need to improve because we need to be able to compete with the Army and Air Cadets on funding." Cadet George Kingsley said, "If we had more funds we could go away on more trips and get more qualifications." That is a vital point. At the moment, they spend so much time fundraising that they cannot take part in the core activities of the sea cadets. Finally, Ronan Molloy, the youngest of the cadets, said, "The juniors should be able to go on more training weekends, instead of just going out on one training expedition every six months."

I hope that the Minister will be able to meet all my demands, and I look forward to his reply.

11.16 am

The Parliamentary Under-Secretary of State for Defence (Derek Twigg): It is a great pleasure to be here today under your chairmanship, Lady Winterton. I congratulate my hon. Friend the Member for Rhondda (Chris Bryant) on securing this important debate. I know that he has already raised it in the House, that he has been an active supporter of the cadets in general—not just the sea cadets—and that he is very keen to obtain the improvements he has been talking about. I am afraid that I shall not be able to satisfy all the demands on which he wants a response, but I shall set out the history and the current state of affairs, and explain why the funding organisation for the sea cadets is in its current position. The debate is an important opportunity and I hope to cover several matters in the time available.

My hon. Friend may be aware of a previous debate on cadets obtained by my hon. Friend the Member for Mitcham and Morden (Siobhain McDonagh). As I said

then, the cadet forces, with a membership of 130,000, are supported by adult volunteers, and are one of the biggest youth groups in the country. They make a huge contribution to local communities and our nation's youth. Government youth policies are to develop strategies that encourage the personal development of all young people, with a particular focus on those who are at risk of social exclusion. That development of individual young people is central to the ethos of the cadet force, with its altruistic ideals.

As my hon. Friend the Member for Rhondda said, cadets learn many skills that are readily transferable to the workplace, college or school—or, of course, to the armed forces, if members go on to join those. Cadets are also offered opportunities to gain vocational qualifications. The activities complement the school curriculum and give many young people opportunities to gain recognised qualifications.

Perhaps I may repeat what I said in January's debate about the structure and funding route of our cadet forces. That is a particularly important point raised by my hon. Friend today. The Sea Cadet Corps, the Army Cadet Force and the Air Training Corps are all community-based programmes, which, between them, account for 88,000 cadets and 24,000 adult volunteers, spread over 3,000 locations across the United Kingdom. Between them, they attract 89 per cent. of the funding provided by the Ministry of Defence to support cadets. In many small towns, they are the most visible defence presence. Plenty of opportunities exist for young people to join their cadet force, including in my hon. Friend's constituency. Any boy or girl in the area who wants to become a cadet can join any of the single service cadet forces. The fourth cadet force, of course, is the Combined Cadet Force, which, with 42,000 cadets and 2,000 adult volunteers, is a school-based programme that attracts 11 per cent. of the funding. There are 253 CCF contingents based in schools, of which 52 are in state schools.

Unlike the Army and Royal Air Force cadet organisations, the Sea Cadet Corps is not directly managed by the Ministry of Defence. Each Sea Cadet unit is an independent charity under the direct management of a unit management committee. By act of affiliation with the Marine Society and Sea Cadets, affiliated units form and become the Sea Cadet Corps. The corps is owned and managed by the Marine Society and Sea Cadets, which is a charitable body legally separate from the MOD, responsible for its own procedures, processes and unit level finance.

The Marine Society and Sea Cadets is part funded by a grant in aid from the MOD, outlined in a memorandum of understanding, with the remainder of the funding coming from fundraising and charitable donations, as my hon. Friend mentioned. The memorandum of understanding has been reviewed recently and was agreed on 5 March.

The terms of the agreement between the MOD and the Marine Society and Sea Cadets make it clear that these moneys are for general administration, not costs associated with the maintenance of premises and individual units. Expenditure of this funding is limited to the charitable objectives of the Marine Society and Sea Cadets and in the main provides for a fully staffed Marine Society and Sea Cadet Corps headquarters; a national training and organisational infrastructure for the corps; expenses and allowances to the cadet force adult volunteers; and training travel costs of cadets, in a similar way to that provided for the Army and Air Cadets.

Housing each sea cadet unit, including maintenance, rent, utilities and insurance, remains the direct responsibility of the separate cadet volunteer management committees. Individual units may apply to the Marine Society and Sea Cadets for limited cash grants towards the cost of building improvements from additional funds raised by the charity.

In the financial year 2006-07, the MOD provided the Marine Society and Sea Cadets with a grant of just over £8 million, plus an additional £1 million to be spent on equipment, boats, IT infrastructure and support maintenance and £5 million was spent by the Marine Society and Sea Cadets to support the corps infrastructure, the national headquarters and national training programmes. The balance of £3 million funded Sea Cadet Corps uniformed adult allowances, the travel costs of adult volunteers and cadets undergoing training, and the expenses of Marine Society and Sea Cadet area staff who manage and supervise the cadet units at regional level.

In addition to that direct funding, the MOD, through the Defence Equipment and Support organisation, also provides afloat training equipment such as power boats, sail training craft and dinghies, and funds some of the associated maintenance. Overall, Marine Society and Sea Cadets units have over 300 powered training craft and over 1,000 sail training craft provided by the MOD. We also recognise that individual units contribute significantly to the costs of maintaining their units. Of course, that work is much appreciated.

The Sea Cadet Corps has always been an independent organisation, without the direct military links that the Army and Air Cadets have to their parent services. That is why the funding arrangements are different. Nevertheless, the Sea Cadet Corps is entitled to the same benefits as the other services' cadets, and the way that it is funded is very effective.

Although individual units do not enjoy direct support, the Marine Society and Sea Cadets provides cadets with a wide variety of training choices and opportunities derived from MOD funding. In overall terms, the amount that the MOD spends per cadet on Sea Cadets is not very different from that spent on Royal Air Force cadets.

As my hon. Friend said, the Sea Cadet Corps has one of the longest histories of any youth organisation in the country. Today, it has almost 400 units nationwide that regularly welcome more than 15,000 cadets, supported by approximately 8,000 adult volunteers.

I know that my hon. Friend referred to some of the history of the Sea Cadet Corps, but I would like to refer to a little more of that history, for the record.

Chris Bryant: Before my hon. Friend the Minister discusses the history of the sea cadets, I would like to ask him if he will undertake to examine the issue of insurance? Insurance is one of the big bills that many units now have to face, and it does not apply in the same way for the other organisations, because they are incorporated in a different way. I wonder whether the MOD could find a way of meeting that insurance cost, either directly or by some other means.

Derek Twigg: I shall come back to the issue of buildings in a minute, if my hon. Friend does not mind.

As I was saying, the origins of the sea cadets date back to the Crimean war, when sailors returning home formed the Naval Lads Brigades to help orphans in the back streets in seaports. The success of the Naval Lads Brigades led to the formation of the Navy League, a national organisation dedicated to supporting the Royal Navy. In 1942, the then Admiralty took up sponsorship of the Sea Cadet Corps as a training vehicle to produce recruits directly for the Royal Navy. The Admiral Commanding Reserves took over the training role and His Majesty King George VI became Admiral of the Corps. The Admiralty now paid for uniforms, equipment, travel and training, while the Navy League funded sport and unit headquarters.

At the time, Sea Cadet Corps officers were appointed to the Royal Naval Volunteer Reserve. When the Volunteer Reserve was abolished in 1958, the active members—those with a liability to serve in the Royal Navy—were incorporated within the Royal Naval Reserve. Sea Cadet Corps officers were given the honorific title (Sea Cadet Corps) Royal Naval Reserve and the corps was afforded the status of a "service cadet force". This remains the position today.

Sea Cadet Corps officers continue to be appointed—not commissioned—within the corps by the Commodore Sea Cadets and are only honorary members of the Royal Naval Reserve and Royal Marine Reserve. The Army Cadet Force and Air Training Corps officers are commissioned in their respective reserve forces and are subject to reserve forces call-up liabilities and conditions of service.

Although the cadet forces are not recruiting organisations, some 22 per cent. of recruits to the Royal Navy come from a uniformed youth background. The latest figures for 2006 show that of that 22 per cent., half came from a sea cadet background with the remainder coming from the Army and Air Force cadets. Figures also show that recruits from a uniformed youth background do well in training, have a lower failure rate and tend to remain longer in their chosen service.

As I said in the Adjournment debate on 25 January, cadet forces represent a success story that we intend to carry forward. In September, the reserve forces and cadets real estate will be surveyed as part of Project Alexander. The Royal Navy has provided additional resources to the Marine Society and Sea Cadets to ensure that all the sea cadet estate is comparably surveyed. That will provide a level playing field to properly understand the ongoing maintenance costs of the cadet forces and provide a basis for future policy and funding decisions.

In closing, I reiterate my appreciation and gratitude for the commitment of the dedicated adult volunteers who so ably run the cadet force units, giving freely of their time for the benefit of young people. Their contribution makes a huge difference. I know that my hon. Friend and other hon. Members will acknowledge the tremendous contribution that the sea cadets and the other cadet forces continue to make to young people, their communities, and to society itself. I continue to encourage all Members of the House to support their local units, whatever uniform they wear.

11.27 am

Sitting suspended until 2.30 pm.

Housing (Hertfordshire)

2.30 pm

Anne Main (St. Albans) (Con): It is delightful to be here this afternoon under your chairmanship, Lady Winterton.

As Conservatives, we agree that there is a need for more homes that are affordable, well designed and, more importantly, environmentally sustainable. In Hertfordshire, we accept that we must provide more houses based on local need and an acceptable level of sustainable growth, reflecting what the community wants and based on a prudent assessment of our particular environmental capacity while acknowledging our infrastructure stresses and deficits. After much consideration and a degree of pressure from the Government, the original east of England plan eventually proposed 79,600 dwellings—a figure about which I still have some serious environmental concerns. On balance, however, the community was willing to try to deliver that figure.

The Government appear determined to ignore the carefully considered proposals of the local community and to ratchet up the totals. We were prepared to accept our fair share of housing, but we dispute the new and ever-escalating housing figures that are being imposed top down by the Government.

I speak for many, including my local councils that have written to the Minister only this month, when I say that I am deeply unhappy about the processes and assessments—or rather lack of assessments—that have culminated in the double whammy of an inspector's report advocating a new higher figure of 83,000 dwellings and the Secretary of State now seeking to impose a further 10,000 units on top of that already overly high number. To have truly environmentally sustainable communities, we cannot look only at the method of construction of new buildings. Let us not confuse the difference between housing demand and housing need. Yes, we have a degree of local housing need, but we live in a prosperous high demand area that, in turn, fuels an ever-increasing spiral of house prices that encourages speculative development and a booming buy-to-let market with investors holding large property portfolios.

Developers are encouraged by the Government's inflationary approach to housing figures. They appreciate their creative approach to the green belt boundary reviews and are egged on by pronouncements regarding future household and population growth and an increasingly benign planning system. They proceed to cut swathes through established communities, challenge historic street scenes and skylines, and market our green belt as building plots. Little consideration is given to the wishes of local people and their vision for their communities. Housing density and the Government's targets are driving the relentless push to demolish older characterful houses, snatching up back gardens, gobbling up green spaces and targeting playing fields such as the King Harry playing fields in my constituency.

High density is being interpreted as flats and, consequently, housing choice has been diminished, not enhanced, as family homes come down and blocks of flats rise up. The result is a rapidly changing street scene, huge increases in congestion, increasing pressure on schools, hospitals and natural resources, and a loss of local community spirit. When calculating the increased totals, the Minister does not seem even to have taken

into account the particular economic activity of our area and its employment opportunities. The Office for National Statistics labour force, resident and workplace survey of 2001 estimated that 68,681 people live in the area of St. Albans, yet only 51,206 people work there. That position contributes to huge numbers of people who commute daily on congested roads and on trains that are crammed in cattle-truck conditions.

According to the most recent east of England plan, the projected job growth for the whole of Hertfordshire until 2021 is 64,700, yet the Minister wishes to place 93,000 units there. According to the Office for National Statistics' unemployment data figures, we are fortunate to have a current regional unemployment rate of 20 per cent. below the United Kingdom average unemployment rate and, in St. Albans, the current unemployment rate is 46 per cent. less than the UK average unemployment rate. We have low unemployment and a highly skilled work force that looks to London and neighbouring cities for its employment. The high house prices mean that that situation is liable to continue and that more market-led housing will only compound the current trend to buy into our county and commute.

We are therefore naturally concerned that the Government, through their lack of rigorous analysis at every level, are indeed fuelling a property-led project, thus encouraging commuting, putting strain on local transport systems and not creating balanced, sustainable communities supported by local jobs, underpinned by adequate infrastructure and sympathetic to the local environment.

Mr. Mark Prisk (Hertford and Stortford) (Con): My hon. Friend is making an excellent exposition of the weaknesses in the Government's policy. Is she also aware that the loosening of green belt and the replacement of one site for another—perhaps Hertfordshire with Cambridgeshire, which Government policy now allows—is directly encouraging speculative development on green fields? Fields in my constituency are being pegged out now by speculators on the basis of the Government's new policy. Is she aware of that and what does she think about it?

Anne Main: I raised that point in our last debate on this matter. We suffer in exactly the same way. Property developers are placing Government pronouncements on their websites to encourage people to hope that there is value in buying up such pieces of green land.

Unless we are going to bow down to the god of ever-increasing prosperity at the expense of ever-decreasing quality of life, we must ensure that an environmental impact of continually escalating housing targets is rigorously assessed. If we are to avoid fuelling a transport-intensive, pollution-generating commuter hell, then we must take account of local economic activity and ensure that we are not building more and more houses that are developer-led but not necessarily the type of homes that local people want or particularly need. Inevitably, it is leading to swathes of high-density, flatted developments dominating our towns and villages which are frequently snapped up by property developers. The Government and the Minister seem to draw great comfort from coupling the huge increase in building with newly introduced targets for energy consumption, recycling and water use. I am sorry to disabuse them of that environmental comfort blanket, but noting the concern and allocating the problem a target will not resolve it, and it does not address the current status quo.

In my constituency water is currently at a critical point. We have important chalk streams, which are sensitive to the increased pressures to build. Does the Minister know that the chalk streams in our area are unique in Europe? They are recognised by eminent environmentalists as the European aquatic equivalent of the rain forest. She has a chance to respond, but does not do so.

The future of the streams is already under severe threat due to drought. That more water is extracted from the Ver area of recharge than is naturally returned to its aquifer by annual rainfall is incredibly worrying and already a source of deep concern to local environmentalists, who care about the environment and have written to the Minister on that point. Therefore, irrespective of the new housing targets, the most recent Environment Agency study of the Ver since the implementation of the alleviation of low flow scheme in the early 1990s shows that the river is still falling. Despite an effort to conserve our scant water resources by having a hosepipe ban last year that lasted for 10 out of 12 months, our rivers are still falling. If those rivers fail, as they frequently do in periods of drought, even with current demands for water, the whole biodiversity and fragile ecology of the area will ultimately begin to fail. Does the Minister even begin to appreciate the ecological and environmental vandalism that the new housing target proposals will potentially wreak on the biodiversity of Hertfordshire and of my beautiful constituency?

The Minister does not address the current infrastructure and environmental deficit of the hot-spot areas, such as St. Albans, where many thousands of houses are to be built. She does not seem to recognise that simply putting in green building measures for the new homes will not solve all the attendant pollution issues of the existing housing stock and the occupants of that housing stock. It is crucial, if we are to have a degree of intergenerational environmental legacy, for us to look at the environment in which the houses are to be placed, to assess and evaluate the current environmental pressures, and to calculate the impact that those new houses and occupants will have on the established community and that environment.

That is not a cutting-edge environmental objective when considering housing totals for growth areas. Over the years we have had a long series of worthy recommendations from various committees urging us to consider the impact of rapid building on the environment. The Minister must feel that the casual coupling of "sustainable" and "community" in recent reports means that the public will rest assured that the environment is being taken seriously and implies that the relevant assessments of the environmental capacity of the projected increase have been taken into account. But that is not the case. The process for determining the housing targets appears to be totally devoid of any rigorous environmental or even strategic assessment. The complete lack of strategic assessment has led to the Government's erroneous belief that proposed new floor figures of at least 83,000, and possibly 93,000, extra homes for Hertfordshire are environmentally sustainable.

The issue of housing targets has presented challenges for many years, particularly in the south and east, and I

[Anne Main]

remind the Minister of a 1996 report from the Select Committee on the Environment which looked at the problem when considering housing need and housing targets. Crucially, that Committee noted an effort to ensure that housing targets were not being imposed in an unsustainable fashion without recognising the environmental impact, and it welcomed and encouraged the Government of the day's intention to commission research into one important aspect, namely environmental capacity, with a view to producing good practice and guidance for future development programmes. That was a perceptive solution and a genuine attempt to ensure that any future communities were truly sustainable. Indeed, it was supported on a cross-party basis, so we might wonder how much note was made of that recommendation in light of today's concerns about the environmental sustainability of the proposed housing targets.

In 1997, an exposition on the concept of environmental capacity entitled "Making sense of environmental capacity" was undertaken by Michael Jacobs for the Council to Protect Rural England. Mr. Jacobs may not be unknown to the Minister as he is currently advising the Government in his capacity on the council of economic advisers. Most tellingly, Mr. Jacobs pointed out then that

"if environmental capacity is taken seriously and assessed in detail, it would generate specific, quantifiable constraints in the volume and location of development."

That is exactly why the Committee and the Government of the day recommended environmental capacity reports to ensure that housing targets were not too great or burdensome for any area. They are absolutely crucial and should be integral to this Government's assessment of any increased housing targets for Hertfordshire.

If these studies had taken place, it would help to support any assertions from the Minister, which she made in the last debate, that the proposed changes to the draft plan represent a new benchmark in reconciling the growth need that we need with sustainability. Yet, only last week, I asked the Department for Communities and Local Government whether this Government prepare any studies on environmental capacity to accept any housing in particular areas in relation to regional spatial strategies. I was told:

"The Government does not prepare any such documents",

and that

"the initial housing projections are based upon demographic and not environmental considerations."

That is straight from the horse's mouth, so to speak. The Government's view is that if a number of people want to form households in that region, the housing has to be provided. It is not a case of whether the environmental capacity can endure it, but that the housing will be provided. The Department went on to say:

"The regional assembly has to take environmental factors into account in preparing the regional spatial strategy, but there is no single Government document providing guidance on how to estimate the environmental capacity of an area."

There we have it: a new benchmark for the environment is to ignore it. If developers want to build, so be it, and our countryside can go to hell in a handcart.

How bizarrely perverse that according to the Minister's own Department, we have a situation that when a draft regional spatial strategy has an examination in public by a planning inspector, the environmental argument underpinning the proposals may be challenged, but that would not be based on the Government's environmental estimate, because the Government have not made one.

We accept that defining the environmental capacity of an area such as Hertfordshire is not easy. It is, after all, easy to measure the capacity of a road to accommodate traffic because we know how many cars can fit on to it, going at a certain speed with appropriate margins of safety. Helpfully, we can also measure the attendant pollution. That does not mean that we should not try to estimate and look for environmental capacity, but the Government are not even trying.

Pollution is a huge worry in my constituency and these ever-increasing housing targets are fuelling that concern. My constituents are fearful that the Government merely pay lip service to the evidence of congestion and increasing levels of local pollution. According to the RAC, the stretch of the M25 between junctions 20 and 21, which runs over my constituency, is among the most congested in Britain. It does not take the skills of a highways engineer to realise that that situation, compounded by the M1 and the A1(M), results in a toxic U-shape around St. Albans, with the M10 piercing the city, bringing much heavy congestion and pollution.

Mike Penning (Hemel Hempstead) (Con): I apologise for not being here for the whole of my hon. Friend's speech, but I was in the main Chamber on a very important matter for my constituents—pensions.

With congestion comes accidents, and with accidents come injuries. The Government do not accept that if they impose thousands and thousands of homes on Hertfordshire, particularly in the Hemel Hempstead and St. Albans area, the closing of the Hemel Hempstead acute services will put at risk the lives of the people who move into our region.

Anne Main: My hon. Friend may be aware, as I am, of what happened the other week when the M1 suffered a complete, three-lane failure as a result of a crane crashing across it. That led to much of the traffic on the M25 trying to pass through my constituency. Based on the congestion that day, I would have hated to have had to try to get somebody to any accident and emergency service, but particularly to those in Watford.

Mike Penning: The people who were, sadly, injured in that crash went to the Hemel Hempstead A and E, which is about to be closed.

Anne Main: Unfortunately, that happens to be the A and E that served my constituency as well. I have every sympathy with my hon. Friend.

According to the RAC, the stretch of motorway to which I referred is among the most congested in the country. The situation brings pollution to the heart of my city and cars end up spilling on to the A414, which is the busiest non-motorway road in the county, so we are pretty congested. Commenting on the Government's house building agenda and specifically the housing targets proposed for Hertfordshire, the RAC report on

motoring observed that the new emphasis on building new homes puts even more pressure on the road network.

Let us say that we listen to the Minister's siren calls for ever higher housing targets and accept the new household projection figure of 508,000 proposed by her and combine them with car ownership data based on the average car ownership figure of 1.34 cars for Hertfordshire, as published in the 2001 census. I sincerely hope that the Minister has done the maths, because I have. I suspect that she may not, but let me help her. We are talking about an extra 680,000 cars on our already congested roads. That is madness and a pollution nightmare. Can she try to imagine the impact of nearly three quarters of a million extra cars in our area? If so, can she imagine the grossly damaging effect that that would have on the environment?

The Minister may wish to ponder the sobering fact that according to the Department for Environment, Food and Rural Affairs in 2004, out of 47 Government office areas, St. Albans has the fourth highest combined road and domestic carbon dioxide emissions, and the situation is set to deteriorate even further under the proposals.

The environment is multifaceted, with often strong but complex links between constituent parts. Fortunately for Hertfordshire, we have valuable swathes of green belt, which are the lungs of our county. However, a landscape is a reflection of many factors, including the underlying geology, and there are worrying trends in the landscape in Hertfordshire. Water supply is under great strain. Three Valleys Water recognises that housing growth on the scale proposed by the Government will pose significant challenges. Challenges of water supply, as I have already identified, face the River Ver, but there are additional challenges on water supply.

However, the Government persist in ignoring all the committees that have pointed out the flawed approach to housing proposals in the growth areas. In 2000, the Government's response to the Royal Commission on Environmental Pollution's 21st report stated:

> "In the past, the risks of damage to the environment have too often been overlooked or given too little weight when pursuing economic and social policies".

No change there then, is there?

A report by the Environmental Audit Committee in 2005, "Housing: Building a Sustainable Future", examining the Government's housing projection totals, slammed the Government's complacency on the environmental impact of the housing targets. It said:

> "It is astounding that despite the clear need for an assessment of the environmental impacts of the proposals for the Growth Areas as a whole, nothing has been done to date by the ODPM"—

the Office of the Deputy Prime Minister—

> "or DEFRA to address this issue."

The same report went on to say:

> "The Government agrees with the Committee that assessments of the environmental impacts of a step change in housing supply are important. That is why every element of the Growth Areas proposals will be subject to a Sustainability Appraisal".

What the Government do not mention is that that is not their sustainability appraisal; they will be asking people outside to do their own appraisals.

Let me remind the Minister yet again of the remarks from her Department. It said that the Government view is that if a number of people want to form households in that region, the houses will be built. I totally disagree with that approach and I dispute the Minister's new housing figures and the process by which they were arrived at.

I know that other hon. Members want to speak, and I shall conclude my remarks soon, but before I do so I want to draw the Minister's attention to early-day motion 1288, signed by some of my colleagues here today, and urge her to abandon the new totals, with all the environmental implications, and formally request that the Government reinstate the conclusions reached in July 2006 by the panel in the final draft of the plan and thus accept the lower total that we believe we can deliver in Hertfordshire.

2.49 pm

Mr. Peter Lilley (Hitchin and Harpenden) (Con): I congratulate my hon. Friend and neighbour the Member for St. Albans (Anne Main) on securing the debate and on her very cogent and powerful speech in defence of the environment in Hertfordshire in general and in St. Albans in particular. One of her most potent arguments related to the fact that the Government have not carried out environmental capacity studies, despite the fact that they were advised to do so by the Environment Committee and by their advisers, and despite the fact that they have accepted that as necessary in the past. I hope that the Minister will respond explicitly to that point, and explain why the Government have not done so. In the meantime, I endorse my hon. Friend's call for the Government to abandon the latest increased targets for house building in Hertfordshire until such studies have been carried out, to assess whether there is the environmental capacity to take this extra house building.

We also know that the Government have not agreed to finance the additional infrastructure that this house building would require. I remind the Minister that Hertfordshire is already the most densely populated county outside London. Its roads are the most overcrowded and busy in any county, because they bear not only the traffic generated by this dense population but more traffic passing through the county than that faced by any other. The secondary schools, certainly in my area, are all already oversubscribed. The hospitals face closures, including ward closures and the downgrading of half the major general hospitals in Hertfordshire, and yet more need and more demand for them would arise, as my hon. Friend the Member for Hemel Hempstead (Mike Penning) pointed out.

We know already that the water services face immense pressure, and my hon. Friend the Member for St. Albans pointed out the problems that will be faced if extra housing is built. We also have a shortage of green space. That green space has been preserved and protected by the green belt, and the Government propose to lift that protection, to move the boundaries of the green belt further north and to expand it to compensate for the loss of green belt in Hertfordshire, by designating some land under no serious pressure somewhere north of King's Lynn.

Finally, as I intend to be brief, we need to know the reasons for this additional housing. There are two reasons why extra housing would be needed: one is an increase in population, and the other is a decline in household

[Mr. Peter Lilley]

size so that the same number of people need more houses. As I understand it, the Government are saying that virtually all the extra houses are the result of a projected decline in household size. It is quite true that more houses are needed if you have an unchanged population and a declining household size. However, such extra houses will not impose the same infrastructure requirements as the house building that is required to house additional people. The same number of people are living in smaller households. They do not need so much extra water, schools or, we would hope, hospitals.

Anne Main: I find it interesting that the Government have also done no real assessment of the unit size of houses that are being built, so that is developer-led. Lots of flats are being built, which is not necessarily what communities want. In Hertfordshire, we have an ageing population in many places, and older people do not want to live in high-rise blocks of flats; they often want low-rise accommodation, possibly bungalows. We also have a shortage of accommodation for people with disabilities. I feel that all we are doing is bowing down—on the Government's targets and the relaxation of planning regulations—and having the homes and properties that developers wish to give us. They fulfil housing target densities, but do not deliver the mixed communities that we all want to see our residents living in.

Mr. Lilley: I agree entirely. We need to know the causes of the extra housing targets because they will influence the nature of that housing and the size of the units that we need to build, and therefore the nature of the communities created. It is important that we get an answer, finally, from the Government as to why the housing targets are constantly rising. Are they expecting an accelerating decline in household size? Is that the sole factor lying behind house building or is it, as most of the public assume, because more people are expected to be coming to live in Hertfordshire?

It is my belief, and I have said this before, that the housing growth in Hertfordshire—perhaps a third of the total growth—is largely due to an increase in the population. That increase is not because the birth rate exceeds the death rate in the area, but because more people are moving into it. They are moving in not from the rest of the United Kingdom—from the north, Scotland and Wales—but from London. The increase is not the direct consequence of immigration from abroad—relatively few immigrants move direct into Hertfordshire—but the indirect consequence. Very large numbers of people come to live in London. The substantial bulk of the flow from abroad comes to live in London, and then Londoners of all ethnicities move out to the home counties. That is the pressure that we are facing. If that is the case, that has different consequences for the number, the size and nature of houses that we need to build. The Government should come clean on whether that is what they envisage happening.

Martin Horwood (Cheltenham) (LD): I share the right hon. Gentleman's analysis up to a point, and there is a significant out-migration issue from London, but is there any academic verification for his assertion that immigration is to blame? The only reference I can find is from the Joseph Rowntree Foundation, which said that out-migration was largely due to natural household growth, growth in the existing population, and older and more affluent households moving out to the urban fringe, and not due to immigration.

Mr. Lilley: On the contrary, if the hon. Gentleman looks at the Joseph Rowntree study and the source of that information—the principal demographers in this country are based in East Anglia and Cambridge—he will find that the pressure of immigration from abroad is leading to the net outflow from London to the home counties. I refer him to a pamphlet, written by myself, that lucidly explains all that. It is called "Too Much of a Good Thing?" It is available for £15 from the Centre for Policy Studies or free on my website. I show the original figures, which have been updated, and they suggest that for the country as a whole, a quarter of all new households—the Government put it at a third—are likely to be due to net immigration from abroad.

As I said before, that is not net immigration direct into Hertfordshire. It is into London and then out. We need to know those figures if we are to understand the nature of the problem and cope with it accordingly. I am afraid that we have had 17 statements from Housing Ministers over the years, and not one of them has even mentioned the issue. I only return to it because of course every time I do, they try to shut me up. As often as they try to shut me up, I will return to the subject. I hope that as a result we shall get more information out of this debate than we have out of previous debates on the subject.

2.58 pm

Mr. Mark Prisk (Hertford and Stortford) (Con): May I add my commendations to my hon. Friend the Member for St. Albans (Anne Main) not only for securing this timely debate—we had one in January but this comes after the conclusion of the formal consultation—but for her excellent identification of another one of the failings of the approach that the Government have taken to the whole issue.

When we consider local housing targets, it is important to remember one of the points made by my right hon. Friend the Member for Hitchin and Harpenden (Mr. Lilley), that Hertfordshire is already one of the most densely populated shires in England—I think that it shares that title with Surrey. Given that it has a million people or so, it is no surprise that the Government's target of up to 93,200 more houses by 2021 has caused the gravest concern. In practice, that would mean 200,000 additional people, which is another 20 per cent., in just 15 years. It is an unprecedented scale of development, and following my right hon. Friend's remarks, I must say that it is completely out of step with local need.

Ministers love to claim that in Hertfordshire we are against all new development and housing—that we oppose every last brick being placed on another. They are completely wrong. We recognise the need for more homes. Our local authorities have consistently ensured that homes have been built to meet local need. During the past 20 years, East Hertfordshire district council in my constituency has enabled more homes to be built than any neighbouring authority. Since 2001, some 2,140 homes have been built in my district, unlike in neighbouring Harlow in Essex, for example, where just 810 were constructed. We will take no lectures from Ministers on that particular subject. We build while they talk.

We believe, however, that development must be sustainable. It must be underpinned by funded infrastructure, and it must be planned democratically. Sadly, the changes to the panel's recommendations proposed by the Secretary of State and made to the east of England plan failed on all three counts. Take sustainability, for example. Clearly, a key objective in any natural housing proposal would be for housing and employment targets to equate, yet the Secretary of State wants housing for over 17,000 more people than there will be jobs for.

Take the vital issue of water and sewerage. The panel's experts made it clear that local development in our area must be delayed because of serious capacity problems, yet as my hon. Friend the Member for St. Albans pointed out, the Minister has simply ignored them, saying that the problem could be "overcome with time". I look forward to seeing the water engineer who can use time to overcome water problems involving piping arrangements and so on. It will be a masterful exercise.

The truth is that the Government have no plan to address existing water problems. They are making no attempt to realise the fundamental obstacle that those problems will create for any new development, never mind one that meets the Minister's higher targets. If they had come forward and said, "We recognise the issue, we recognise the problem and we will invest money to sort out"—for example—"the Rye Meads sewage works," we might have considered it and tried to help. But no—instead, we get platitudes such as "overcome with time".

Anne Main: When I was at the east of England plan, I was told that the water issue was a logistical one, because there was a statutory obligation to supply water. That—just piping—does not address the impact of the abstraction of the water on the fragile ecosystem. The Government seem to have refused to address that point, looking simply at the engineering issues surrounding water supply.

Mr. Prisk: My hon. Friend is absolutely right. I cannot understand why Ministers are being so foolish. They could make their own jobs easier if they dealt with such matters and analysed them in a professional way. Instead, we get platitudinous nonsense that does not solve the problem for any of us. We wish to be co-operative in this matter, but are unable to do so when we receive that kind of advice.

That is not the only issue on which we feel that the Government have failed. There is the question of Harlow North. The Secretary of State proposes that that speculative development should proceed, and that instead of the original idea of 10,000 houses on the site—which, I should add, is 3,000 acres of green fields—there should now be up to 20,000 houses. Given that the scheme has been rejected twice by the planning process and was completely removed by the Minister's own panel, why does she now believe that Harlow North should proceed?

Then there is infrastructure. When presented with the initial list of key projects, which included improvements to the roads and railways that we have heard are so congested, the Chancellor refused to fund more than 75 per cent. even of those initial schemes. In other words, the Government would like us to have 200,000 more people in Hertfordshire, but they are prepared to pay for infrastructure for only 50,000. That is just the basic capital project. As my right hon. Friend the Member for Hitchin and Harpenden and my hon. Friend the Member for Hemel Hempstead (Mike Penning) mentioned, our schools, hospitals and essential services are not being improved. They are being squeezed and in some cases closed.

If the substance of the Government's housing plans is poor, the way that they have been imposed is even worse. Frankly, it is a tale of incompetence and political chicanery. I wish principally to focus my remarks on how that plan and the housing targets in it were set. We have heard about the failure to provide an appropriate environmental capacity study, but that was not the only failing. First, the consultation process was fundamentally flawed. The East of England regional assembly failed to print and distribute sufficient copies of the plan on which it was supposedly consulting. The result was the nonsense whereby in Bishop's Stortford, for example, a town of 35,000 people, we were provided with—

Anne Main: One copy?

Mr. Prisk: No, they were generous. We got two copies of the plan in the library, which caused something of a challenge. It was a 300-page document and people had to queue to see a document that was meant to be publicly available, until some of us shouted and screamed sufficiently loudly. We were told, "Well, this is fine, it's available on the internet." Does that mean that people who are not on the internet are not entitled to be consulted? It was a failure of process that was repeated in Hertford, Ware, evidently in St. Albans, and across the region. The regional assembly then withdrew its support for the plan after Ministers' promises to fund the infrastructure proved to be false. Yet the Government pressed ahead, and the result was the legal nonsense of a plan that was not supported by the body responsible for producing it.

Perhaps the worst example of the shoddy way in which the plan was railroaded through was the episode of the Housing Minister and Harlow North. When the Government-appointed panel of inspectors considered the plan last year, it recognised all the problems of the speculative scheme. Those experts strongly and expressly recommended on 19 June that the new town should not be included in the regional plan. Some people disagreed; the hon. Member for Harlow (Bill Rammell) said that it was unfair and that he wanted to put an alternative to the Government. Of course, as my hon. Friends know, the Government's own planning rules preclude that. Planning policy statement 11 states that in the period between the panel reporting and the Government responding, any representations would "undermine the whole examination process and be prejudicial to other participants".

Thus, until the Government publish their changes, Ministers should receive no representations. Fair enough. Regrettably, the Housing Minister apparently breached that rule, as on 13 July she met the hon. Member for Harlow specifically to discuss housing. In December the Government overturned their own inspectors' recommendations and reinstated the new town in the plan.

I have raised the issue in the House on several occasions, and all the way through the Government have defended themselves by saying that the junior Minister, who is

[Mr. Prisk]

with us today, is responsible for making the decisions, not the Housing Minister. That defence was meant to distract me from two crucial points. First, the rules do not refer to who makes the decision. They say that no representation should be received by the Government. The Minister for Housing and Planning meeting a local Member of Parliament to discuss housing between the panel's decision and the Secretary of State's announcement is clearly a representation. The fact that that Minister will not publish her papers from that meeting, despite requests from constituents under the Freedom of Information Act 2000, on the grounds that she was "engaged in making policy", only confirms the pertinence of the meeting.

The second point shows Ministers in a worse light. The junior Minister tells us that she is responsible for the east of England plan. Note the present tense—she is responsible for it now. But was she the responsible Minister last July when that crucial meeting took place? To find out, I tabled named day questions for answer on 3 March. Three weeks later—silence from the Department. With the help of the Leader of the House, on the day on which the House rose for Easter, I was finally able to force an answer from the Department. The junior Minister was put in charge of the east of England plan in October—three months after the Housing Minister discussed housing with the Member of Parliament for Harlow. No wonder they did not want to answer my questions.

The housing targets set out in the plan are of great concern to my constituents. Imagine, Lady Winterton, that in your constituency you were to have a new town forced on you, with 25,000 houses on 3,000 acres of green fields, opposed by every parish, town, district and county councillor, which 25,000 people opposed in the consultation. Some 5,000 people in this consultation have said no, yet the Government seek to railroad the plan through by bending and twisting the rules.

My constituents firmly believe that the meeting last July breached the planning rules and in doing so undermined the examination process. That prejudicial action, along with the failure to consult adequately, the absence, as we heard, of an environmental capacity study and the resulting decision to designate a specific development, is grounds for saying that the plan and the housing targets that it includes are fundamentally flawed. If people now challenge the plan, it will be because they wish to see due process, open and transparent governance, and sustainable and deliverable housing targets. On all those counts, the Government, and particularly the group of Ministers that I mentioned, have failed, and they should be held to account.

3.10 pm

Martin Horwood (Cheltenham) (LD): I congratulate the hon. Member for St. Albans (Anne Main) on securing a debate on this important subject. As a fellow member of the Select Committee on the Office of the Deputy Prime Minister—now the DCLG—I know that she understands well the frustrations and challenges of this sensitive area of policy. The issues raised by a debate on housing in Hertfordshire have implications for counties such as my own of Gloucestershire and, indeed, for the whole country.

The background to the issue is that we face multiple crises, including a crisis in housing affordability and an impending environmental disaster. On housing affordability, the situation is worst for those on low incomes and new home buyers, and it is acute for those in otherwise prosperous areas such as Hertfordshire and Gloucestershire. The Joseph Rowntree Foundation study suggests that housing costs in the south of England now take up 40 per cent. of the average earnings of first-time buyers, compared with only 25 per cent. in Scotland. It also suggests that 50 per cent. of younger working households cannot afford to buy a first home in the south of England.

The environmental crisis is also acute, and reference must be made to that, too. The implications of climate change are well known, and I shall not rehearse them today, but the problem in the UK is that emissions are still rising. CO_2 emissions have increased by 2.5 per cent. since the Government came to power, adding to the 6 per cent. of global cumulative greenhouse gas emissions that the UK has already produced and the 14 per cent. of current emissions for which the EU is collectively responsible. These days, people often seem to think that we can escape our responsibilities simply by pointing to the emissions of countries such as China and India, but I am afraid that this country's collective and historic responsibility is still great.

As the Select Committee knows, the Government's response to the housing crisis has been distinctly one dimensional. Increasingly, it relies overwhelmingly on simply expanding the supply of housing in areas of predicted and current high demand, such as Hertfordshire and Gloucestershire—the so-called predict and provide strategy. Obviously, that delights many commercial developers, for whom building urban extensions around affluent towns such as St. Albans and Cheltenham is more profitable than regenerating inner cities, providing struggling rural communities with small developments that might benefit them as they try to keep their schools and shops open, or providing more housing in lower-income counties such as Cornwall, where an acute affordability crisis is being fuelled by second homes.

In its report last June, the Select Committee touched on issues such as second homes and other factors beyond the basic supply of housing. For instance, we commented on affordability in rural areas, saying:

> "The level of demand for private housing in some rural areas fuelled by migration from elsewhere in the UK and the desire for second homes exceeds the potential supply to the extent that any increase in house-building would be unlikely to affect affordability. The provision of social rented and affordable housing is therefore particularly important in these areas. We recommend that the Government increases its allocation to the Housing Corporation for rural areas."

I should be grateful if the Minister could confirm whether that has yet happened.

Those comments point to several factors beyond the basic supply of houses, including the balance between social and market housing. They raise the issue of migration, which the right hon. Member for Hitchin and Harpenden (Mr. Lilley) mentioned. They also touch on the desire for second homes.

On the balance between social and market housing, there has been a dramatic shift since the 1970s, when only 50 per cent. of the population were home owners. Today, that figure is 70 per cent.

Obviously, the Conservative policy of right to buy, I am afraid, contributed to that shift, which has undermined the social housing sector. However, the change has not just taken place under the Conservatives. Since 1998, 408,000 social housing units have been sold off and only 180,000 built. Therefore, the right to buy has not been balanced, as it needs to be, with building and buying of new social housing. Also, as credit has been extended ever more unrealistically by mortgage lenders, house prices have continued to rise. It is critical that, as well as examining issues of supply, the Government address issues on the demand side, in particular reinvigorating the social housing sector and examining the mix of tenures.

Migration is also a factor. I will not dwell on that issue much, as the right hon. Gentleman has already discussed it at length. However, I repeat my disagreement with his view that the original cause is international immigration. In fact, I think that household growth, population growth from within the existing population and the flight of older, more affluent households are the key factors.

Mr. Lilley: Is the hon. Gentleman suggesting that people who come here from abroad do not live in houses, or do not form households? Roughly 200,000 more people come to live here every year than return abroad or emigrate. If they live in households that are bigger in size than the average—say, three people per household rather than two and a quarter—he will be able to work out that that requires 67,000 houses a year.

Martin Horwood: I am grateful to the right hon. Gentleman for that intervention. Of course, I am not saying what he suggests that I am saying. The critical issue is this: why are the people who are moving to counties such as Hertfordshire and other south-eastern counties moving out of London? He suggests that it is because of immigration. I have never seen convincing evidence that that is the case. I suppose that, if the immigration were not happening, one would see more supply—perhaps empty housing—in large urban areas, as one does in the north of England, where the immigration may not be happening to the same extent. The question is not whether the immigration is happening, but why do people move? I do not see any evidence that it is immigration that is causing them to move.

We have already briefly touched on the issue of second homes. They are certainly a factor in some areas. The Liberal Democrat proposal is to examine both planning permission and including second homes in the business rate to discourage their proliferation and the perverse effect that they have on some local housing markets.

Michael Gove (Surrey Heath) (Con): I am intrigued by the hon. Gentleman's proposals on second homes. We all appreciate the particular problems that are faced by individuals and local authorities in certain parts of the world, not least Cornwall. However, can he tell me precisely how a planning regime would designate a second home? What would happen if someone wished to change the registration of their primary residence and their secondary residence? Who would be responsible for monitoring that change of use? Also, what appropriate planning regime would restrict development in such areas, and what impact would that have on the tourist economy?

Martin Horwood: Given that the subject of the debate is housing in Hertfordshire, I will not get distracted into that subject. I will happily send the hon. Gentleman a copy of the Liberal Democrat White Paper when we get into government and seek to implement the policy in that much detail.

If I can move on, housing supply is obviously a major factor, but it is not the only factor. Therefore, a massive increase of supply should not dominate Government policy in the way that it does. I will give way for the last time.

Anne Main: I am sure that the hon. Gentleman has the same problem in Cheltenham that we have in St. Albans, which is that people buy many homes. We cannot just say that we will have a tax on second homes. Some people that I know have portfolios of eight, nine or 10 homes. For example, if there are three or four people in a family household, there is nothing to say—we know because we have explored this in the Select Committee—that each of those household members could not be registered for each of those homes. It is a little disingenuous just to say that a tax on a second home would work. In St. Albans, it would not solve the problem, because the property market is so lucrative that people buy property portfolios and keep properties to rent them out on the highly lucrative buy-to-let market.

Ann Winterton (in the Chair): Before I call Mr. Horwood again, perhaps Members would note that interventions should be relatively brief and not speeches in themselves.

Martin Horwood: I am very grateful, Lady Winterton. However, just in reply to the hon. Lady, I think that she is slightly confusing buy-to-let with second homes. In counties such as Cornwall, second homes lie vacant for large parts of the year. That was the issue that I was seeking to address.

As I was saying, housing supply is obviously a major factor, but not the only one. I do not think that it should dominate Government policy to the extent that it does, not least because it might not work. That is another point that we emphasised in our Select Committee report last year. The Select Committee concluded that:

"A simple supply and demand model cannot be applied uncritically to the behaviour of the housing market and house prices. The particular nature of the housing market makes it very difficult to be certain about the effect which a certain level of increase in supply will have on prices and thereby affordability... It is unclear what impact the Government's objective to increase house building to 200,000 by 2016 would have on affordability."

We concluded:

"There are many factors, other than supply, which affect the affordability of housing. The Government needs to examine a range of strategies which might influence demand such as interest rates, the availability of credit and taxation, as possible approaches to stemming price rises and improving affordability."

My point is that it is one thing to say that we need more housing, but it is quite another to continue to rely arbitrarily on a massive increase in supply as the only, or dominant, policy tool in addressing the issues of affordability, especially when, as hon. Members have pointed out, the policy also has grave implications for the environment, sustainability and infrastructure.

[Martin Horwood]

Another obvious demand factor is regeneration—in other words, trying to rebalance the scales between areas of high demand, like St. Albans and others in Hertfordshire, and areas which are less well off. I have to acknowledge that the Government have made serious efforts on that front, including the recent announcement in Gloucestershire of significant regeneration money for Gloucester city, which I hope will rebalance the local housing market there. However, the Government risk undermining that with the market-led approach to house building.

One of the most interesting pieces of evidence that the Select Committee received when considering its report was from the West Midlands regional assembly, which said:

"The West Midlands is seeking to halt the out migration of households from the conurbation. The proposed approach by ODPM is market led with the potential for increased development on Greenfield sites in areas of high demand."

It went on to say that it feared that

"ODPM proposals will undermine developer confidence in the growth of the Major Urban Areas and lead to demands for an ever increasing rural residential land release and further out migration to the Shire Counties. This approach would be highly unsustainable and wholly against the principles of the West Midlands RSS."

I find it strange that I am arguing with a Labour Minister that the Government are too slavishly in hock to market forces, but that seems to be the case.

Mr. Prisk: Will the hon. Gentleman give way?

Martin Horwood: I will, but for the last time.

Mr. Prisk: I rise simply because I want to commend the hon. Gentleman's remarks. I will be brief, Lady Winterton. Is the hon. Gentleman aware that, in my constituency, the Government's proposal is to build a new town, supposedly with the aim of regenerating part of Essex, which is across the border in another district? The argument that he has just made is exactly parallel to that. Does he agree that it is nonsense to argue, as the Government do, that building a new town in one county will somehow regenerate another town in another county?

Martin Horwood: I am grateful to the hon. Gentleman. I was not aware of that and I agree with him. The emphasis on building new houses has a particular environmental impact, because it takes the equivalent of some 25 tonnes of carbon to build a new house as opposed to 1 tonne or 2 tonnes to refurbish an existing one. All other things being equal, it is environmentally a much better idea to refurbish and re-use rather than to build new.

The other supply-side issue that I was going to mention is the scandalous number of empty homes. The latest figures that I could find were for October 2005, where the estimate was that there are 723,000 empty homes. Why, therefore, have the Government not taken more policy initiatives on that front? Why have VAT rates, for example, for greenfield developments, for which the rate currently stands at 0 per cent, not been harmonised with those for the repair, modernisation and conversion of existing properties, where work currently attracts VAT at 17.5 per cent.? That would at least encourage some developers to look at bringing more rundown empty houses back into the market.

The environmental impact of all that is clear. Hon. Members have referred to the impact on the water table and the local rivers in Hertfordshire. I understand that the River Ver is under great pressure and that other local rivers quite often run dry as a result of over-extraction. I have also referred the carbon cost of new build as opposed to the re-use of existing housing. There is also the issue of the impact on environmentally friendly forms of transport. I understand from local campaigners that First Capital Connect trains are already full to bursting and that, as the hon. Member for St. Albans pointed out, the A414 is often severely congested. Transport, congestion and pollution are obviously serious environmental threats and I share her alarm regarding those issues.

We are facing such an onslaught because the Government's instincts are always to overrule from the centre, not to listen to local people, and scarcely to listen to environmental arguments. The hon. Member for Hertford and Stortford (Mr. Prisk) has offered a forensic analysis of the flaws in the process by which the numbers were arrived at, but the bald facts are that the East of England regional assembly said that it would propose 478,000 new houses—an enormous number—for the east of England. That figure has been more or less arbitrarily increased to 508,000, which may bring the total for Hertfordshire itself to perhaps as high as 100,000 new houses on top of a total existing housing stock of only 500,000. As the hon. Gentleman said, that is a 20 per cent. increase in a relatively short time.

Hon. Members who have spoken so far were right to reject the accusation of nimbyism. I have always considered nimby a childish playground taunt that is used to attack people who are defending their quality of life. Let no one accuse the Liberal Democrats of nimbyism. The Liberal Democrats in Hertfordshire support at least 70,000 new houses in the county—just like I have supported 8,500 new houses in my constituency. I accept that such housing will inevitably be at a higher density than existing housing, but when the Government constantly ratchet up those numbers, we move from development to overdevelopment, which often means overflowing into the green belt. However, this is not just a green belt against non-green belt issue. I am all for an intelligent review of the green belt and there may be areas of the green belt that can be looked at. I do not have an example that is local to Hertfordshire, but in Gloucestershire I strongly support the inclusion of valued green land such as the so-called Leckhampton "white land" into green belt to provide more permanent protection from predatory developers. However, I fully recognise that that cannot always be a one-way process.

I was delighted to receive a letter from Cheltenham race course this morning, which said that a large area of one of its car parks is green belt land that could be usefully surrendered. It would probably be appropriate to use that particular land for a hotel rather than housing, but it shows that green belt land can be intelligently reviewed and that within existing green belt designation, significant brownfield sites that would be appropriate for housing can be found.

Anne Main: Unless a designated brownfield site has been specifically ring-fenced within a green belt, it is part of the green belt and it does not matter whether it

is scruffy or unattractive as it performs the useful purpose of stopping coalescence. I caution against advocating building on parts of such land.

Martin Horwood: The hon. Lady is right up to a point in that an important role for green belt is preventing coalescence, but she is utterly unrealistic in saying that we must have a blanket policy of never building on anything in the green belt. That is hopelessly unrealistic in the current circumstances. I was not at all advocating abandoning the green belt as I strongly support the principles of the green belt and perhaps even a net increase in it. I was saying that an intelligent approach must be taken and that green belt should not be swept aside on the arbitrary whim of the Secretary of State and the Government, who are in pursuit of an unsustainable, unpopular and fundamentally unnecessary policy of overdevelopment.

Ann Winterton (in the Chair): Order. Before the hon. Gentleman moves on, I wish to point out that we have half an hour left for the other two Front-Bench speakers and it would perhaps be helpful and fair to them if he brought his remarks to a conclusion in a moment.

Martin Horwood: Thank you for that guidance, Lady Winterton. I was bringing my remarks to a conclusion, but I have had to deal with a large number of interventions.

In conclusion, the Liberal Democrats support and applaud cross-party campaigns run by local campaigners and politicians who oppose overdevelopment in Hertfordshire. We support the "No Way to 10K" campaign in Welwyn Hatfield, which was initiated by the hon. Member for Welwyn Hatfield (Grant Shapps). I know that he too has signed the "Hands off Herts" online petition that is on the Prime Minister's website. The petition was initiated by my good friend, Sandy Walkington, who is a passionate and well informed local campaigner in St. Albans. That online petition is one of the top petitions by number on the Prime Minister's website and we, too, support it. I urge all local residents to log on and to sign up, including the hon. Member for St. Albans, who, I think, has not yet signed. I hope that she will confirm that she will do so today.

3.29 pm

Michael Gove (Surrey Heath) (Con): As always, it is a pleasure to serve under your chairmanship, Lady Winterton, and it is delightful to see you in the chair. I congratulate my hon. Friend the Member for St. Albans (Anne Main) on initiating the debate; notwithstanding the closing comments of the hon. Member for Cheltenham (Martin Horwood), I do not think that anyone could doubt my hon. Friend's commitment and passion in defending the interests of her constituents and of the county of Hertfordshire in matters of housing and development. It is not through signing petitions, wherever those may be, but through passionate and coherent argument in this place and on doorsteps that a difference can be made. In the two years in which my hon. Friend has served as a Member of Parliament she has made a formidable difference.

Martin Horwood: I am happy to applaud many of the positive campaigns that the hon. Member for St. Albans has run. I was merely inviting her to sign the very popular local "Hands off Herts" petition, as the hon. Member for Welwyn Hatfield has done. Perhaps the hon. Member for Surrey Heath (Michael Gove) would endorse that from the Conservative Front Bench now.

Michael Gove: I am very careful not to stray beyond Surrey Heath when it comes to signing petitions, but I am always anxious to recognise effective campaigning work, and in that context in Hertfordshire there is no one better equipped than my hon. Friends the Members for St. Albans and for Welwyn Hatfield (Grant Shapps) to teach us all about defending the interests of our constituents.

It is perhaps appropriate that we are debating housing in Hertfordshire this week and that we should note briefly the passing of Robert Jones, the former Member for Hertfordshire, West who was a Member of this House from 1979 to 1997 and served latterly for three years as a Minister in the Department of the Environment with specific responsibility for housing, planning and the environment. One of the themes of the debate has been the way in which those three issues are interconnected. Robert Jones was a model Member of the House, passionately committed to extending the free market principles on which his party had been elected, and at the same time defending the environment of the country that he loved. I know that many hon. Members will want to take the opportunity to attend his funeral, or indeed to write to his widow, and I am sure that we all want to pay tribute to the contribution that he made to his constituents, and the causes that he believed in.

All the speeches in the debate so far have been of very high quality. I mentioned the campaigning skill of my hon. Friend the Member for St. Albans. In her speech she passionately and effectively made the case for improved local democracy, and for taking account of quality-of-life considerations as well as economic ones when making housing and planning decisions. She also drew to the Minister's attention very effectively the two key quality-of-life problems that her constituents face—the way in which flatted developments are eroding the historic character of St. Albans, which makes it such a cherishable place to live in, and crucially, the way in which environmental considerations do not have the status that they should have in the Government's deliberations on housing and planning. That theme was picked up by my right hon. Friend the Member for Hitchin and Harpenden (Mr. Lilley). He rammed home the point that the Government have failed, in the matter of conducting suitable environmental capacity studies, to ensure that their plans for housing are genuinely sustainable.

That is not an argument that is restricted to Conservative Members. A former Minister for Housing and Planning, the right hon. Member for Greenwich and Woolwich (Mr. Raynsford), recently wrote something called "Blueprints for Green Homes: a Housing and Energy Policy for the 21st Century". In it he asked what guiding principles should be the foundations of a progressive Labour housing policy. By asking that question he implied that the current housing policy was far from progressive. How did he answer it? He said:

> "We should never again allow preoccupation with numbers to override issues of quality. Housing policy does not exist in a vacuum but must be developed together with wider economic, environmental and social policies to secure sustainability."

[Michael Gove]

That is at the heart of the case that my right hon. and hon. Friends have made. I know that it is fashionable on the Labour Benches to characterise Conservative Members of Parliament as nimbys, but as my hon. Friend the Member for Hertford and Stortford (Mr. Prisk) pointed out, in Hertfordshire a significant level of house building has been embraced—positively welcomed—by Conservative members and delivered by Conservative local authorities. As my hon. Friend—who, as a chartered surveyor, has a passionate commitment to the built environment—pointed out, it is Conservatives who build, whereas the Labour party prefers simply to condemn. We can see from the historical record that in every year in which the Conservatives were in power, more social and affordable housing was built than in any year in which Labour was in power. Only in the last two years has the level of market housing under this Labour Government come anywhere near the lowest level under the previous Conservative Government.

The hon. Member for Cheltenham has a sincere and long-standing commitment, which predates his entry into the House, to environmental matters, and those parts of his speech that touched on the environment were the most impressive. I welcome his sentiments, although not all the policy recommendations in his speech, and I am grateful for the way in which he acknowledged the campaigning energy that Conservatives in Hertfordshire have devoted to this cause.

Uniting all the comments from Liberal Democrat and Conservative Members so far in this debate has been scepticism about the way in which the Government seek to balance our genuine need for new housing with other criteria, specifically environmental, but more broadly quality-of-life issues. The Government tend to blame local authorities for the failure to meet housing targets and they argue that the only way in which to meet those targets is by ramping up the numbers that they lay down through their regional spatial strategies and other means. However, as I pointed out with reference to the number of houses built under this Labour Government relative to the number built under the previous Conservative Government, that centralised, statist and, with respect to the Chancellor of the Exchequer, Stalinist approach simply has not worked. We know that it has been deleterious to the quality of life in areas such as Hertfordshire, but we also know that it has not brought on stream throughout the country the level of new housing development that we need. That is because our planning system at the moment is broken, overly bureaucratic and insensitive to both democratic and environmental needs.

Those are not my observations, although I passionately believe them; they are the observations of Kate Barker, who was commissioned by the Chancellor of the Exchequer to examine the planning system. She pointed out that under this Government planning has become hugely bureaucratic. The planning encyclopaedia is composed of 12,000 pages—eight volumes—backed up by 201 statutory instrument. That brings costs, not only for those who are attempting to navigate the planning system to defend their local environment, but for taxpayers. In one year, 2004-05, Departments, local government and other public bodies spent almost £100 million simply on planning consultants to negotiate the maze of red tape erected by this Government. No one benefits from that system.

Martin Horwood: I am quite surprised to hear the Conservative Front-Bench spokesman endorsing the views of Kate Barker. Does he also agree with her that

> "It is not the role of local planning authorities to turn down development where they consider there to be a lack of market demand or need for the proposal. Investors who are risking their capital and whose business it is to assess likely customer demand are better placed than local authorities to determine the nature and scale of demand"?

Michael Gove: As the hon. Gentleman spoke, I could hear the sounds of an elephant trap being constructed for me, and I shall not on this occasion blunder into it. I believe that Kate Barker is a very effective analyst of many of the problems in the planning system, but I disagree with her prescriptions for some of the things that she thinks we should do. I have raised those in a previous debate, and am happy to discuss them outside this Chamber.

One key point that the Government should acknowledge is that the whole plan-making process is uniquely centralised, and while the citizens and residents of Hertfordshire must live with those decisions, the power rests with the Secretary of State. The Government tend to blame local authorities and Conservative MPs as though the power rested in their hands, but Kate Barker says:

> "England has a highly centralised system of land use regulation. There is extensive national policy on issues ranging from density levels to greenfield land targets. Plan-making processes and content are heavily regulated. The Secretary of State also has broad powers to make decisions on planning applications."

Responsibility rests centrally, and it rests heavily on the Minister to ensure that environmental and quality-of-life considerations weigh with other social and economic factors. My hon. Friends have made a series of points to draw attention to the way in which Hertfordshire is suffering environmentally, and those considerations need to be rapidly brought back into balance.

I said that my hon. Friend the Member for Hertford and Stortford used to be a chartered surveyor, but I suspect that he missed his true profession. Having listened to him setting out the sorry tale of contact between the Minister for Housing and Planning and the Minister for Higher Education and Lifelong Learning, the hon. Member for Harlow (Bill Rammell), I have concluded that he should really have been a prosecuting barrister. I, and the whole House, would be very interested to hear the Minister's explanation of what seems to the Opposition to be a prima facie breach of good practice—or, in the terms used by my hon. Friend the Member for St. Albans, a stitch-up. Can she unstitch that now?

3.40 pm

The Parliamentary Under-Secretary of State for Communities and Local Government (Meg Munn): I congratulate the hon. Member for St. Albans (Anne Main) on obtaining the debate. The right hon. Member for Hitchin and Harpenden (Mr. Lilley) is here. In January he secured a debate on housing targets in Hertfordshire, and we have continued that debate today. It is a little unfortunate that some of the myths that

were expounded then and to which I responded have nevertheless entered this debate, but I shall endeavour to respond to as many points as possible. I hope that hon. Members will bear with me as I set out the necessary explanations, as I did on the last occasion. I shall take interventions towards the end of my contribution if there are issues that I have not dealt with.

Someone with a house that overlooks the countryside might have a different set of priorities from someone whose aspirations for a home have not yet been met. One of the Government's central dilemmas in dealing with housing is that building houses is unpopular and meets enormous resistance.

I ask hon. Members to consider the following:

"Whenever plans are submitted, or housing allocations in the home counties or further afield are published, there is resistance because people genuinely feel that there is a cost to be paid in terms of land being taken. The answer must be to build on the so-called brown-field sites, but to say that every element of housing need can be satisfied in that way is not only extremely prescriptive but puts more housing on those sites than they can sustain." —[*Official Report*, 18 July 1996; Vol. 281, c. 1387.]

Those are not my words, but those of the right hon. Member for Skipton and Ripon (Mr. Curry) a little more than 10 years ago, which he used in response to the Environment Committee, itself the subject of comments by the hon. Lady. It demonstrates that housing issues and dilemmas have not greatly changed.

The hon. Member for Surrey Heath (Michael Gove) is an experienced speaker who makes his points well, but one gets the impression that prior to 1997 everything was well in the housing world. The Government inherited a £19 billion backlog of repairs for social housing; 2 million houses had failings in basic decency standards; more than 1,800 people were sleeping rough; and families were living in bed and breakfast accommodation. Tackling those problems has been enormously important and a great deal of progress has been made.

On specific issues relating to Hertfordshire, consultation on the Government's proposed changes to the draft plan ended in March. For reasons of propriety, I cannot engage in a debate about potential further changes before Ministers have carefully considered all the views that were expressed. However, I shall reiterate the rationale for the level of growth not just in Hertfordshire but in all parts of the region and nationally. I also want to put the record straight on the situation in Hertfordshire.

In the winter of 2005-06, an independent panel held an examination in public to test the soundness of the draft east of England plan, which the regional assembly had produced after wide consultation. The panel endorsed the basic thrust of the draft plan, and the Secretary of State's proposed changes build on that draft. However, the panel made a number of recommendations to improve the plan. It concluded that the case for higher growth had been made, based on population increase, housing needs, affordability and employment needs, and that growth must and could be reconciled with sustainability principles and environmental constraints.

Ministers accepted almost all of the panel's detailed advice, including its housing proposals for all but one of the 47 districts. I accept that the panel's recommendations for Hertfordshire are controversial, but it found that the draft housing proposals were unbalanced, and the figures for Hertfordshire in particular were too low.

What are the main reasons for higher growth? I outlined them in January, but they bear repetition. Government policy is to ensure that everyone has the opportunity of living in a decent home that they can afford. Kate Barker's review of housing supply concluded that the housing market had not responded sufficiently to meet the needs of the country's ageing and growing population. The Government's response set a challenging ambition to increase the supply of new housing to at least 200,000 houses per annum by 2016.

The new 2004-based household projections, which indicate that household formation will average 223,000 annually to 2026, underline the urgent need to pursue our ambition and build more homes for this and future generations. Although good progress has been made—from a low of around 130,000 new homes in 2001-02, housing supply has increased to more than 180,000 in 2005-06—we clearly must maintain momentum.

The right hon. Member for Hitchin and Harpenden questioned the basis on which the figures have been put together. I will give a little more detail about the basis of the household projections from the 2004 study. About 8,000 of the 14,000 increase in annual household growth is attributable to an assumed increase in migration. The remaining 6,000 results from increases to the population due to higher life expectancy, changing age structure and higher household formation. Migration counts for about 33 per cent. of the household growth in the 2004-based projection.

House building needs to be increased in all regions. There is already an urban renaissance in northern and midland cities where full use is being made of brownfield land to support jobs and housing growth. For Hertfordshire, the latest forecast of future housing needs is at least 30 per cent. higher than the scale of development most of the local authorities will accept.

Martin Horwood: Will the Minister try to answer my point? This is not simply about the absolute numbers of houses. There are still more dwellings than households in this country, according to her Department's statistics. It is about patterns of supply and demand. What other policies, apart from building more houses, is her Department producing?

Meg Munn: There is a great deal going on in relation to that. I should be delighted to answer the hon. Gentleman in more detail in a debate on that subject, but the hon. Member for St. Albans has initiated a debate on housing figures in Hertfordshire and I want to concentrate on that specific issue.

Martin Horwood: Will the Minister give way?

Meg Munn: No. I need to try to answer the questions that have been asked.

The issue is not just about numbers, but affordability. Housing affordability problems are acute in the south where, as elsewhere, the majority of households want to own their own home. Increasing numbers cannot afford to do so, including many key workers and families. In Hertfordshire, the ratio of average house prices to lower quartile household earnings is about 12:1, making it the most unaffordable county in the east of England. Many more homes are needed if local people are to find

[Meg Munn]

decent homes. Not building enough—a mix of rented housing, equity share, and homes for the majority who want to buy—will just make affordability problems worse.

What about the environment? As the panel pointed out, growth and living within environmental limits are not alternatives, but joint imperatives. The proposed changes to the draft plan represent that new benchmark in reconciling growth with sustainability. We have taken the panel's recommendations one step further and propose to set in place stronger policies and clear targets to reduce water consumption, improve energy efficiency and drive up recycling of waste.

Anne Main: I am grateful to the Minister for rereading the report that I quoted earlier, but it does not explain the environmental capacity studies that need to be done and which the Government have obviously failed to address and do themselves.

Meg Munn: If the hon. Lady will bear with me, I am just coming to that. I was paying attention to her speech. We take the environmental pressures of our house building programmes very seriously. Indeed, one of the benefits of the sustainable communities plan and growth areas is that housing growth can be handled strategically. That allows us to focus more on environmental implications. There is a well-established process for appraising the sustainability of housing plans, which is to prepare sustainability appraisals of regional and local plans. Those are tested thoroughly through the examination process, with inspectors making recommendations that take account of the sustainability—

Mr. Prisk: On a point of order, Lady Winterton. Is it appropriate for the Minister simply to read out a report verbatim when hon. Members have asked specific questions? She is making no attempt to address the matters that have been raised.

Ann Winterton (in the Chair): That is not a point of order for the Chair. The Minister can reply as she thinks fit.

Meg Munn: The hon. Gentleman is a little bad-tempered this afternoon.

Mr. Prisk: If the Minister answered our questions, we would not be.

Meg Munn: Hon. Members have put a range of questions. They have asked about environmental assessments and I am responding to that.

Mr. Prisk: The Division bell will go in two minutes, and the Minister knows it.

Meg Munn: If the hon. Gentleman would contain himself and listen, I might be able to make progress and he might get some of the answers that he seeks.

There is a well-established process for appraising the sustainability of housing plans. Those are tested thoroughly through the examination process, and inspectors make recommendations that take account of sustainability and other issues that are raised during the process. The Government's response to the Barker review of housing supply was accompanied by a research report on the sustainability of additional housing scenarios in England. That covered the environmental impacts of things such as land take, construction materials, waste, energy and water, as well as wider sustainability issues such as the impact on local economies and communities.

The response to Barker was accompanied by a number of environmental measures, such as the announcement that 10 per cent. of growth in the newer growth areas would be devoted to green spaces, with plans for the newer growth points to be developed in conjunction with the Department for Environment, Food and Rural Affairs and the Environment Agency. Since then, we have been working on ways of ensuring that the environmental impacts of housing development are managed carefully—for example, by consulting on a timetable to zero carbon housing development by 2016; using areas of housing growth, such as Northstowe in Cambridgeshire, as environment exemplars; and announcing that the Government would consider proposals for new eco-towns.

It is not surprising that the issue of water has been raised. I understand concerns about water resources, especially as the east of England is our driest region, and I acknowledge the particular problem of low river flows in parts of Hertfordshire. However, it is people who use water, not houses. The Government, the water regulators, the water companies and communities working together have a shared responsibility to steward water resources and avoid waste to ensure that occupiers of existing and new housing have sufficient water supplies now and in future.

At national level, the Government have consulted on options for regulating for minimum standards of water efficiency in new homes and commercial buildings. Proposals for higher water standards are being taken forward through the new code for sustainable homes. The Environment Agency and water companies, as statutory consultees—

3.53 pm

Sitting suspended for a Division in the House.

4.15 pm

On resuming—

Meg Munn: The Environment Agency and water companies, as statutory consultees for both the regional spatial strategy and the local development frameworks, play an important role in informing planning authorities and independent inquiries at key stages of the plan-making process. Water companies have 25-year, forward-looking water-resource plans, which they review every five years and which are reviewed annually by the agency. The plans take into account the supply-and-demand balance for a specific area, and include new household growth and population changes as part of the planning process.

Referring specifically to the east of England, the Environment Agency's technical work has indicated that sufficient water resources will be available to support the proposed level of growth, provided that significant water savings are achieved and planned new water infrastructure is put in place. The Government have proposed new regional targets on reducing per-capita water consumption and policies to ensure the timely provision of additional water infrastructure and a co-ordinated approach. That will include a programme of water-cycle and river-cycle studies to address water supply and waste-water treatment issues in different parts of the region.

We have heard a great deal about the lack of assessment and everything being centrally dictated. Nothing could be further from the truth. The regional assembly put together the proposals and undertook a sustainability appraisal, which was subject to consultation. The proposed changes were also subject to a sustainability appraisal, which showed the plan moving towards sustainability. The plan was particularly positive about the approach to carbon emissions and water.

Anne Main: Before the Minister moves off carbon emissions, which nearly slipped through, will she comment on my specific points about the M25 junctions 20 to 21, the M1, the A1(M), the A414 and the M10, all of which have significant pollution levels that are already considered to be unsustainable?

Meg Munn: On transport and infrastructure generally, of course there are important issues about providing additional infrastructure support. We have already made substantial commitment to investment in the region through sources such as the growth area fund support for local delivery vehicles and the transport innovation fund. Those issues are clearly important and will be dealt with by the plans as we go forward.

The Government are committed to the principle of the green belt and propose no fundamental changes to policy, as I said last time we debated this. The green belt performs a vital role in containing urban sprawl, supporting urban regeneration, protecting the openness of the countryside and preventing coalescence between nearby towns. Any proposals to alter green belt boundaries must be pursued through the plan-making process and are subject to public consultation and inquiry, such as the recent examination in public into the draft east of England plan. Boundaries can only be changed in exceptional circumstances.

The Government are committed to minimising any loss of green belt to development. Policy remains to make best use of brownfield development opportunities before considering whether exceptional circumstances justify any release of green belt.

Mr. Prisk: The proposal for Harlow North, which the Minister made in her changes to the draft plan, is based on using 1,500 acres of green belt. Are those exceptional circumstances?

Meg Munn: The hon. Gentleman knows that for propriety reasons I am not able to comment on the proposals at the moment. I am setting out the general policy framework.

Mr. Prisk: Here we go!

Meg Munn: The hon. Gentleman can laugh about this, but it is an important issue. He has raised many questions about propriety and it is very clear that, as I said at the outset, it would be inappropriate for me to comment on the proposed changes at this stage. He has raised many issues and we have responded.

Martin Horwood: Will the Minister give way?

Meg Munn: No, I need to continue.

The Government are committed to minimising any loss of the green belt to development. Hertfordshire local authorities are to be commended for the way in which they have sought out and made best use of any opportunities to justify exceptional circumstances, but they know better than most the limits before problems of "town cramming" start to impinge on the quality of urban life. The pressing need for more housing coupled with the regeneration and wider sustainability benefits of expanding the new towns provides the exceptional circumstances that justify amending green belt boundaries in a small number of locations in Hertfordshire and Essex where major growth is to be concentrated.

Will Hertfordshire's green belt be concreted over? As I said before, absolutely not. Only about 3 per cent. of Hertfordshire's existing green belt will need to be built on to provide sufficient development land for the long term. The rest, some 97 per cent., will remain, and we are putting in place a stronger framework to make it greener and more accessible for recreation. There should be no question of towns merging together and losing their identity. National policy continues to be that green belts must prevent coalescence between nearby towns, and local decisions on green belt boundaries in Hertfordshire must respect that principle.

The Government's targets for each English region are to maintain or increase the area designated as green belt. Since 1997, the amount of green belt land across the country has increased by 26,000 hectares. In Hertfordshire, the proposal is to extend the green belt by designating about three times the area that is proposed to be removed. Green belt is not being added for the sake of it, but to achieve sound planning objectives, to set clear long-term limits to development and to protect the surrounding areas from inappropriate development pressures.

Hon. Members asked about infrastructure. Central to our vision for sustainable communities is that development must be supported by the full range of infrastructure. We are proud of our track record of support for growth in the region, and we want to ensure that future investment is adequate, within the constraints of public expenditure.

In Hertfordshire, as elsewhere, the Government are working to achieve genuinely sustainable development to meet real housing and other development needs while respecting environmental limits.

Broomhill Bank Special Needs School

4.22 pm

Greg Clark (Tunbridge Wells) (Con): It is a great pleasure to serve for the first time under your chairmanship, Lady Winterton, and I am delighted to do so. I am also delighted to have an opportunity to talk about a school that is extremely important to my constituents and those of my right hon. Friend the Member for Tonbridge and Malling (Sir John Stanley) and my hon. Friend the Member for Sevenoaks (Mr. Fallon), both of whom share my interest in this very special special school. I am delighted that they are here today.

I shall briefly lay out the bald facts about the school. Broomhill Bank is a girls' school. It educates girls with moderate learning difficulties. It is designated to take 92 pupils, of which 66 are residential pupils. Currently, the school has 83 pupils, including 29 in the 16-plus unit. I mention that unit because I shall go on to talk about it in a little more detail. Of the 29 pupils in the 16-plus unit, 20 are in residential accommodation at the school, and half of them are accounted for by Kent county council and half by other local authorities.

Those are the bald facts about the school. The reality of the contribution that it makes is apparent as soon as one walks through the door. The moment one enters the school, one senses an atmosphere of support, gentleness and great enthusiasm for learning. Broomhill Bank is an inspirational place to visit, and Members who have visited the school will have experienced that clearly. To enter a classroom is to see girls who have many challenging difficulties to overcome making huge progress. The care that teachers and other members of staff take over their education dispels all doubts about whether Broomhill Bank is a most valuable place for them to receive an education. There is a real joy in learning, and it is a measure of the support that the school enjoys in the community that so many people have risen up to support it in recent weeks. I am delighted to say that a large number of supporters—members of staff and the governing body, parents and pupils—have travelled to Westminster today to be part of this day and this debate.

The facts on the performance of the school are, equally, not in doubt. We only have to look at the recent Ofsted inspection results. Ofsted visited the school in 2006 and said that it was an outstanding school, with

> "many outstanding features that justify its high reputation as both a day and a residential school."

In particular, its residential and 16-plus units were described as excellent and outstanding. Ofsted commented:

> "Pupils are very well prepared for the future by the many opportunities provided to develop their independence and teach them how to succeed in life after school."

The county council's officer has admitted that Broomhill Bank is a quite outstanding school. The Commission for Social Care Inspection, the body that inspects the organisations that care for people in a residential setting, has given Broomhill Bank easily the highest rating of any special residential school in Kent. There can be no doubt that this school enjoys conspicuous success and is a real jewel in the crown of Kent's education system.

What is the reason for this debate today and for the great public concern about what is being proposed for the school? There is a review of the status of Broomhill Bank school that contains five proposals. The first is that the designation of the school as one catering for pupils with moderate learning difficulties should change so that it caters for those with communications and interaction difficulties. I shall talk a little bit about that. The second proposal is that the school should no longer be a girls' school, but should become co-educational. The third is that the valuable 16-plus unit should be abolished. The fourth is that the residential status of the school should be abolished, too. The fifth, which is a concomitant of these changes, is that the authorised number of pupils in the school should fall from 92 to 56 on site, with provision for another 24 as an outreach service. We need to be clear that that would destroy the ethos of Broomhill Bank school and this successful school would no longer be a recognisable version of the one that we see today. That is a short-sighted measure. I also fear that this might be the beginning of the end for the school, because to reduce it to 56 pupils on site—almost half the current authorised number—and to remove the residential accommodation calls into question the viability of a school that size. It is important that we resist this set of proposals.

Some hon. Members would like to speak, so I shall confine my remarks to two aspects of the proposals. First, the 16-plus unit of the school is a beacon of excellence in our county. What are the consequences of removing it? Doing so will force girls at the age of 16 into colleges of further education that cater for adults, not just children. Let us think about the consequences. I am sure that we have all visited colleges of further education in our constituencies. I have done so. They tend to be rather intimidating, chaotic places—although that is not to disparage them at all—full of young adults rushing from one place to another, with a bewildering myriad of courses on offer. They do not offer the nurturing familiarity and sense of structure and routine that a school offers. To remove children struggling with disadvantages from a caring environment into an alien environment is not just foolish, but damaging to their self-confidence.

Let us consider girls in the mainstream education system. Most secondary schools in Kent have sixth forms, because we recognise that between 16 and 18 the continuity of education, care and the familiarity that the teachers have with their charges is beneficial to them. Why is that approach good enough for pupils who do not suffer the learning difficulties that the pupils of Broomhill Bank do, and why should it be good enough for grammar school pupils to benefit from a sixth form while girls with moderate learning difficulties who struggle to cope are denied that choice and are forced to go into adult further education? That is an injustice.

We should be aware of the difficulties that some of these girls face. Having talked to the recent headmaster of the school, I am conscious of the fact that when some girls first come to Broomhill Bank their communication difficulties are so extreme that they find it difficult even to communicate directly with members of staff. The excellent recent headmaster, Mr. Barnett, described to me the case of one girl. She has now blossomed into a self-confident young woman but when

she first came to Broomhill Bank she communicated with staff through the device of her pet toy cat. Girls who struggle to communicate need special help, and to send them into an adult furtner education college is an act of cruelty.

The second thing on which I want to concentrate is the residential aspect of the school. The majority of 16-plus students have a residential place at the school, so it is no great surprise that it is the 16-plus unit that is coming under attack. There is an orthodoxy that deprecates residential provision at all costs, which is unfortunate because a diversity of provision is important. When we think about residential provision of education, it is important to consider what that means at a school such as Broomhill Bank. It does not mean Dickensian dormitories that are a relic of the 19th century—far from it.

Such provision means 24-hour education and girls spending four nights a week with their colleagues, not in a dormitory but, in effect, in a flat, in which they help each other to live: they make friends and deepen friendships; they look after each other; they are responsible for their own cooking; and they help to do their own laundry. They are learning the skills that they will need to live in the wider world, which they soon enter. Let us get rid of the idea that this is in any sense an old-fashioned way of offering education—far from it; it is bang up to date and is helping young people to develop the confidence and skills that they need to succeed and prosper in the outside world.

I should like to raise three particular issues in connection with this residential provision. First, as I have mentioned, half the residential places are taken by other local education authorities. Sometimes the county council regards that as a negative thing, but I regard it as entirely positive because it shows that other LEAs are choosing the benefits of this school for their own pupils. I hope that the Minister will agree that it is entirely consistent with the Government's approach of providing a more regional view of special schools, so that one county is not expected to maintain all of the provision in its own area. This school is used widely by other local authorities, and we should celebrate that. There is certainly not a charge on the Kent council tax payer for the places that are taken up by other authorities.

Secondly, in evaluating the cost-effectiveness of interventions such as residential accommodation, we should examine the quality of outcomes. It could well be that any money saved by forcing pupils into day provision and mainstream provision against their will and that of their parents is a false economy, not only in financial terms but in terms of outcomes and achievements. I am concerned that nowhere in the consultation document is there an adequate assessment of the comparative value of residential education for these girls who have been statemented as being able to benefit from it versus the use of other schools in the mainstream.

There is an inspiring example of a former pupil at the school, whose name I shall change to Carrie. When she was first considered for admission to Broomhill Bank, she had been excluded from two primary schools and was, in effect, in a pupil referral unit for secondary school pupils. When the head teacher approached her to see whether she would like to be considered for inclusion at Broomhill Bank, she said, "You won't want me. My behaviour is too nutty." I have been told that the girl went on to manage her behaviour and attained a maths GSCE at the school as well as an A-level in maths. She is now working extremely successfully as a financial adviser at Barclays bank. There are many more inspiring tales about the school and it is important that we keep hold of such stories and recognise that such matters cannot just be reduced to numbers, but that we must look at the unimpeachable outcomes.

I shall highlight what is a painful issue for many people. Certain pupils at the school who benefit from the residential unit have troubled home lives. In some cases, their learning, emotional and behavioural difficulties are connected with their life at home. Having the opportunity to spend four nights a week outside of the family home, but in a supportive, caring educational environment, can be the difference between their needing foster care or even permanent local authority care and being able to continue their lives with their families. We all know the devastating emotional consequences and the poor national record in respect of children in care, so an investment that allows them to be well educated and to stay in touch with their families is extremely important. I regret that nowhere in the consultation proposals does that feature, which is one of the reasons why I very much hope that the proposals will be shelved so that they can be looked at properly.

I said that I would not take up too much time so that other colleagues who wish to contribute to the debate can do so, but I wish to conclude by drawing attention to the point we are at in the consultation process. The proposals have been laid before the public. Last month, a public meeting was held at which people could comment on the proposals. Such was the level of passion and the contribution that people wanted to make to the discussion that it started at 7 o'clock in the evening and went on until midnight. I have been told that, as at 28 March, 984 written responses had been made to the consultation process. Of those responses, three were in favour; 981 were against.

If, as I hope, the consultation process is genuine and its purpose is to consider the views of parents, members of staff and pupils, no serious person could conclude from the evidence that has been presented anything other than that the school is admired widely educationally, loved by its pupils, cherished by their parents and valued very highly by the local community.

Kent county council is excellent. I criticise it only with great reluctance and the fact that the consultation has not been properly conducted in respect of the evidence and information that it has received will, I hope, lead it to live up to its high standards and reflect the views not only of myself, parents and other supporters, but of the local county councillor, John Davies, who is firmly in support of my proposals. I am grateful for his support.

The school is very special. We want to keep it a very special school. I hope when the Minister responds that he will feel able to support our ambitions for Broomhill Bank and our ambitions for it to continue to have the ability to offer the type of education that it has offered successfully to so many girls over the years.

4.39 pm

Sir John Stanley (Tonbridge and Malling) (Con): I am grateful to my hon. Friend the Member for Tunbridge Wells (Greg Clark), my constituency neighbour, for

[Sir John Stanley]

allowing me to make a brief contribution to his debate. I support the extremely compelling case that he has made for the retention of the present status of Broomhill Bank school with illustrations from two constituents of mine who have daughters at the school and who have given me permission to quote from their letters to me.

Mr. Henry Street from Penshurst wrote:

"Our 11 year old daughter has moderate learning difficulties/ speech and language delay, and is lucky enough to attend Broomhill Bank School in Rusthall, Kent...Since joining Broomhill Bank our daughter has thrived in its unique and special environment. Her confidence and self esteem have blossomed and we have seen a dramatic improvement in her academic ability since joining from her Primary School....The 16+ unit prepares girls for adult life within the community far better than a mainstream day college ever could."

Helen, the daughter of my constituent Mr. Adrian Belither, has Down's syndrome and is at Broomhill Bank. He writes:

"Our daughter's time at Broomhill Bank has been a revelation. She has blossomed from a shy young girl in to a confident and resourceful young woman and her progress will only be enhanced by her time in the 16+ Unit in to which she will enrol in September this year. Although her place is assured for the time the unit remains in existence, this re-designation removes the opportunity for all the girls following her and for that I feel dreadfully sad."

I also feel dreadfully sad. Broomhill Bank is an outstanding school doing an outstanding job by the girls attending it. Like my hon. Friend, I earnestly hope that Kent county council will reconsider the proposal and withdraw it.

4.41 pm

The Parliamentary Under-Secretary of State for Education and Skills (Mr. Parmjit Dhanda): I congratulate the hon. Member for Tunbridge Wells (Greg Clark) on securing this debate and the right hon. Member for Tonbridge and Malling (Sir John Stanley) on his contribution to it.

Our responsibility in government is to ensure that children and young people with special educational needs are well served. Regrettably, some recent news coverage has contained fundamental misunderstandings about our policies in respect of special provision. I shall clear those up at the start. For the record, we have no policy to close down special schools, although I appreciate that that has not been said during the course of this debate. Nor do we have a policy to force pupils into mainstream schools without regard for their individual situations. Since the publication in 2004 of our long-term strategy for special educational needs, the overriding aim has been to build capacity across the whole education system by giving local authorities the power to determine the most appropriate range of provision for local children.

Special schools have an important role to play in meeting the particular needs of some children. I want to make it clear that we value special schools extremely highly. Before I turn to Broomhill Bank, I shall explain the process involved in making changes to a special school. As has always been the case, changes will continue to be made to individual schools—special and mainstream—in the light of local needs and demands. Openings, closures and redesignations of schools are not matters on which central Government decide; they are, as the right hon. Member for Tonbridge and Malling made clear, local matters for local consideration. When a local authority proposes a change to a school, it first conducts a local consultation exercise. Only when that is complete will the authority decide whether it will publish a formal statutory notice. I understand that that is the position of the Kent local authority and Broomhill Bank at present.

Broomhill Bank is a good school that is popular with the parents of the children who attend it. Nevertheless, it may be necessary to keep pace with local change. I understand that Kent has a £105 million special school capital investment plan, which is already under way to adapt schools to meet children's changing needs. That considers Broomhill Bank to be a part of that wider jigsaw of local provision. As the hon. Member for Tunbridge Wells said, the school is designated to take up to 92 girls and has up to 66 residential places. However, I understand that currently there are only about 28 residential pupils, more than half of whom, as he said, are placed at the school by local authorities other than Kent.

In recent years, the pupil profile of the school has changed and the school has already begun to accommodate a number of pupils with more complex needs. The hon. Gentleman also mentioned that Kent county council is consulting on a proposal to change the school from being girls-only to being co-ed, expand the range of special educational needs that it caters for, discontinue residential provision and change the age range from seven to 19, to five to 16.

Kent county council's consultation proposes that Broomhill Bank school will provide for boys and girls aged five to 16 with autistic spectrum disorders and/or specific language disorders. The school will act as a centre of expertise for communication and interaction in the west Kent area. There are already special schools in the mid and east Kent areas that similarly provide for children with communication and interaction difficulties.

The consultation period ends next week, and responses to the consultation will be reported to a meeting of Kent's school organisation advisory board on 16 May. That meeting will be open to the public and to the press and only then will a decision be made whether to bring forward a formal proposal.

I recognise—I can see it myself—that the future of the school has attracted much local interest. Two hundred people attended a public meeting on the proposals on 7 March and it would be unusual if such an alteration to a school, especially a good school, did not cause consternation, but we would all agree that these changes are not taken lightly by the local authority. Nor are they to be decided unilaterally. Kent has used the normal consultation process and has consulted local schools, governors and parents. If it decides to proceed with the proposals, everyone, whether or not they have been involved in the consultation process thus far, will have the opportunity to put forward their objections, or to make comments following publication of the proposals, and I am sure that the hon. Gentleman will do so.

Greg Clark: The consultation has not quite closed, as the Minister said. If the final tally of objectors versus supporters is consistent with the present pattern, which, as I said, is 981 against and three in favour, what will he conclude from it?

Mr. Dhanda: I will come in a moment to the role of Ministers and the local authority in the process. Obviously, the consultation is not an opinion poll, as the hon. Gentleman will be aware. I will happily come on to the role of the Department in a moment.

If there are objections during the formal objection period, the matter may then be referred to the independent schools adjudicator, whose decision will be final.

Although it is ultimately a local decision, I want to say a few words about the future process of school reorganisation involving children with special educational needs. The availability of alternative provision is one of the most important considerations when a local authority proposes changes to school provision which would result in pupils being displaced. That is why we are introducing a special educational needs improvement test and setting it out in guidance. It means that, when a local authority is proposing any reorganisation of SEN provision, the authority will have to demonstrate how the proposed alternative arrangements are likely to lead to improvements in the standard, quality and range of SEN provision. We have recently completed consultation on the guidance and after analysing the responses we expect to issue the guidance later this year.

As many will be aware, the proposed changes at Broomhill Bank are part of Kent's 2002 special school review, which led to the county plan for special schools. The plan identified a need to provide more places for children with autism, behavioural, emotional, social and/or complex medical needs. Kent is addressing the shortfall in places for certain types of need and seeking to reduce the travelling times to schools, especially for primary-age pupils.

Broomhill Bank is the last of the special schools to face proposed changes. In this instance, children should not be displaced as a result of the planned alterations. I understand that pupils who are already at Broomhill would continue to attend the school until they finish their schooling, even if that takes them up to their 19th year. Should the proposals go ahead, the implementation date will be a year from now, as the school buildings will require significant refurbishment, including the development of a new multi-agency service space for use by therapists and other professionals.

Although I understand the concerns that the hon. Member for Tunbridge Wells has represented about making changes to what Ofsted has described—I agree—as a good school, changes to schools must be local matters born of local insight and knowledge. As Kent is carrying out a proper consultation process, it would not be right for me as a Minister to make any comment that might influence that decision. I am sure that that is the answer that the hon. Gentleman was expecting as well.

Greg Clark: Will the Minister give way?

Mr. Dhanda: I need to make a bit of progress, because a couple of contributions have curtailed the time and I want to come to some of the points about post-16 provision if I can. There is a shortage of specialist autism provision. In general, the Government welcome the development of provision to meet that shortage. It will benefit the children in the hon. Gentleman's constituency, I am sure.

We cannot dictate from Whitehall, and I do not think that anyone would want us to. To improve outcomes for children with special educational needs takes the insight and sensitivity of those familiar with the local situation and local issues. It is clear that Kent has thought long and hard about how to provide the best possible education for special needs children in the authority, and that it has ambitious plans to use capital investment —£105 million of it—to achieve its vision. I hope that the concerns of local parents and constituents can be addressed fully, and that through open dialogue, a consensus benefiting all local children can be achieved.

The hon. Gentleman also made some points about post-16 provision. Were Kent to proceed with the proposal, girls with moderate learning difficulty who might previously have attended the school would be able, for example, to attend other local schools.

Ann Winterton (in the Chair): Order. We must now move on to the last debate.

Local Government (Cornwall)

4.52 pm

Mr. Colin Breed (South-East Cornwall) (LD): It is a pleasure to be under your chairmanship, Lady Winterton, as we discuss what I know you also believe is an important subject—local government reform. It is extremely important to the whole of Cornwall. I hope to speak for only a few minutes, to allow other hon. Members to participate as well. It is important to everybody in the county.

It might be helpful to provide some context. I shall take the past 20 years as a convenient period, because it straddles 10 years of Conservative rule and 10 years of Labour Administration. For the first 10 years I was a councillor, and for the last 10 years I have of course been the MP for South-East Cornwall.

The first 10 years were an interesting time. We suffered the poll tax and then the interim tax known as council tax, which many of my constituents still suffer. We endured the sell-off of our council housing, so that we now have virtually none available in the county for those who require it. We experienced water privatisation, which has given us the highest water bills in the whole country—some £200 a year more than anybody else. Our agricultural industry grappled with the BSE fiasco. Some schools had a preponderance of outside toilets, as well as classrooms that were not weatherproof. Cancelled road schemes caused major congestion for our tourist industry. Threats of hospital closures brought thousands on to the streets, and the deregulation of our buses has left us with virtually no public bus transport in the county.

When we were told 10 years ago that things could only get better, we had no doubt that that was the case. But now we see no change in council tax, which is still going up. We are still enduring water charges, despite many petitions, debates, letters and meetings with Ministers. Thankfully, we have not had BSE, but we had foot and mouth, and the latest fiasco, the single farm payment, has hardly assisted our agricultural industry. Our hospitals remain threatened, and even today we are concerned about whether they will continue. Our public transport remains decimated. I must acknowledge that we have had some school building, that two valuable road schemes are in progress and that we have had some very modest progress on social housing, but now, of course, we have the spectre of no NHS dentistry.

One might therefore imagine that the people of Cornwall are not exactly best pleased with how they find themselves, after 20 years of overriding centralisation by two Administrations. The greatest feature of that has been the central diktat and the centralisation of decision making, controlled by endless rounds of debilitating bidding for almost everything under the sun, targets that have skewed performance and wasted billions of pounds, and bureaucracy in every public service so that we are paying more and more for less and less.

Plans for the reform of local government therefore have a hollow ring for many people who just want central Government to butt out and restore real local government. We need 21st-century administration, a modernised funding structure and a new relationship between central and local government built on understanding, respect and trust, with a recognition that each has a distinctive role but neither has a monopoly on wisdom. The task is not to be underestimated, and only radical, fundamental change will do.

To endure the upheaval, change and additional work required in any reform process, the reward must be substantial. Its essence must be devolution; a devolution of responsibilities and above all of resources and decision making. That must happen from the very top to the bottom, with powers devolved down from central and regional government, regional quangos and the counties to the lower tiers. It clearly cannot be achieved overnight but there must be agreement that it is the direction in which we must travel, and some sort of milestones or timetables must be established.

It would be premature and inappropriate to go into great detail about how that can be achieved, and in any case it must be tackled by those who will be affected locally by any change. Change must not just be imposed on them once again by an overbearing central Administration on a "we know what's best," one-size-fits-all basis. I wish at this stage merely to emphasise that only a proper return to locally elected, accountable bodies will satisfy the people of Cornwall. I have tried to indicate in the past 20 years how they have been affected and how they have suffered, and I hope that the Minister appreciates that the decision to be taken in the next few months is extremely important.

We have for 20 years endured interference, maladministration, the decline of services, increasing tax and charges and excessive bureaucracy. Frankly, the people of Cornwall have had enough. We want a strong, accountable strategic authority for Cornwall responsible for dealing with our economic regeneration; inadequate public transport system; dearth of affordable housing, local health care services, local schools, post offices and shops; underfunded community facilities and much more. The existing structures are simply inappropriate. They are wasteful and have too much duplication and overlapping. There are many examples of that, such as in the waste services, whereby the district councils are responsible for collection and the county council for disposal, and in parking, which is in conflict on and off-street.

There are too many quangos with no elected representation. Current problems with our primary care trusts and health services are a supreme example. It has become too time-consuming to do things; there is too much consultation between inefficient bodies, so it takes far too long to achieve anything. Most of the time, the services are not directly responsible for what local people want and pay for.

Cornwall is distinctive. Its history, culture, geography and well defined community mean that Trelawney's army has in every sense had to march on many occasions more recent than a few hundred years ago. People have been out on the streets to protest against the poll tax, to save threatened hospitals, to oppose rail service cuts, to restore bus services and to save their post offices and small schools. Yes, they have also come all the way up here to invade Twickenham and support Cornish rugby—and at this stage we all ought to congratulate the Pirates for their victory on Sunday.

The Government have a real opportunity to demonstrate their commitment to localism, which we hear about all the time—not by some anaemic, sterile, bog-standard unitary authority but a full-blooded devolution of powers and responsibilities to forge a new partnership between central and local government. That will benefit both parties, but above all it will provide a real response to

the people of Cornwall who have suffered for too long from external and remote decision making that has caused so much misery.

5 pm

Andrew George (St. Ives) (LD): It is an enormous pleasure to follow my hon. Friend the Member for South-East Cornwall (Mr. Breed), whose remarks I thoroughly endorse. I fully appreciate that the Minister will be constrained by law as to what she can say in response to the points and questions raised through today's debate. She also has the pleasure, as I think if it, of having the box set—the full parliamentary team for Cornwall—here to listen to her words in a moment.

The underlying theme of what we wish to convey to the Minister and the Government today is that we do not want to see simply the delivery or imposition of a Government agenda in Cornwall as a result of this great opportunity. We should be working with Ministers to ensure that Cornwall is enabled to provide a Cornish solution to our problems. That may mean having a different solution from those that may apply in different parts of the country, and I hope that the Minister will be reasonable and flexible where that is concerned. I have in fact recently written to her colleague, the Minister for Local Government, to seek a meeting between ourselves, the county council and other councils in Cornwall who are supporting the bid in order to take some of these issues a stage further forward. I hope that the Minister will encourage her colleague to accede to that request.

The key issues that we need to have addressed are currently threefold. First, because pain inevitably comes with reorganisation—and there will be a great deal, particularly for those councils that are abolished, and the jobs and democratically elected positions that will be lost as a result of that reorganisation—there is enormous anxiety and a tremendous and, I would argue, a gathering opposition to the proposal in Cornwall at the moment. We must listen to that and take great account of it, but it is critical that we ensure that that pain is balanced with significant gain along the lines that my hon. Friend the Member for South-East Cornwall has just explained. In other words, we need a demonstration that the Government are prepared to devolve strategic decision-making powers to Cornwall in the fields of health, economic development, planning, police and other services.

Unless there is at least some indication that the Government will meet that ambition—and be prepared to talk with us about those issues, so that those ambitions can be taken forward in future negotiations—I fear that this process will stall very quickly in Cornwall. As I am sure the Minister fully appreciates, we have strong ambitions for the future of Cornwall. In fact, we believe that the city region agenda should apply to Cornwall. We are in fact the rural equivalent of a city region, and we hope that chapter 4 of the White Paper will apply to Cornwall.

Secondly, the current bid has plenty of opportunity for disagreement, and that is currently being fully exploited by its opponents, particularly on subordinate matters about the numbers of members, where the boundaries of community networks may apply and so on. My real point for the Minister is: some of those subordinate issues—about numbers and boundaries, and the devolution within Cornwall to community networks, parish councils and others—are ones on which we could so easily be tripped up, given the opposition to them, that it is important that the Minister gives us real clarity and that flexibility can be applied. It would be helpful to receive clear advice on the extent to which the Government are prepared to allow flexibility in the bid document that was lodged by Cornwall county council. The council would like to explore the extent to which the proposals in the document might change in the coming months without invalidating the bid.

My third point relates to the 12-week time period. I share the concerns of some district councils that are gathering in opposition to the bid, which argue that there should be a longer period of consultation. There is good reason for optimism, but I fear that a short consultation period will give opponents of the reorganisation of devolution and local government in Cornwall more grist to the mill and a greater chance of success in generating strong opposition to the bid, as we will not have the opportunity to explore the flexible, alternative solutions that are required to enable us to make a positive bid for Cornwall. I hope that the Minister will indicate whether there is any flexibility in the consultation period.

5.6 pm

Matthew Taylor (Truro and St. Austell) (LD): I shall speak briefly as the Minister needs time to respond. I thank her for agreeing to allow flexibility in the timings. I passionately believe that Cornwall has a great future and that the people of Cornwall are better able to determine their future on the many issues that they face than people elsewhere. Many of the issues are unique to the county due to its geography, its isolation from London and its high poverty levels.

I welcome the fact that the White Paper has provided the opportunity to change the way that Cornwall is governed. It is great news that that has happened and that the Government have begun to recognise that local solutions and local strength of decision making are important. I suspect that Ministers agree that there has been too much movement over the years in the opposite direction towards centralisation. The Minister should understand that there is excitement about this move. There is willingness in the county to grasp the opportunity and we want to see the process move forward. There is huge support for that.

I want to stress strongly that Cornwall's proposals are built on a notion of natural communities. They are communities of interest in which people come together; they understand the community in which they live and work and they understand its shared interests. Double devolution, which is proposed by the Cornwall bid, is a significant part of that process. The first level of devolution is to provide Cornwall with a stronger voice in its affairs and with those who govern it at national and regional level. In the county, there is no sense of a shared community interest in the artificial bureaucratic construct—it was originally Conservative, more recently it has been Labour—of the wider, south-west region. Bluntly, telling anybody in a street in my constituency that they share an agenda with people in Swindon will ring no bells whatever.

The first part of the bid is to say, let us have a greater say in our future, with our particular identity and interest and our relative isolation from London. We want to devolve down some of the powers that are held at regional level, the best example of which is the arcane, bureaucratic, objective 1 process, now the convergence funding process, that we have to go through for agreement

[Matthew Taylor]

on European funding. Half a dozen Departments and the region can all have a say in decisions on relatively small amounts of expenditure that are specifically allocated to the community of Cornwall. The process has not had a good track record; there have been some good projects that were supported in Cornwall, but some pretty dodgy deals, not supported in Cornwall, have slipped through the net, blown up in the faces of the region and Departments and caused huge embarrassment. I could point to other examples, such as the strategic housing agenda on which I have commented today, where willingness on the part of central and regional government to let go and allow the process to take place would make sense. That process would be based on the natural community of interest in Cornwall.

However, there is a second natural community of interest, in the more local community in which people live—in the villages and towns of Cornwall. Here we have to go back to another major Conservative mistake. The 1974 changes to local government boundaries merged, by placing together different towns in single districts, communities that in practice operate relatively separately. Within Cornwall, yes, but there is no reason why Newquay should have been put together with St. Austell in a borough council, or Truro with Falmouth in a borough council, and the same applies to the other main towns.

The bid that we are discussing, which is probably unique in the country, is not only about creating a unitary authority; it is about devolving down to local communities as well. Much as the district councils may argue that it is centralisation, the truth is that it is to go below the district councils, so that local services are delivered at a more local level and are more answerable to the local community. I am referring to some 16 major towns and the surrounding rural communities across Cornwall. This is not just about a unitary authority bid for Cornwall; it is also about handing power down from county hall and the district offices to the local communities across Cornwall. That is why I am so excited about the bid. It is why I think that it is very different from many of the other bids around the country and why I hope that the Government will warm to what I hope will in future be a model not only for Cornwall, but for other parts of the country.

5.11 pm

The Parliamentary Under-Secretary of State for Communities and Local Government (Angela E. Smith): I congratulate the hon. Member for South-East Cornwall (Mr. Breed) on securing the debate. He put his case in a very reasoned manner. There is no doubt from the contributions that he and his colleagues have made that a passionate debate is taking place in Cornwall and that there is great commitment from hon. Members to the unitary structure.

I take issue with the hon. Gentleman on one point. He said that there had been no change in his area in the past 10 years. He perhaps contradicted himself, because he went on to list the areas of investment by the Government, which no doubt have made a difference to his constituents. I take issue with the idea that there have been no improvements in health. If he looks at health outcomes throughout the country and in Cornwall, and the additional investment and staff in the health sector, he will find that his constituents have benefited from that.

That aside, I want to use the debate to set out how we have reached the current position and how we intend to make our assessments, and then respond to the comments about the truly devolutionary nature of what we are doing. I welcome the comments that have been made. The hon. Gentleman made the point that things should not be dictated from on high. However, this has been the only opportunity that I can remember within a local government reorganisation for the bids to come from councils themselves. The Government issued an invitation to bid, and local authorities came forward if they wished to bid to make their areas unitary and to have a different structure. That is truly devolutionary and follows the principles in the White Paper. The hon. Members for Truro and St. Austell (Matthew Taylor) and for St. Ives (Andrew George) raised that point.

This is very important. When we talk about leaders of councils now, we do not in fact talk about the leader of the council. Under the White Paper and the legislation going through the House, they become the leader of the place. Their powers, responsibilities and influences are significantly greater. We are looking for much stronger strategic leadership across the authorities. I welcome Opposition Members' comments on and support for that approach.

Hon. Members will be aware that, acting under our wide prerogative powers, we published alongside the local government White Paper last October an invitation to local authorities to make proposals for unitary local government. We are now holding a stakeholder consultation on 16 of the 26 proposals that we received. In due course, and subject to the will of Parliament, the Local Government and Public Involvement in Health Bill will provide us with the powers to implement any of the 16 proposals that, having regard to the outcome of consultation, we decide meet the criteria set out in the invitation. Clause 21 allows us to implement, after Royal Assent, any proposal received before that date.

Mr. Dan Rogerson (North Cornwall) (LD): I am grateful for the Minister's generous comments about the genuine wish in Cornwall for change and progress on a better form of local governance. However, my hon. Friend the Member for Truro and St. Austell (Matthew Taylor) was trying to get across what we see as the different nature of the bid from Cornwall, in that we hope that it will be not just a bid on a par with existing unitaries and the aspirations of other parts of the country to have unitaries, but a bid for a new form of local strategic authority. I would welcome anything that the Minister could say about meeting local government leaders, Members of Parliament and representatives of other organisations from Cornwall to take forward that agenda of something slightly different and greater than a unitary authority.

Angela E. Smith: The hon. Gentleman pre-empts my comments. I will come on to that point later. First, let me make it clear that I am always happy to meet to discuss those issues. Either I or the Minister for Local Government will be happy to meet the hon. Gentlemen and the county council representatives on the issue. However, I am somewhat constrained in what I can say today because we are in a legal process. For reasons of propriety I cannot debate the merits of specific proposals. I hope that that is understood. I am not being evasive at all. Bids have gone forward in the decision letters and we

are now in that consultation period in which decisions have to be taken, so I have to be careful about what I say.

In the debate, I was asked whether there was flexibility around the bid. Any council that made a proposal during the consultation period can develop that proposal further. We have also made it clear that council chief executives can meet our officials during the consultation period to discuss their bid. Therefore, there is flexibility. The important thing is that we discuss the bid and ensure that we get the right bid and that it works well for that area.

The hon. Member for St. Ives asked whether there could be flexibility in the length of time. As much as I like to be flexible, there are some things that I cannot be flexible on. I cannot be flexible on the time limit. Final decisions have to be taken within the agreed time frame. The consultation ends on 22 June in time for implementation by the end of July. Having heard the arguments from the hon. Gentlemen so far, I do not think that they need any extra time to put the points that they have made.

Julia Goldsworthy (Falmouth and Camborne) (LD): I am reassured to hear that there will be a degree of flexibility. Some of the proposals include flexibility around Departments that are not directly under the control of the Minister's own Department, such as the Department of Health and the Department of Trade and Industry through the regional development agencies. Will the Minister include in her comments details about what is going on between other Departments to allow for that flexibility to extend beyond the Department for Communities and Local Government?

Angela E. Smith: I hope that the hon. Lady will forgive me, but I think I made it clear that I was not able to discuss specific instances within the bids. I think that her question goes into that particular area. If we look at the Local Government and Public Involvement in Health Bill, we will find that there is far greater co-operation between Departments under that Bill than there ever has been in any other local government Bill that I have seen before the House. As a former councillor and former local government officer, I very much welcome the Bill. It seems to me that it extends the remit far more.

Going back to the specific bid, chief executives can meet with my officials and Ministers are happy to meet with Members and councillors as well. It is better that those discussions take place under that remit because we are constrained in what we can say now, as I made clear earlier.

We published the invitation in response to the views that we received about the future of local government. It became clear that in many cases the two-tier system has the capacity to be confusing, inefficient and involve additional costs. There are additional risks and challenges in a two-tier system that also cause duplication and inefficiency.

There was, and still is, as evidenced by the number of bids that we received, a real drive to say that we can do things better and differently. We can be more focused, stronger and more strategic. We can look across the piece and not just at narrow interests to improve outcomes for local people. Allowing restructuring was our response to that, and that was made clear by the number of bids that we received. In reaching decisions, we had to take into account all the relevant information—the submitted proposals, any supplementary material submitted by the proposers themselves and other available relevant information.

We have written to all councils that submitted bids, setting out the reasons and the basis on which decisions were reached. All 26 proposals were carefully assessed against the five criteria that we set out in our invitation. The judgment we had to make was which councils were most likely to meet the specified criteria. In the light of the comments made by hon. Members earlier, I think that it would be helpful to say what those criteria are. The proposals have to be affordable, and that is very clear in the invitation document. The change to a unitary structure must represent value for money and must be met from councils' existing resources. The proposals must also be supported by a broad range of partners and stakeholders.

In addition to affordability and support, the proposals must provide strong, effective, accountable and strategic leadership. They also should deliver genuine opportunities for neighbourhood flexibility and empowerment. The point was made strongly by hon. Members that the council must be at the heart of the community and involve local people in decision making.

5.20 pm

Sitting suspended for a Division in the House.

5.35 pm

On resuming:—

Angela E. Smith: I think that, before we were interrupted, I was talking about the devolutionary principle. This process is not top-down from the Government; it is very much bottom-up. That is why the invitations were issued and why we are consulting. We never sought to impose changes.

The emphasis is on local authorities, and good local authorities really want to effect change in their area and to make life better for their citizens. I was particularly pleased to hear from the hon. Members for St. Ives and for Truro and St. Austell about the ambitions that they have for their areas. What I can say to them, which I think may help, is that unitary councils can help to fulfil those ambitions. One of the issues that they raised with me is that consideration on all these matters must be across Government and that it is a Government decision. The decisions have to cover all local services.

Generally, the White Paper has opened the door for a new devolutionary approach and the key to that approach is getting the right authorities and the right bodies in place so that, if new powers are to be devolved, those structures and bodies, showing strong leadership, are in place to ensure that that can be done effectively. That discussion is taking place in terms of civic cities. I must say that there are no specific proposals at present, but the unitary strategy for Cornwall might well enable that door to be opened and that discussion to happen. That is a discussion that Opposition Members will be having with officials. I appreciate their longer-term objectives in that area, but this is a truly devolutionary measure that is going forward.

I hope that, with no further interruptions, I have addressed the comments and the issues raised by Opposition Members.

Question put and agreed to.

Adjourned accordingly at twenty-three minutes to Six o'clock.

Westminster Hall

Thursday 19 April 2007

[FRANK COOK *in the Chair*]

Nuclear Industry

[Relevant documents: Fourth Report from the Trade and Industry Committee Session 2005-6 HC1122 and the Government's response thereto, HC1663.]

Motion made and question proposed, That the sitting be now adjourned.—*[Tony Cunningham.]*

2.30 pm

Peter Luff (Mid-Worcestershire) (Con): The Trade and Industry Committee produced its fourth report of the 2005-06 Session, "New nuclear? Examining the Issues" on 10 July 2006, the day before the Government published the conclusions of their energy review consultation, "The Energy Challenge". I express my gratitude to the Committee's staff, especially Rob Cope, the Committee's then very new specialist, and to the whole Committee for its extraordinary efforts in getting the report published before the Government brought forward their statement on the energy review. Meeting the deadline was a considerable challenge to the Committee and I am grateful to everyone involved for the parts that they played.

Before I turn to the substance of the debate, I make two parliamentary points. First, I am sorry that the House has not had proper notice of the debate, and I attach considerable importance to that. For reasons that I do not understand, the Leader of the House failed to mention forthcoming Westminster Hall debates in his business statement on the Thursday before the recess, which meant that the Table Office and House authorities were not aware of the subject of this debate. When I returned to the House after Easter on Monday, I was alarmed to find that today's subject was still not on the Order Paper. I went to the Table Office, which was, as always, very obliging and helpful. It did some research and found that this debate was to go ahead and the information appeared on the Order Paper for the first time on Tuesday of this week. This is an exceptionally important subject for the country and for many Members of Parliament, who will be sorry that they did not know about the debate. I am sorry to see a relatively small number of my colleagues here, but no blame attaches to them because they did not know that the debate was happening—that goes for my colleagues on both sides of the House and on both sides of the argument.

Secondly, and perhaps more flippantly, I am delighted to see the former Energy Minister in his place to reply to the debate. He was an excellent Energy Minister by any standards, and I have considerable personal regard for him. However, it worries me that the Minister routinely responsible for energy policy is not in this place but in another place, because it puts a considerable burden on the Minister for Science and Innovation when the Secretary of State for Trade and Industry is not available to answer debates and questions. Given the huge importance of energy policy to the future of the country, it would be better to have a Minister for Energy answerable regularly to the House of Commons as we used to have before the ennoblement of the current Minister.

I feel for the Minister for Science and Innovation—he has many ancillary responsibilities, such as that for skills, on top of his science duties, as I found when he came before my committee recently. Perhaps we ought to tag him to give us an idea of the extra responsibilities he undertakes on top of those to do with the science and innovation. That way, we could see where he is when not doing the job he is described as doing in the directory of ministerial responsibilities.

The Minister for Science and Innovation (Malcolm Wicks): The hon. Gentleman is doing well.

Peter Luff: I am grateful for that admiration; the feeling is mutual.

The Trade and Industry Committee decided to look at three major aspects of the Government's review of energy policy: nuclear power; local energy, as we call it; and the security of our gas and coal supplies. The report was the first of three, but it was also the most difficult. The debate about nuclear power raises considerable passions. I decided that the Committee could not reach a decision on whether, in Sellar and Yeatman terminology, nuclear power was a good or a bad thing. However, the Committee could inform debates on the subject in the House by looking dispassionately at the issues and reaching definitive judgments on as many of them as possible. Its approach was similar to that adopted by the Defence Committee during the recent consideration of the decision on the replacement of the Trident nuclear deterrent. By way of a tribute to the co-operative spirit of the Trade and Industry Committee, I am delighted that it was able to produce a unanimous report. Irrespective of their long-held views, members of the Committee engaged objectively and dispassionately with the evidence, which is what Select Committees should do.

There is one negative conclusion that I should emphasise at the beginning of my remarks: nuclear power is a low-carbon technology. Some campaign groups and, indeed, some hon. Members, argue that, taking full account of construction and decommissioning and the extraction and processing of uranium, the carbon cost of nuclear power is much higher than the industry claims. It is true that nuclear power is not zero-carbon. No energy source of which I am aware is. It is low carbon, just as renewable energy is only low, not zero-carbon. Renewable energy also has carbon costs associated with construction and distribution. However, if we take full account of all stages of the plant's life cycle, in carbon terms, nuclear is every bit as good as renewable energy in respect of carbon emissions. My Committee agreed unanimously that the often heard argument against nuclear power should not be used.

Michael Connarty (Linlithgow and East Falkirk) (Lab): I presume that, during its inquiries, the Committee looked at the report of the Parliamentary Office of Science and Technology on the lifetime carbon footprint

[Michael Connarty]

of all sources of electricity generation. In fact, nuclear—using uranium—is the lowest lifetime carbon footprint of all the generators.

Peter Luff: I am reluctant to overstate my case, but that is indeed what most of the evidence suggests—a point endorsed by Sir Jonathon Porritt when he came before the Committee. That very important canard about nuclear power needs to be laid to rest, and I am grateful for that helpful intervention.

We described three issues in relation to nuclear power as broadly ethical and requiring political judgment, which a simple appeal to science cannot definitively resolve. First, should we be creating new nuclear waste that future generations will have to care for? Secondly, does a pro-nuclear policy undermine the Government's attempts to stop nuclear proliferation such as in the case of Iran? Thirdly, should the United Kingdom be showing leadership in the fight to reduce carbon emissions at any cost when, at global level, our contribution can be at best marginal? Hon. Members will have different views on such issues. It is arguable that the original energy review failed to address them in sufficient depth.

We know, for example, that new nuclear build will add only about 10 per cent. to the existing volume of nuclear waste. The other 90 per cent. is there and has to be dealt with already, although there is debate about the level of the radioactive waste and whether it makes it more expensive to deal with. The industry says that it does not, while others have a different view. The Committee felt that a decision against nuclear power would also be unlikely to prevent the wider proliferation of nuclear technology, so long as other developed countries continue to pursue a pro-nuclear stance and the United Kingdom remains a nuclear military power, which, since the report, the House has voted that it should. The House must reach a decision on the carbon issue and to what extent we need to set an example to the wider world.

Another issue often raised is the security of nuclear installations. Modern nuclear reactors are designed to stringent standards, primarily to protect them from acts of God, such as earthquakes, tsunamis and tornadoes. Whatever happens to climate change, the clemency of the British weather militates against the need to protect against those particular risks. However, it worth noting that the third generation reactors that would form part of a renewal programme in the United Kingdom do not have specific anti-terrorism measures—something that they should have. The evidence that the Committee received suggested that existing measures such as concrete shields and automatic shutdown mechanisms were sufficient to prevent radioactive discharge as a result of any foreseeable terrorist attack. The Committee believes that such an issue should not concern the House.

Mr. Tobias Ellwood (Bournemouth, East) (Con): I commend my hon. Friend on his leadership of the Committee and on its report. Has the Committee considered how long it would take to build a new batch of nuclear power stations? I understand that nuclear fusion would be workable in my lifetime—and, I hope, in that of my hon. Friend. The report did not cover that, but it is significant because it is important for the public to know that we will really need to build only one generation of nuclear power stations. Beyond that, I hope that nuclear fusion would have been developed to the stage when it can replace nuclear fission.

Peter Luff: I am most grateful to my hon. Friend for his intervention. Although not the subject of the debate, a different report on the work of the Nuclear Decommissioning Authority and the United Kingdom Atomic Energy Authority deals with nuclear fusion. The Committee is enthusiastic about the prospects for nuclear fusion, but like so many things, it remains about 15 years away. The evidence is that we are getting closer, to plausible, commercially realisable nuclear fusion, and we are encouraging the Government to continue to support our international efforts, which are moving from Culham to the ITER—international thermonuclear experimental reactor—facility in the South of France.

I agree with my hon. Friend that there are other technologies, such as locally distributed energy generation, which may in 30 or 40 years' time produce alternative sources of power. As new technologies come along, we may find that this is the last time that we need to renew the old fashioned large-scale power plants. I entirely agree with what he said.

On security, the Office for Civil Nuclear Security expressed some concern about its ability to provide clearances for the likely influx of workers from other jurisdictions arising from a new build programme. We also heard about the traditional concerns—the transport by train of nuclear fuels and waste around the country. However, we were reassured on those points. Overall, the Committee felt that the security issue came down to the extent to which future nuclear power stations presented an additional risk over and above that which already exists in current nuclear installations. We did not believe that the risk would be significant.

Turning to the positive things, there are four key principles for nuclear policy. In our inquiry, we received evidence from many different groups. Four issues above all stood out. There was consensus on the primacy of those issues across the waterfront, from electricity generators, regulators, academics and non-governmental organisations. I will go through them one by one.

The first, if we are to renew the nuclear power stations, is the need for a broad national consensus on the role of nuclear power that has both cross-party political support and wider public backing. The energy review's conclusion in favour of nuclear power was widely foreseen following the Prime Minister's speech to the CBI in May 2006 in which he said that increasing dependence on gas imports

"put the replacement of nuclear power stations, a big push on renewables and a step-change on energy efficiency, engaging both business and consumers, back on the agenda with a vengeance."

That helped foster a high degree of cynicism about the energy review itself. Sir Jonathon Porritt told the Committee that

"the way in which the Government is handling the process around the Energy Review is not clever. It is allowing an awful lot of people to assume...this is, indeed, an exercise in rubber-stamping".

The Committee also concluded that the decision-making process was taking place too rapidly, before adequate consideration of the available evidence. That view was upheld in court earlier this year, following a case brought by Greenpeace, in which the judge concluded that the consultation process had been "misleading", "seriously flawed" and "procedurally unfair".

In response, the Prime Minister said that it would not affect the policy at all. However, the Government have rightly committed themselves to holding another consultation on nuclear energy, which has delayed the energy White Paper to May.

Overall, evidence to date suggests that there has been little opportunity for politicians to move towards a consensus on new nuclear build. I hope that that is something that today's debate will go a little way towards rectifying. It has also undermined the Government's ability to get the public to buy in to nuclear policy. I understand that a new nuclear consultation document will be published at the same time as the energy White Paper in May, and that timing may be enforced. However, that seems strange in view of the judge's criticism. The risk is that the White Paper could be seen to be pre-empted—or not to be pre-empted—by the consultation document. If the White Paper has green edges—in the consultative rather than the environmental sense—that means that important decisions on the future of energy policy risk being further delayed. That concerns me and I think that it would concern members of the Committee.

A carbon-pricing framework that provides long-term incentives for investment in all low-carbon technologies is very important. We took a lot of evidence on the different costs of nuclear power and how that related to other sources of electricity. We concluded that the Government should make it clear that all the costs of building, operating and decommissioning new nuclear power stations should fall to the private sector investors who build those stations. In other words, the costs are a concern for investors, not the Government or the taxpayer.

A policy framework that provided a level playing field, rewarding all low-carbon technologies, was seen as the only way in which the Government could cost-effectively tackle carbon emissions from the electricity sector. However, because of the long lead times for nuclear, and the period over which investors would seek returns, that framework would need to provide 15 to 20 years of certainty over a reasonably stable and foreseeable price for carbon if the private sector were to invest. Current carbon pricing arrangements, such as the climate change levy and particularly the EU emissions trading scheme, do not provide a sufficiently long-term stable carbon price.

The energy review rightly commits the Government to continuing with the EU ETS as the main means of pricing carbon, but in my view that is not an adequate approach. Phase 2 will take us to 2012 and there will be no clear progress on phase 3 of the scheme until perhaps 2010. However, significant progress must be made urgently if the Government's objective of advancing nuclear power is to be achieved and the energy gap we all fear in the next decade closed.

When we visited the European Commission in February, we were impressed by its commitment to making the EU ETS a success, but interested to learn of the scale of opposition among many member states to the very tentative steps in phase 1. It seems that the Commission has no option but to proceed in fairly short time frames until all member states are convinced of the need for a robust and enduring emissions trading scheme. Is the Minister convinced that the Commission is being strict enough in its review of allocations? Is it generally approaching the scheme in the right way? Are the other member states willing to abide by its decisions or is there a risk that, in practice, they will try to undermine them? What does he make of potential nuclear investors' concerns that we cannot wait for a third phase of the EU scheme? Investment decisions are needed now, and that means a UK initiative now, over and above the EU ETS arrangements.

The third point is the need for a long-term storage solution for the UK's existing radioactive waste legacy, never mind that created by a new generation of reactors. The Government rightly expect the private sector to meet the costs of decommissioning and waste management for any new build. However, nothing is yet in place to dispose of the existing nuclear waste legacy, and the record of successive Governments in that respect has been abysmal. Without a solution, or at least the prospect of one, everyone will be in a difficult position. The Government could find, if they seek to introduce new build too quickly and underestimate the cost of nuclear waste disposal, that they might have to cover some of the cost of future disposal themselves if it proves higher than the industry expects as a result of Government indications.

That is not what the industry wants, but the lack of progress is making it all difficult. The Committee on Radioactive Waste Management, or CoRWM, concluded last year that deep geological repository was the best means of providing a long-term solution to the UK's waste legacy. That was no surprise. We all knew that that was what CoRWM was going to conclude. It is not rocket science—an appropriate phrase, as one of the options was to fire nuclear waste into space. CoRWM concluded that site selection would need to involve a high level of local engagement. Again, I think that it is right. That is the experience in Scandinavia too. Nirex's estimate is that it could cost about £10 billion.

The Government published a response to CoRWM accepting its broad thrust, but we have not heard a great deal about what has happened since then. That is worrying. The principle of local community "volunteerism" is likely to mean that it will take longer to arrive at specific solutions than would have been the case with simple Government direction.

Mr. Jamie Reed (Copeland) (Lab): There is no doubt that the waste legacy is the elephant in the room of nuclear policy. The Government did the right thing in agreeing with the CoRWM recommendations. Since then, the borough council in the area that I represent has entered without prejudice into discussions with the Government about exactly what the CoRWM recommendations mean and might mean. I encourage hon. Members not to read anything more into that, but it is a fact that 70 per cent. of the nation's higher activity waste resides in my constituency, as does all its low-level waste. We are getting there. The policy

[Mr. Jamie Reed]

framework is now in place and most hon. Members accept that the debate has moved on significantly since the report was published.

Peter Luff: I am encouraged to hear that. It is not what I was able to determine during my researches for this debate, but it is encouraging. Perhaps the Minister could say some encouraging words in his response. I am glad to hear it, because the waste in the hon. Gentleman's constituency needs to be dealt with, irrespective of any decisions on new nuclear build. I sincerely hope that his optimism is well placed.

We need clear, transparent funding arrangements for waste disposal. For example, will the Government charge marginal or average costs to the operators of new nuclear power stations for the disposal of their waste in a facility that the Government will have to construct anyhow? There are important questions not just about the practicalities but about the funding of disposal.

The fourth principal point is the need for a review of the planning and licensing systems to reduce the lead time for construction. Those issues are not unique to nuclear power, at least as far as planning is concerned. However, nuclear power stations require a number of specific consents and approvals, for site licences and for planning consent. Under existing regulations, an optimistic projection for the time taken to gain all the necessary consents is around five years, and potential developers believe that that is too long.

Proposals to shorten the regulatory process focus on pre-licensing and planning. Developers want the pre-licensing of generic reactor technologies to address design and siting issues right at the start, and to reduce the time required to licerise subsequent reactors. On planning, the industry wants the Government to set a road map for the process, restricting the ability of public inquiries to question the original policy and requiring them instead to focus on local issues. I know that the Government are moving in that direction. On publication of the energy review, the Government will produce a response to the consultation on the kind of reforms to the planning regime proposed by the industry. I hope that that will be available in May.

Reform in this area is essential if we are to fast-track new build, but there are risks. Pre-licensing does not guarantee a faster outcome—a form of pre-licensing was used for Sizewell B, for example. Most of the reactor technologies are untested. A process that is perceived to be cutting corners will not engender public confidence, which is crucial to new nuclear build. Curtailing the planning process would work against encouraging public buy-in to new nuclear build.

There have been newspaper reports of some electricity generators putting pressure on the Government to start the type approval of reactors even before the White Paper is published, to save time. I wonder whether those reports are true. Has the nuclear installations inspectorate started work on pre-licensing generic reactor designs? What attitude are British Energy and the Nuclear Decommissioning Authority taking to the use of the sites of their current plants for new facilities?

I have spoken already for roughly the time that I had hoped to speak for, but I want to say a few more things, briefly. I will therefore rush through a few other issues.

There are big issues concerning where to site nuclear power stations. Most of the existing sites—where it is assumed that new power stations will go—are coastal. Rising sea levels resulting from climate change and endomorphic tilt will make some of them unviable in the coming decades. Most of those sites are owned by British Energy and the NDA. How will other developers gain access to them? What impact will the decommissioning work on older power stations have on the availability of adjacent land for new power stations?

On reactor technology, traditionally, we have seen two frontrunners in the UK: the Westinghouse AP1000, and Areva NP's European pressurised water reactor, which is being built in Finland and is due to open in 2009. However, that is the only example in the world of either of those technologies being put to commercial use, so any new build in the UK will be using largely untested technology. That poses risks for the pre-licensing process. However, Atomic Energy of Canada Ltd is making a strong case for its advanced CANDU reactor to be licensed for use in the UK, and its experience and track record make it a strong candidate for being added to the list.

There are also questions about the supply chain.

Michael Connarty: Two things confuse me about this. First, on whether AP1000 has been built, I understand that a series already ordered by China is in the process of being built, as is the reactor from Areva. By the time the UK comes to order such technology, it will have been tried and tested elsewhere. The worry would be if the UK tried to engineer the technology to a higher specification and got it wrong.

Secondly, on the Canadian CANDU reactor, I understand that the proposal is to initiate the new build of another technology beyond that used at present. I believe that there is an order from somewhere within Canada. It looks as though all three will be competing here with technology that will be new but which will have been built elsewhere and tried and tested.

Peter Luff: Atomic Energy of Canada Ltd has extensive experience of reactor technology, and many of its reactors are working around the world using similar technologies. I agree that all those technologies have important new elements and I think that we need to put Atomic Energy of Canada Ltd into the frame as a potential supplier, in addition to the two technologies that are currently being talked about.

Mr. David Drew (Stroud) (Lab/Co-op): The hon. Gentleman did not mention the role of Westinghouse. Some of us are still spitting feathers over what I, for one, felt was a hurried decision to dispose of Westinghouse, the British answer to new reactor design. There was no debate; we certainly had no debate in this place. Did he look at the implications of that, given that it came at roughly the same time as he was doing his investigation, or at some of the implications of not having our own answer?

Peter Luff: To my immediate recollection, we did not receive any evidence on that subject during our inquiry and therefore did not consider it, but I have considerable sympathy for the hon. Gentleman's concerns. I am sure that the Minister has heard them and will wish to respond to them in his reply.

I will not talk at length about the supply chain, in which there are concerns about constraints on certain key components, such as large forgings of the sort needed in reactors, but I will talk briefly about skills and uranium supplies.

Mr. Ellwood: My hon. Friend has been very generous in allowing people to contribute while he delivers his main speech. The report suggests that two main nuclear reactor designs seem to have grasped the attention of the Committee. I am pleased that the Chairman has gone further than that in saying that they are not only looking at the AP1000 and the EPR Areva models, but the CANDU model, which some of us visited around a year and a half ago. It was impressive in that that reactor can now be built in four years. Has he considered what is happening in South Africa with pebble bed reactors, which do not require to be built by the sea, because they are not cooled by sea water? They are far smaller and normally built in blocks of four. They can be placed anywhere and are ideal for places such as South Africa, but could have a role to play in the United Kingdom.

Peter Luff: I am indeed aware of that technology. Once again, sadly, to the best of my recollection, the Committee received no evidence on that. Committees are driven by the evidence that they receive rather than what they may intuitively know or think. Such reactors are attractive in many ways, because, apart from anything else, it is easy to connect smaller power stations to the grid than the bigger stations with higher outputs that we are talking about in relation to these other technologies. Such reactors have considerable advantages and I would like to know more about that technology.

On skills, the nuclear work force are ageing and many will be used to cope with decommissioning issues. However, it seems that more graduates are being drawn to the sector, so I think that we can be more optimistic.

I mentioned uranium supplies. We would be entirely dependent on imported uranium; we will not have any domestic sources of fuel for economic and other reasons. The Committee was optimistic that the increased market price of uranium would lead to increased exploration and an adequate supply.

On grid capacity, the UK has a centralised grid. It is the view of the Committee that, irrespective of what new technologies fill the generating gap, we need to renew the grid. That is also subject to the planning constraints that affect nuclear build. However, grid renewal is an important issue irrespective of whether we build new nuclear power stations.

I have spoken for longer than I intended, for which I apologise. In conclusion, there are two questions that we did not ask in this report, but on which political judgment is needed before a decision is made to proceed with any new nuclear reactors. First, do we need to replace large-scale generating capacity with other large-scale generating capacity, or can energy efficiency and local energy close the gap? Secondly, if we do need to replace the coal and nuclear power stations that will be closing in the relatively near future, do we need nuclear energy to play a part in that replacement programme?

My personal conclusions are based squarely on my understanding of declared Government policy—which I support—that no special favours or subsidies should be given to nuclear new build; it will be left entirely to the market. I agree with that approach, as do potential declared investors in new nuclear capacity. My view is simple, and here it is based upon another unanimous Committee report into local energy. The report concluded that we need new large-scale generating capacity. Energy efficiency and local energy cannot keep the lights on.

I believe that diversity in energy supply is good. Clean coal, gas, renewables, nuclear, local energy and, crucially, energy efficiency, all have their part to play. However—rightly—all the Government intend to do is to create the conditions to make sure that the technologies can compete fairly and then leave the market to decide—within the targets set by the European Union for renewable energy, of course.

Happily, most of the issues that will determine the viability of new nuclear build need to be addressed anyhow, and urgently, for the wider energy sector. They range from gas storage to grid renewal and wind farm developments. Two key matters that must be resolved are the planning regime and the price of carbon. Some issues, especially waste disposal and licensing, also need urgent decisions and are specific to the nuclear industry. However, waste disposal issues must be resolved to deal with the large historic legacy of nuclear waste in the constituency of the hon. Gentleman the Member for Copeland (Mr. Reed).

I have concluded that it is likely that some new nuclear capacity will be built if the Government choose the correct technology-neutral policy framework. However, there is still a big "but": how much capacity will be built? The Prime Minister has hinted that he wants to replace current nuclear capacity, but his Government have no means of delivering that objective. They can only facilitate it, sit back and see what happens.

Given the substantial fall in wholesale gas prices and the increasing interest in carbon capture and storage, is the electricity generating industry showing the same interest in new nuclear build as it did a year ago, when gas prices were high and carbon capture looked further off? Is there any sign that City interest in financing such expensive, long payback projects is waning? In other words, will new stations actually be built, even if, in their second consultation, the Government finally conclude that replacing nuclear power stations is desirable?

The cost of capital is the largest component of the cost of nuclear power, and the one thing that puts up the cost of capital is political uncertainty. Companies such as EDF are very interested in building new nuclear power stations in the UK, but the issues that we are debating will have to be settled—and fairly quickly—if that new build is to happen.

As I said on the Floor of the House yesterday, the nuclear industry has an obsessively secret past. What we now need—to be fair, we are getting it—is the

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maximum possible openness. I am clear that, in such an open environment, the public can be shown that we have nothing to fear from new nuclear power, but I am far from clear that we will actually see substantial new nuclear build.

Several hon. Members *rose—*

Frank Cook (in the Chair): I am waiting for Members to catch my eye, and I have here a number of letters from those who wish to do so, but it appears that some would prefer to stay in their seat.

3.1 pm

Mr. Jamie Reed (Copeland) (Lab): Thank you, Mr. Cook—I was momentarily elsewhere.

I welcome this debate, which is long overdue. The Select Committee's report and the Government response illustrate an impressive and encouraging degree of unanimity on some of the key issues facing the industry and new nuclear build.

I agree with what the hon. Member for Mid-Worcestershire (Peter Luff) said about the Minister, who was indeed an excellent Energy Minister. I have had many in-depth conversations with him about the essential need for new nuclear generation and renewable generation in this country.

I shall be brief, but I must declare an interest at the outset—or perhaps I should say 17,000 interests, because that is the number of jobs that the industry sustains in west Cumbria. It is a matter of fact that I, like many other Members here today, am an enthusiastic advocate of the industry. Indeed, there are currently five or six freedom of information requests against me about my links with the industry.

Mr. Drew: Ours as well.

Mr. Reed: Well, there we go. I think that my interests have been declared and are well and truly understood.

The report discusses nuclear skills, and the Government have done an awful lot on the issue in the past 18 months or so. The headquarters of the national nuclear skills academy will shortly be based in the constituency of my hon. Friend the Member for Workington (Tony Cunningham), and that £30 million-plus project will be fundamental to this country's nuclear skills portfolio and ability to fulfil its nuclear ambitions, as I believe that it must and eventually will.

The hon. Member for Mid-Worcestershire also mentioned uranium prices—for time reasons, he did so only fleetingly—which have increased by 70 per cent. over the past 12 months. The reprocessing of spent nuclear fuel is therefore a live reality—I would, of course, say that, being a former Sellafield employee and having Sellafield in my constituency. This country is good at reprocessing and should continue doing it. There is an undeniable market need for reprocessing internationally, and it is matter of fact that China, Japan and other countries are looking to the British industry to fulfil their huge market requirements.

There are four key issues in the report, which the Chairman of the Committee mentioned. Paragraph 5 of the report states:

"A policy designed to enable the construction of new nuclear power stations would be credible only if it was based on four key elements:"

The first of those—I do not want to play party politics with an issue of this importance, but it is a relevant issue—is:

"A broad national consensus on the role of nuclear power, that has both cross-party political support and wider public backing".

How can that be so—how can it be a qualifying factor in a nuclear policy—given that the Liberal Democrats are opposed to nuclear energy and the current net effect of the Opposition's policy would be no nuclear at all? Nuclear as a last resort means no nuclear ever. If we do not take the decisions now for the nuclear industry, our skills base will wither. That was exactly the argument used by Opposition Members in the Trident debate: if we did not take the decision, the skills would be lost, and we should have to outsource our manufacturing requirements and seek the products overseas. The same is true for the nuclear industry. The Conservative party's policy has to change.

Michael Connarty: My hon. Friend may know that I completely disagree with him if he is one of those who voted to renew weapons of mass destruction. On the question of the skills base and legacy and the policies of other parties, I am secretary of the all-party group on nuclear energy and have been studying the problem of energy, after many years of being opposed to nuclear energy. My hon. Friend will know that an election is now going on in Scotland. Liberal party policy is that no more energy should be produced in Scotland other than by renewable means. Yet nuclear now supplies 38.5 per cent. of the base load electricity for Scotland. The Scottish National party would appear completely to have disregarded the report, though its leader is a Member of this House. What chance does my hon. Friend think there is of consensus when people stand for election to a devolved Assembly entirely on the basis that whatever happens to the lights—which, I am told, would be switched off in Scotland within 10 to 15 years without nuclear energy—as they are opposed on an ideological but not logical basis to renewable nuclear energy?

Mr. Reed: My hon. Friend touches on an incredibly important point. First, good luck with keeping the lights on in Scotland, if our party should lose control there after the elections. The issue is real and pressing. How do we achieve consensus? I do not know. For too long the nuclear debate and the need for new nuclear has been characterised by wilful misinformation from certain ideologues and people who want an end to the industry per se, irresponsible and destructive as that would be. My hon. Friend's point supports the one that I want to make. Is the criterion in the report a satisfactory or credible one on which the Government should proceed with a new nuclear policy, given the difficulty in establishing such a consensus? I do not think so.

Secondly, the report specifies:

"A carbon-pricing framework that provides long-term incentives for investment in all low carbon technologies".

Peter Luff: The point about consensus is not a theoretical political point, but a practical, economic one. Without the confidence in the industry that decisions that it is asked to take in the next couple of years will be supported for the next 30 or 40, it will not be able to make the investments. That is a hugely important point, which transcends party politics, and I hope that leaders of all parties, including the SNP, will take it fully on board.

Mr. Reed: I agree with the hon. Gentleman's point. In a way I think that he supports my point. We need to give the market the comfort and security to invest. That is why, with regret, I made the point that I did about his party's official policy. I do not think, if I may embarrass him, that it in any way reflects his view.

Peter Luff: In fact, my view is that my party's policy, because it is more robust on carbon pricing than the Government's current position, is more likely to deliver nuclear power than the Government's currently declared policy. However, I suspect that the Government will move.

Mr. Reed: I sincerely hope that the Conservative party will move on that, so that we can give the industry comfort that energy policy is above the vagaries of party politics and it can have the confidence to move forward. I would appreciate being able to sit down with the hon. Gentleman in future to discuss those issues. A cross-party approach is absolutely necessary. We should jettison the vanities of party politics on issues of this importance.

The third element is:

"A long-term storage solution in place for the UK's existing radioactive waste legacy".

Key progress is being made. The CoRWM recommendations will be of pivotal importance in years to come. Finally, I absolutely and wholeheartedly agree on the fourth element:

"A review of the planning and licensing system to reduce the lead time for construction."

However, the report does not touch on a number of issues, and I should like to go into them now, if that is permitted within this debate. I seek your guidance, Mr. Cook. They are entirely germane to the subject.

Frank Cook (in the Chair): If the hon. Gentleman is seeking guidance, my advice is that as long as the new material is relevant, that is most acceptable.

Mr. Reed: Thank you, Mr. Cook. I think that you will find that it is.

Frank Cook (in the Chair): I will soon let you know if it is not.

Mr. Reed: I have no doubt about that whatsoever.

[redacted]y of supply is touched on in some detail by the [redacted]rt. That is probably foremost among the politi[redacted] considerations that energy policy must addres[redacted] Recent events in eastern Europe have illustrat[redacted]he dangers of over-reliance on foreign fuel supplies. Somebody quipped to me recently that the father of the new British nuclear industry must surely be President Putin. I make no comment other than that. Unless a nation can control its energy supply, it cannot sufficiently control its economy. The effects of that can be profound across a broad range of policy areas that I shall outline, such as taxation and public service expenditure.

David Howarth (Cambridge) (LD): I ask the hon. Gentleman to reflect on the point made by the Chairman of the Select Committee that, because Britain has no domestic uranium supply, it has to import all its fuel for nuclear power, whereas for renewables, for example, all that fuel is inside our country all the time.

Mr. Reed: I am grateful for that intervention. In my constituency there are probably more than 100 tonnes of uranium, which may be readily used as fuel for nuclear reactors, and which would last for years. In addition, we have at least 80 tonnes of plutonium. If we were to mix that with oxide fuel, that would increase the longevity of that resource even further.

Peter Luff: May I invite the hon. Gentleman, bearing in mind some of the scepticism that I expressed towards the end of my remarks, to comment on the political stability of countries such as Canada and Australia?

Mr. Reed: I am not sure that I understand the hon. Gentleman's point. It is clear that countries such as Canada and Australia, in which major uranium mines are situated, are perfectly stable, and relations between those countries and the UK remain excellent. Uranium mining is a red herring for the UK. We have the resources here—in my constituency, as I said. I understand that there is a need for the Committee to investigate the matter; it is right that it should do so. Questions surround uranium supply. However, reprocessing would offer a solution.

Nuclear has a key role to play in ensuring that the UK enjoys reliable, secure energy supplies. Secure energy supplies enable a country to enjoy economic security and prosperity. The British nuclear industry possesses the capability to generate nuclear electricity, to recycle used nuclear fuel and to produce new nuclear fuel. The mining of new uranium is neither essential nor necessary. The already strong case for nuclear will intensify as the UK becomes more reliant on imported fossil fuels.

I think that everybody in this House would accept that climate change is the greatest single threat facing our planet. The challenge posed by that threat has so far drawn a mixed response from Governments around the world, notably that of the US, but there is now international consensus on the existence of climate change and on the environmental effects of the CO_2 emissions produced in the burning of fossil fuels. The generation of electricity from nuclear power plants does not produce carbon dioxide. Nuclear is the only proven large-scale generating technology available that can provide clean generation in high volume; renewables cannot yet and may never do so.

The Government aspire to produce 20 per cent. of the UK's energy needs from renewable resources by

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2020. In the event that renewables achieve that goal, the net environmental effects without complementary nuclear generation, which currently produces approximately 20 per cent. of the nation's energy, will be nil. What would be the point of that? Any energy policy that addresses climate change as its central purpose, as the energy policy of the UK must and should do, requires significant nuclear and renewable generation. Too often a false dichotomy of nuclear versus renewables is presented by people involved in these issues. That is unhelpful as such a polarity is false. Fundamentalist opinions of the pro and anti-nuclear camps should be immediately jettisoned and we should pursue a compromise and a solution.

Evidence already illustrates that, as stations have been decommissioned and have gone off-line, the reduction in the capacity for nuclear power generation over recent years has led to an increase in Britain's CO_2 emissions. More coal and gas has been used to fire power stations and to fill the gap left by diminishing nuclear generation—that is a fact. Given the current and necessary decommissioning programme for Britain's aging fleet, it is no surprise that current energy policy will probably be unable to deliver the Government's commitment to reducing the UK's CO_2 emissions by 20 per cent. by 2020.

The effects of climate change will be widespread and will reach developing countries more quickly than the developed world. We know that climate change will become a major driving force behind international instability. Consequently, energy policy, which should have nuclear energy at its heart, will have wide-ranging ramifications for UK foreign policy. That issue should have been addressed by the Committee. Not only the policy obstacles to the new nuclear generation that is happening in this country at the moment, but the policy objectives of new nuclear generation should have been examined.

The efforts to address climate change and to ensure the security of energy supplies are a growing purpose of the UK's foreign policy objectives. In March last year the Foreign and Commonwealth Office published its White Paper, "Active Diplomacy for a Changing World", which lists a number of strategic international priorities for the UK. One of those is supporting the UK economy and businesses through an open and expanding global economy, science and innovation and secure energy supplies. I cannot find any reference to that in the report, but please correct me if I am wrong.

In the same way that an over-reliance on foreign fuels would jeopardise our ability to run our own economy, it would also severely compromise our ability to pursue foreign and international development policies, which are in the national and increasingly international interest. Energy policy with nuclear at its heart has a key role to play in enabling that.

Peter Luff: I am sure that the hon. Gentleman's comments are absolutely germane, although another Chair may not rule so. However, the Committee faced the problem that all energy policies are interconnected to many other matters in some way and we had to cut the issue down to bite-sized chunks to deal with it. I personally have enormous sympathy with what he is saying, but there was just not time for the Committee to consider the whole issue of energy reprocessing. That is the simple reason why the issues that he mentioned were not addressed; it was just a matter of time.

Frank Cook (in the Chair): Order. I will explain to hon. Members why I have adopted such an attitude to this debate. The title of the report is "New nuclear? Examining the issues" and if hon. Members choose to identify an aspect of the report that has been omitted, they have the right to do so. That is the basis of my logic and I hope that no one will challenge it.

Mr. Reed: Thank you, Mr. Cook. I am grateful for your guidance. In the interests of other hon. Members who wish to make a contribution I will expedite my remarks.

It is clear that there is a need for nuclear generation as part of a balanced energy policy. In addition, whether we are in the Kyoto protocol or future international treaties with countries including India, China and the US, carbon trading mechanisms will rely on non-CO_2 generating sources to offset intensive CO_2 generating sources for any system to work. The use of high-volume, non-CO_2 emission energy producers must be maximised, as the chance of such schemes being effective without significant nuclear generation is exceptionally low.

Moving on to the more germane issue of radioactive waste, there are no technical or scientific obstacles to the safe disposal of radioactive waste in the UK. To suggest otherwise is simply not true. Scientific research in that body of work is both robust and mature. The decommissioning of UK civil and military nuclear facilities, in addition to existing waste situated around the country, requires a final disposal route, irrespective of whether or not a new generation of nuclear stations is built in the UK. That policy issue requires resolution and, as I said, the Government have made significant progress.

It is misleading to cite the current lack of a final disposal route as a reason for not progressing with a new generation of nuclear power stations. Such arguments lack credibility and do not withstand any serious analysis. New reactor designs, as the hon. Member for Mid-Worcestershire mentioned, produce far less radioactive waste over their lifetimes than current reactor designs. A new fleet of nuclear power stations would, over its operating lifetime, only fractionally increase the already existing inventory of waste. CoRWM has made its recommendations, which Government have accepted.

Many groups and non-governmental organisations seize upon the opportunity presented by a policy investigation such as this to distort the facts of the industry. I am pleased to say that that is not at all present in the report. I thank the Committee for the in-depth and robust way in which it has addressed the issues. In assessing the component parts of a balanced energy policy, which enables the UK to retain a strong economy, secure and reliable energy supplies, an effective and progressive foreign policy and, above all else, the ability to play our role in a global fight against climate change, nuclear power must be used. The

Government are doing and have done the right thing, and must move with some urgency on the issue.

The need for an energy policy that enables the UK to fulfil its ambitions in all those areas is absolutely undeniable. Such a policy must include renewable generation—I think that there will be unanimity in the House about that—in addition to coal and gas-powered generation, but we will inescapably need new nuclear. I understand the purpose of the report. I understand the issues that it homes in on as being problematic, but I believe that the Government have comprehensively and demonstrably shown that they have the solutions to those barriers.

3.22 pm

Mr. Quentin Davies (Grantham and Stamford) (Con): I want to congratulate my hon. Friend the Member for Mid-Worcestershire (Peter Luff), the Chairman of the Select Committee, on an excellent report and on achieving consensus in his Committee on what is always a controversial and emotive subject. He made a speech today that shows that he is a real master of the subject. So there is not very much that I want or need to add. I only want to make two points.

On my first point, I may be nuancing myself slightly from the position of my hon. Friend. He rightly said—here I agree with both him and the Government—that there is no need for, and it would be undesirable to have to resort to, some special form of subsidy in order to build new nuclear power stations. As my hon. Friend said, it is not the view of the industry that that is at all necessary. However, that does not mean that we should simply sit back and wait and see what the market delivers. It is important for the state—Government and Parliament—to be a little more decisive and to be prepared to take a number of strategic decisions about what eventual outcomes the country needs. There are several reasons for this.

The first reason is that there is a co-ordination problem in energy; it is very important for anyone planning one particular increase in capacity—whether through renewables, burning hydrocarbons or nuclear—to know what others are doing. The economics of any one project will be affected by the existence or non-existence of other potential sources of energy. The lead times in this are such that one cannot launch down an investment that may involve 10 years before making any kind of return with the danger that the looked-for cash flows will not be available because of some intervening new investment, which one had not anticipated. A real co-ordination problem can mean market failures. There is a need for state action.

The second reason is that an enormous number of the costs involved in building nuclear generating capacity are imposed by the state. As my hon. Friend said, those costs could be in licensing or the delays—any delay is very costly—in licensing and in the planning process. I think that I am right in saying that Sizewell B's planning inquiry took eight years. We should all be aware of that terrible example and try to avoid similar situations in future.

We must also consider the costs imposed by the state in its role as regulator. We might be talking about the state in the form of the British Government, the nuclear installations inspectorate, the European Commission or the agency in Vienna—whatever it is called—that establishes norms for nuclear safety. Real uncertainties are involved. These costs are controlled by the state and could not possibly be within the control of the private sector. In so far as the state is in the position of determining a large number of costs, it must be in a position to give some assurance on their extent; otherwise, it cannot possibly expect the market to take account of what are uncertainties for the private sector but matters directly and explicitly under the state's control.

The third reason why the state has a natural role to play, which would not normally be the case were one to be building a chocolate factory, a shoe button factory or something of that kind, is that there are enormous externalities in energy. The benefits of building a nuclear power station—this would apply in the case of any power station—are greater than those that are captured in the cash flow available to the company that owns and operates the station and sells electricity.

Equally, there are negative externalities to consider: the negative costs of an economy running into energy shortages or sudden supply shocks, or of an undue dependence on natural gas being imported from unstable places such as Russia, have an enormous external effect on the economy of a negative kind. In other words, the losses to the economy as a whole are a vast multiple of the losses to the power station or generating company that is dependent on that natural gas.

Those are reasons why we should not adopt a laissez-faire policy; we should not just sit back and say, "We will do lots of studies and so forth, but we cannot control the outcome because it is all left to the market." Given the three factors that I have mentioned, the state must accept the responsibility of establishing a clear, explicit strategy and it must be prepared to take such measures as are necessary to ensure that it can be achieved.

Michael Connarty: I thank the hon. Gentleman warmly for giving way. As a long-term Labour Member, I am naturally attracted to the idea that the state must take responsibility and must therefore think about the fair use of the public wealth for the public good should situations such as those that he has explained not be factored into any private decision. I have spent the past couple of years going round industry and I did not find any private producer or distributor of energy who would wish to use nuclear approaching the Government. There has been a sea change in the way that the private sector is approaching this matter. Am I missing something? I should be happy to hear of pleas of mitigation from the industry that I could advance.

Mr. Davies: The hon. Gentleman, for whom I have great regard, may possibly be missing something. I think that his attention might have been momentarily distracted when I said that I did not believe that in this case it would be either desirable or necessary to go in for any subsidies to enable investment to take place in new nuclear generating capacity. What I did say was necessary was a clear regulatory framework that is not subject to subsequent change and a co-ordination role on the part of the Government. They should take

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responsibility for a general strategy to which they would be committed and within which the private sector would be able to make long-term investment decisions with less uncertainty and, therefore, with a lower capital cost, as my hon. Friend the Member for Mid-Worcestershire rightly reminded the Chamber.

There are good reasons why, in this case, the state should take a role—this is standard classic economic theory, and I have not said anything at all revolutionary. Should it not do so, there would be market failures and we would all suffer as a country. That is my point about abut externalities. Laissez-faire is not appropriate. People like myself, and even the hon. Member for Linlithgow and East Falkirk (Michael Connarty) and most of the Labour party these days, believe in markets, capitalism and so forth, so we have common ground on this matter. I remind colleagues from both parties that there are good, sound, classic grounds in economic theory for accepting a greater role for the state in this case. It is similar, Mr. Speaker—

Peter Luff: Mr. Cook.

Mr. Davies: I mean Mr. Cook. I never know whether I am supposed to say, "Mr. Speaker", "Mr. Cook" or "Mr. Chairman". I always get it wrong, whichever I say.

There is an analogy with the railroads in the 19th century, when both major parties were totally committed to the idea that the state should not interfere in the economy at all, but realised that because of co-ordination and externalities, which I mentioned earlier—although they would not have used those words in those days—it was necessary for the state to take some action. So they did so. That is why a series of private Bills went through the House, without which we would not have built the railway system. The Americans had to do the same sort of thing in America. On the continent, the state took an even more explicit role in railway building.

I should like to emphasise, as my hon. Friend the Member for Mid-Worcestershire did, the enormous urgency of the matter. I have been looking at the excellent report from my hon. Friend's Committee, which makes it clear that there is still some uncertainty about how far the advanced gas-cooled reactor stations' life can be extended. We still do not know about that. Originally, a lot of such stations—Hinkley and so on—were going to be taken out of commission in 2011 or 2012. We might get a few more years, possibly up to 10 more, but it is quite clear to me that from 2015 or so those AGRs will be retired. The Magnoxes, the total capacity of which does not add up to as much as 2 GW—they are not enormous—are being withdrawn at the present time.

We have to act quickly if we are not to find ourselves in an absolutely appalling, disgraceful situation in which, although we proclaim our commitment to reducing carbon emissions in this country and our desire to have a reasonable balance and mix of dependence and a diversified set of risks in energy policy, we would allow the nuclear contribution to fall dramatically. That would be damaging and dangerous, on the grounds that I have just touched on, and it will happen within 10 years, unless we take action very quickly indeed. I hope that the Government will act even more rapidly than has been anticipated. I would like to see them introduce a Bill in the Queen's Speech in October this year that will bring about the necessary changes in the planning system to ensure that we do not have another disaster like the eight-year-long planning inquiry for Sizewell B, when Sizewell C happens—which I trust it will—or when Sizewell C's successors come along. That is unnecessary.

I do not want to go into the mechanics and modalities that we might use to sort such matters out in future. Perhaps we should resort to private Bills. I remember, early on in my service in this place, sitting all night for a couple of nights on a private Bill on the Felixstowe dock and harbour scheme. *[Interruption.]* I think that my hon. Friend remembers that, too. We were both new in the House and, although it might be a traumatic memory, I do not think that I have ever spent 48 hours of my life more usefully. If we had not gone through two nights on that Bill the scheme would not have been built.

Mr. Frank Cook (in the Chair): Order. I have been very tolerant so far and I am happy to continue to be so, but this contribution is becoming somewhat rambling. We are not talking about Felixstowe harbour; we are talking about nuclear matters and examining the issues. Felixstowe harbour has nothing at all to do with it as far as I am concerned.

Mr. Davies: Mr. Cook, I recognise that. Felixstowe harbour was merely an example, if I may say so, of a successful way of getting a controversial and very necessary infrastructural project built through the planning system. I was making an analogy. I am sorry to be described as rambling and will try to avoid giving any grounds at all for being accused of that in future.

The Government need to do something urgently about the nuclear installations inspectorate. My hon. Friend the Member for Mid-Worcestershire knows more about what is going on there than I do. I would love to know—perhaps we will hear something from the Government—what the staff of the nuclear installations inspectorate have been doing. Have they just been taking salaries for a number of years and doing nothing at all, have they been working on and evaluating new types of nuclear power station, or have they been doing some third thing? I do not know what they have been doing, but it seems to me that their job involves being in a position at any time to license new types of power station.

Sadly, the inspectorate has not had anything to do for many years. I shall not find it easy to accept that it now has a huge backlog to catch up on, and that it will take many years before it can get its act together and approve a new nuclear power station in this country. The least that it should be able to do is leverage all the work that has been done by equivalent inspectorates in other countries.

The Finnish example is a good one. I do not know exactly what procedures the Finns followed but, knowing Finland to some extent, I am sure that they were extremely thorough. They have good inspectors, and they have done a good piece of work in evaluating their power station, the European pressurised water

reactor, which will come on stream in, I believe, 2009, which is fairly soon. As somebody said earlier, there may be experience of the operation of that type of station to draw on before we take irrevocable decisions here—perhaps not very much experience because, as I said, I want to ensure that we start breaking the sod and building the first of the new pressurised water reactors as soon as possible.

Mr. Jamie Reed: I do not think that the hon. Gentleman was attacking the nuclear installations inspectorate. I certainly did not infer that from his comments. However, if I may leap to its defence, it has an exceptionally difficult and important job in respect of nuclear science in the UK. The point that I would make, which is of direct relevance to the hon. Gentleman's comments, is, yes, pre-licensing and investigation of new reactor technologies has been done in the United States most recently and in Finland as well, but, because the UK regulatory regime is the gold standard internationally, it is important that we do not simply import other regulatory regimes or accept the findings of other regulators. It is important—sadly, I concede that it is probably also very costly—for the NII to undertake its own investigations and fulfil pre-licensing requirements for whichever reactor design we may wish to proceed with in this country. I do not know whether the Minister can confirm this, but I believe that the Health and Safety Executive and the NII have begun a pre-licensing investigation of new nuclear reactor designs.

Mr. Davies: We cannot have it both ways. Either the nuclear licensing regime in this country is the gold standard, as the hon. Gentleman suggests, in which case our inspectorate is not only up to speed but more up to speed in evaluating new nuclear types than anybody else, or it is not up to speed. It has not had experience recently because we have not built anything since Sizewell B, and therefore it cannot be the gold standard.

Perhaps the gold standard is, in fact, the French licensing regime. If anybody gets a gold medal for successful development of nuclear power stations, it is the French. They have been brilliant: they built a batch of pressurised water reactors, and every few years, on the basis of the experience curve effect, they have improved them slightly and added another batch. There must be extraordinarily good engineers in Areva, EDF and so on.

I do not know whether what the hon. Gentleman said is true. It is very nice to say that the British set the gold standard for everything. We all feel comfortable and happy in this place when we beat our breasts and say that, but it may not be true. I am not having a go at the inspectorate—I am just asking questions. The purpose of these debates is to ask questions of the Government. What has the NII been doing? Is it up to speed? Will it introduce new delays into the system because it is not up to speed? We do not want delays. Has it been evaluating new types of station? If so, I would think—I cannot imagine how it could be done otherwise—that the NII must have been working closely with the French, the Finns, the Americans and so on. I hope to hear that it has been doing that.

I wanted to make only two points, and this is the second one. There is a need to avoid delays, to keep up to speed.

Peter Luff: It may reassure my hon. Friend to know that the Select Committee took evidence from the nuclear installations inspectorate. We were very impressed by what we heard from it. It seems to be combining the best of prudence in terms of safeguarding British interests with the ability to learn from international experience, and we are optimistic about its ability to deal with these issues.

Mr. Davies: That is exactly what I wanted to hear. If anybody from the NII should read this debate in *Hansard*, which, conceivably, they might, I do not want them to think that I am in any way disparaging them. However, I do want them to think that there are people in this House who are asking precisely the questions that I just asked, and who will be alert to the answers.

I hope that I have not trespassed too long on the time allocated. I would like to end by saying, once again, that I totally agree with my hon. Friend. It is extremely important that we have an informed and sensible public debate on this matter and we must reach decisions urgently. For far too long, for political reasons that we all understand, both parties have just been putting off the evil day and saying, "Oh, this is a bit difficult. We will wait until after the election, or until next year. We won't put a Bill in this year. We will take a bit longer about it and have some other Committee, or some commission, or some negotiation, or some consultation." Frankly, we are getting to the point now where we really have to be businesslike and take some decisions that will be vital for the future of this country.

3.40 pm

Mr. David Drew (Stroud) (Lab/Co-op): I am delighted to follow the hon. Member for Grantham and Stamford (Mr. Davies). I am also delighted to have the opportunity to debate a report from the Trade and Industry Committee, which I think is a very balanced and fair report.

I will start with a note of agreement with the previous speaker. I think that we have dilly-dallied for far too long and a degree of urgency is now required. There is no better person to demonstrate that to me than James Lovelock. I do not know how many other hon. Members had the opportunity to hear him, but he spoke in this place about a month ago. If one wanted a clearer explanation of why the nuclear option is inevitable, and also wanted to know how to dismiss some of the absolute rubbish that gets put about by those who call themselves members of the green movement—I believe that I myself am a member of the green movement—but have an obsession with finding reasons why we apparently have alternatives to nuclear energy, James Lovelock utterly dismissed their arguments that day, being someone of outstanding repute who, along with Patrick Moore, has become a great advocate of the nuclear industry. They see it as both inevitable and right that we choose to go along the route of at least replacement.

[Mr. David Drew]

There is some misunderstanding and I think we need to stress that nobody is asking for a complete change in our energy provision, so that we go over entirely to the use of nuclear power.

Michael Connarty: I am sorry to interrupt my hon. Friend when he has just got into his stride. However, I must say that there are different views on this subject. In fact, Professor Patrick Moore, speaking at a meeting that I attended, said that he believed that all advanced countries that had the ability to do so should have 60 per cent. of their base electricity generated by nuclear power, if we are serious about dealing with climate change. If I am called to speak later I will elaborate on his remarks, but there is a view that responsible, advanced countries, when they consider the damage done to the planet by carbon and other emissions from fossil fuels and also the inability of renewables to give adequate capacity, should seek 60 per cent. generation, and I agree with that view.

Mr. Drew: I would never in any way disagree about the precise figures or percentages; that is an issue that I have never been too concerned about. All I believe is that our starting point is replacement. We cannot stand still. After that, we must look at how the different component parts of energy provision best fit together. However, I also make no zpology for the fact that I believe strongly that our time for renewables is here and now, and again we are rather slow in the take-up of some of the opportunities that are now coming our way.

Mr. Quentin Davies: Would the hon. Gentleman agree that when we discuss renewables we are really talking about non-base load, because most renewables that we can think of in this country, particularly solar and wind power, obviously only work when the wind is blowing or the sun is shining? So they are distinct from base load. Would it not be more sensible conceptually to examine what we need in terms of base load and what proportion of that might reasonably be generated by nuclear power, what we need in terms of renewables and what we need in terms of very flexible capacity, which can be switched on to replace the renewables when the renewables cannot provide the necessary power?

Mr. Drew: That is an absolutely pivotal point. We are talking about two interrelated but separate systems. We need both a national system through the grid, which obviously will be partly, if not wholly, supplied by nuclear in the future, and local solutions. They can be very local. They can be microgeneration at the household level. We are talking about two different systems that need to work together. That is what technology will have to allow us to think through. We have not done that yet. That is for the future and let us talk about the here and now.

I will start with the point to which my hon. Friend the Member for Copeland (Mr. Reed) alluded: some of us are currently subject to a freedom of information inquiry about our interest in the nuclear industry. Like him, I have various bits of correspondence winging their way through my office at the present time. Considering that the three of us on the Back Benches—my hon. Friend the Member for Copeland, my hon. Friend the Member for Linlithgow and East Falkirk (Michael Connarty) and I—have rather an established reputation for supporting the industry, it is somewhat bizarre that anyone should need to find out what our links with the industry are.

If they had the courtesy to write to us, I would tell them clearly that I have been pro-nuclear for at least the last 20 years. I make no apology for that. I do a lot of work with the industry and I am totally transparent about that. Notwithstanding the Bill that is to be debated tomorrow, it is rather a waste of time trying to prove the obvious. But that is by the way. I just say in passing that much of the correspondence relates to a visit by my hon. Friend the Minister to Berkeley that in the end never took place. It is a fascinating study that shows just how obsessed people are in trying to attack through all sorts of means those who have a view on this industry that is sensible and right. But we will not be put off.

I have to introduce a slight note of rancour here. I have disagreements with my hon. Friends and with the hon. Member for Grantham and Stamford. I have always believed that there is a role for the state not just in terms of the strategy. The industry needs greater state involvement. From the word go the state has played a crucial role in the nuclear industry. At one time it was an almost entirely state-run industry. Indeed, it was born out of state involvement. We sometimes forget that. Because of all the changes that the industry has undergone and the fact that it has been split up so many times, many of us who know the industry still find the picture of who is in bed with whom and who they represent extremely confusing.

We still have a fully owned state company in the form of what was BNFL, which reappeared again yesterday even though I thought that it had become BNG. Whatever it is now called, it is still entirely owned by the state. We cannot dismiss that. It is important. One of the problems goes back to the way in which the old Central Electricity Generating Board was divided up, leaving us with the so-called residue in the form of the old BNFL because of the liabilities issue. That was not necessarily done in the right way, but we are where we are. It was never successful because Nuclear Electric then became British Energy; it has hardly had a great financial past. One hopes that it is through the worst and that it comes out the other side.

One of the problems with the industry is that whenever we want to look to the future—there are those of us who advocate that there is a future and strongly support it—we are somewhat overcome by events. There is no better example of that than yesterday. It may be somewhat marginal to the industry and the new nuclear build, but it is a story that has not been helpful. As with previous stories about the falsification of data, it may have been greatly exaggerated, but this always stops the nuclear industry from getting a fair wind and building that consensus which needs to be built.

I see a strong role for the state. It is fascinating that this Sunday a rather important election is taking place. It is in the country next door and it will have a big impact, not least because that country happens to own a lot of our utilities due to the successful operation of

what was EDF and is now, I presume, Areva. I have some difficulties knowing which company it is and who is in bed with whom. The hon. Member for Grantham and Stamford will put me right.

Mr. Davies: I think that the hon. Gentleman will find that EDF remains EDF. EDF is the operating utility that owns the power stations, whereas Areva, which was previously called Framatome, builds them.

Mr. Drew: I accept that and take the hon. Gentleman's clarification in the best spirit. The point is that there is heavy state involvement in the company; it has built on that and used it to move into other markets, including, in a big way, Britain. I raise the issue now because many great issues are under discussion in France—social policy, economic policy, personalities—but the one issue that never gets discussed is the nuclear issue. I shall give way for the last time, because I am trying to develop an argument.

David Howarth: I am sorry to interrupt the hon. Gentleman. The nuclear issue has been raised by a number of bodies in the run-up to the French election; tens of thousands of people demonstrated against nuclear energy in France only last month.

Mr. Drew: I take that information as being completely genuine. The reality is that it will not make a blind bit of difference, because whoever is elected as the new President of the French Republic will be avowedly nuclear. They will be nuclear not only for the generation of power; sadly, I think that the force de frappe will remain in place. Like my hon. Friend the Member for Linlithgow and East Falkirk, I voted against the renewal of Trident. I think that the two issues are completely separate. It does immeasurable damage to the argument in favour of nuclear power that it is always linked to nuclear weaponry. I would hope that we could convince other countries that the two issues are separate; perhaps we could do more to lay that ghost to rest.

The French have a much clearer strategy than we do. They are committed to the amount that they can produce with their nuclear component. The nuclear issue is not talked about much in political circles. As the hon. Member for Cambridge (David Howarth) said, there is some inevitable resentment towards nuclear power, but it is a given. They will continue with that approach, which has allowed them to secure their energy future. France remains the only country in Europe that can say that; the rest of Europe, let alone the wider world, is at least partly dependent on imported supplies, and increasingly so.

I do not want to delay Westminster Hall too long, but I would like to make a couple of other points, one of which is parochial as it relates to Berkeley in my constituency. I shall come to that in a minute. The building of a consensus is largely dependent on convincing people that we have an answer to the waste issue. The report of the Committee on Radioactive Waste Management was interesting; I will say nothing more defamatory than that. It resulted from the issue having been in the long grass for so many years, and although it brought it out of the long grass, it did not give it the full-frontal publicity that it needs. We have to convince people that we have an answer, because it is difficult to believe that we can go for a new build when there is legacy waste to be dealt with.

The issue is controversial; although the constituency of my hon. Friend the Member for Copeland may provide the main answer, those of us who still have legacy waste in our constituencies have to think through the debate about what is stored where, rather than what is moved about. That needs to be explored fully and quickly so that we get some answers, as they will have a huge impact on where a new build might take place. I have always argued—some people will know that I do so to obsession—that any chance of the industry having any credibility will depend on the footprint falling across the country. I am not in favour of coming up with a number for the new nuclear stations that we need, but I have always thought it a terrible mistake to believe that the answer to the nuclear industry is, "Stuff it in Sellafield." Some people may think that that would take the problem away for them, but the problem cannot be escaped from. A number of sites need to be explored properly.

That is a good thing that came out of the CoRWM report. In talking about the waste solution, it alluded to the fact that we need to consider the issue comprehensively. I argue that we need to look at a number of sites where we could situate new nuclear build. We have to be open with people and we have to give them incentives, which is of course the way the French are able to keep local populations sweet.

Let me move on to the local situation. This is where we get into some difficulties. Because the industry has been treading water, certainly for the past five years—some of us argue that it has been doing so for much longer—we have seen yet another major restructuring of the industry. The hon. Member for Mid-Worcestershire (Peter Luff) did not make much of the role of the Nuclear Decommissioning Authority. That is important because the NDA owns the sites where the new build is likely to be, although it is not in any way able to deliver anything on the sites. It is merely a holding body that will make decisions about who might be capable of delivering on the sites. It is a nice notion that we have those checks and balances. It has some attraction, although, to return to what the hon. Member for Grantham and Stamford said, it is a reason why there may be more bureaucracy, delay and confusion about who will do what and when.

I still believe that the key role of the NDA is as yet untested and unproven, but at least I would give it a fair wind, which I certainly would not give to Nirex on the waste issue, because I think that there we invented a body, fully owned by the state but entirely funded by the industry, that ended up failing to deal with the waste issue. We have learned some lessons from that, but on the NDA, urgency is needed regarding what it sees as happening to the sites.

The situation at my own local site at Berkeley is interesting. We have not only the decommissioning—I say decommissioning rather than decommissioned because the facility is still in a state of being decommissioned. We have not only the station but the old lab sites next door. During the past six months to a year, we have passed quite an interesting staging post. Until about two years ago there were about 1,500 to 1,800 people on that site. It is now down to a few

[Mr. Drew]

hundred people, largely very technical people, so we have seen a rapid rundown. The worry about that is that it was supposed to be the future of the industry. Of course, it was not the only future for the industry, and many of the people have gone on early retirement, so it is not as though we have lost them on the scrap heap; they went because of their age profile. There is an age profile with the industry, which needs to be understood. Many of the people who have been in it are coming out of it because they are retiring. Many other people have gone up to Sellafield, where there has been an accretion of people because of the stability of employment there.

That is important because we need to make actual statements about where the future of the industry lies. If it is always seen to be in decline, even if that footprint is partial, it nevertheless is not a good way to relaunch it. The matter to which I am referring is not the responsibility of my hon. Friend the Minister, although he would have come to see the facility, but the skill level is very important and the way in which people have come together to use the skills is even more important. The decline can be rectified. It was pleasing to hear at a meeting that certainly a couple of us went to this week that there is an upsurge of interest in nuclear engineering and that college courses are beginning to fill up. That is promising, but we have lost many good people who cannot easily be replaced and we cannot pretend that that will not damage the industry.

We need the Government to clarify what will happen to the sites, and to put pressure on the NDA to say what it thinks it should be doing—the selling on of the sites and the contracts have not really been covered. It is crucial to be transparent about what is happening if we are to convince the public that we know what we are doing. If we, as the people's representatives, cannot understand what we are doing, it will be difficult to persuade them that things are going well.

On the nuclear installations inspectorate, one of the industry's problems is that it has not one regulator but two; it also has to answer to the Environment Agency. The fact that the Berkeley nuclear lab site has been de-licensed could be good news, because we might go on to use it. However, with two regulators there is always the danger of in-fighting. There has certainly been a question about how independent the regulators are, given that everybody in the industry knows everybody else—people move around within a closed industry. We need to look into that carefully.

In conclusion, we have to convince the public that we are serious; nothing will happen if politicians argue that they need another review, whether it is a review of energy, of waste or of the way in which the industry can be restructured. We have to convince them that now is the time for action if we are serious about global warming and finding a centralised answer to energy provision as well as local solutions. We must be honest and open; people must believe that there is a clear structure.

I should like to hear my hon. Friend the Minister say something about the fact that we have a structure that will stay in place for the foreseeable future. We do not want further change. If the NDA is going to continue in its crucial role, it must be open and it must push on. However, we need to know who is going to launch the new build. I do not think that the state can wash its hands of it; it has a critical role to play. It might not be able to do everything because much of the industry is in the private sector, but in other countries there are all sorts of paper walls between what the state commissions and who does the work on its behalf. It is not true that there is privatised industry in all other parts of the world; nothing is that clear cut.

I hope that my hon. Friend hears what I am saying about urgency, openness and attempting to engage with people who, in the main, are uncertain but not against the industry. Some are obsessed with the belief that the great British public are anti-nuclear. That is not true. Most of them are agnostic, but we have to get those agnostics on board. Other parties might not agree, but I would challenge them to tell us their solution. If renewables cannot fill the gap, what will they do if they do not want to see the lights turned off?

4.3 pm

Michael Connarty (Linlithgow and East Falkirk) (Lab): Should I address you as Mr. Deputy Speaker in Westminster Hall, Mr. Cook, or as Mr. Chairman? What is your status?

Frank Cook (in the Chair): There must be some difficulty with eyesight in the Chamber today. It is plainly stated here. The term "Deputy Speaker" in Westminster Hall was laid aside by the House some 18 months or two years ago.

Michael Connarty: That is a pity, Mr. Cook, because I would certainly be happy to accord you that status, knowing the role that you perform.

I said earlier that I had come to the House opposed to nuclear power generation. I have been involved for many years in the oil and gas industry, as secretary of the offshore oil and gas industry group in this House. I was chairman of the chemical industry group and a member of PRASEG—the parliamentary renewable and sustainable energy group. I was challenged to review my position by some people who felt that the climate change and security supply issues were on the horizon—at that time, four or five years ago, they were not quite so prevalent. They were reacting to what seemed to be the Government's abandonment of the future of nuclear with the 2003 energy review, in the same way that the United States abandoned its capacity to build nuclear power, mainly because of some large problems in the industry worldwide when people were not taking climate change seriously.

I set myself some tasks and asked myself five questions, one of which was whether nuclear energy generation was avoidable. If people are interested enough they can find in the publication *Nuclear Future*, volume 2, No. 5, an article that I wrote following a debate in the Parliamentary Office of Science and Technology Committee, in which I argued strongly that nuclear power was not only necessary but unavoidable if we were serious about saving our planet and contributing to the continued growth of people's energy needs, even with the amelioration offered by energy-saving policies or generation from other renewable sources such as wind, wave and tidal. In Scotland, we have the blessing of hydro power, which some countries do not have.

I was pleased that the Select Committee took up the issue again and I compliment the Chairman on the excellent and thorough report. It is a pity that he was not the guiding hand when the 2003 review was under way, as we might not have been carried away by the siren voices that were being heard loudly then that we should take the route of other countries and abandon a low-carbon fuel which, unlike fossil fuels, does not generate other by-products that are equally damaging to the atmosphere and the future of our planet.

Peter Luff: I am most grateful for what the hon. Gentleman said about the Committee's report. Since he intervened, I have had the opportunity to check what I thought was the case and can confirm that the figures on the carbon footprint of nuclear technologies in the report of the Parliamentary Office of Science and Technology to which he referred are repeated in our report and prove exactly his point—that nuclear is the least carbon intensive of them all. He also makes the important point that emissions associated with some other technologies do not apply to nuclear.

Michael Connarty: I say with some pride that I have been a member of the board of the Parliamentary Office of Science and Technology from the days before it was properly budgeted for in this House and had to go begging and borrowing to pay the scientists who did the excellent reports, including the one on nuclear security. I am the member of the board who asked them to do the study they produced. I had no sense of what the conclusion would be. I was seeking knowledge and it did provide the knowledge that, as the hon. Gentleman said, nuclear has the lowest carbon footprint.

As the Chairman of the Committee said earlier, the first question was whether we would need to build new electricity generating capacity, and the second was whether we need to replace nuclear with new nuclear. He came out very clearly and said that, on the basis of analysis, there should be no special favours. However, I noticed on page 59 that the Committee said that, whatever happened, it should be in a framework that rewarded low-carbon technologies. That is as objective as we can possibly be and I hope that from that conclusion, in other studies, wind, wave, photovoltaic and other types of power will also be seen as low carbon and given the incentives that they require.

I know that there is a dichotomy of views. Some believe that if we support nuclear, both Government and commercial money would flow away from renewable energies. I hope that that would not be the case. It is clear from the recent European decision about the energy options for Europe that those technologies are seen as important. There is no doubt that we need to find ways to use less energy and to advance the use of renewable and low carbon energy, from wherever it comes. In that mix, there must be nuclear energy, and the report points that out well. I look forward to hearing the Minister's opinion. I have seen the Government's response, but I want to see whether the Minister has further thoughts. The Government must give strong signals about where they are going.

There is no doubt that the legacy of nuclear power was not good. We have a lot to apologise for in its technological legacy, in this country and possibly in others. The worst incident was of course the Soviet Chernobyl incident, where the technology was entirely inadequate and the procedures and processes used were dangerous and caused major upsets.

For everyone in this country, there is the psychological legacy of the continual loss of technological integrity in the nuclear industry, with leaks into the sea and breakdowns. We have had a couple recently, even at quite modern reactors in Scotland. There are serious questions to be answered. From my experience of 15 years working with people in the oil and gas industries, I know of a parallel when there was a terrible fire at Texas City. It was down to the fact that the board had called for a 25 per cent. reduction in maintenance costs; so people just lengthened the maintenance cycles and eventually something went seriously wrong. My worry is that, with the pressures of finance—the legacy of our financial model is not good either—the pressure was always on people not to do their best. The concept of the gold standard mentioned by my hon. Friend the Member for Copeland (Mr. Reed) was not always the one seen by the public.

Even at this moment, as part of the process at Sellafield is turned on, the Norwegians are protesting because they see THORP as a further danger to them. That shows that our legacy has left people with a genuine, serious and respectable view that we must prove the technology all over again in the next generation before we can go forward. It is a shame that the hon. Member for Bournemouth, East (Mr. Ellwood), who went across to see the CANDU reactors, is not here. That is British technology that was shipped out during the war years to get it away from the war zone, and it has one of the safest records. The people who developed it were British scientists, sent across to Canada, who stayed there. As usual, we moved on to yet another untried technology and did not bring back the technology that was working perfectly well and has done so ever since at a high level of safety that we would love to have.

There is a Scottish dimension to my concerns. The question is not just whether we will need to have renewable energy as a substitute or low energy use. As a Scottish Member, I know that for some time we have exported electricity to England, because we have had nuclear generation. Luckily, we have also had hydro generation.

The country that boasts the lowest carbon footprint in the developed world is France, which has 80 per cent. of its electricity generated by nuclear and the rest by hydro. If I recall correctly, it creates about 5.8 tonnes of carbon per head of population per annum. The most vociferous country on renewable energy is Denmark, and its carbon footprint is almost 12 tonnes a year per head of population. It does not have hydro, which is geographically unfortunate, and it does not have any other alternatives because it will not use nuclear. If the winter is really cold, it imports power on the grid from a nuclear power station in France or Sweden, so there is a bit of kidology going on there. It is clear that, if a country is half nuclear and fortunate enough to have hydro or wants to use photovoltaic or renewable energy, it can create a small carbon footprint.

[Michael Connarty]

At the moment, 38 per cent. of Scotland's electricity is generated from nuclear power. I was at a seminar in Scotland recently when someone from a technical institute said that they had profiled the longest period that they could foresee Scotland surviving, even with the growth of wind power, without having to cut off the electricity, or switch off the lights, as the hon. Member for Grantham and Stamford (Mr. Davies) described it. It would be 16 years without nuclear.

The reality of wind power is that all the profiles show that it can replace no more than 18 per cent. of the base load, because it cannot be stored. There is no profile to show that more than that can be replaced and, unless the hon. Member for Cambridge (David Howarth) can do so, no one has ever proven differently.

David Howarth: I invite the hon. Gentleman to make it clear that the base load is only 20 per cent. of the entire electricity demand, so when he refers to a third of base load, he is talking about only 7 per cent. of overall demand.

Michael Connarty: My understanding is that 29 per cent. of our electricity was generated by nuclear in 1979. That percentage is now lower at 19 per cent., and heading for 18 per cent. because the Magnox stations have been turned off. The profile in the 2003 report was that it would fall to 7 per cent. with only Sizewell B running by 2020.

The replacement is not available and the idea that it does not matter is contradicted by the fact that I celebrated, as did the Liberal Democrats and all the supporters of renewables, that we reached 2 GW from wind power. That is fantastic, but it does not represent a great proportion of what we use. It is a question of whether the glass is half-full or half-empty. The hon. Gentleman would say that it is half-full when talking about renewables, but half-empty when talking about nuclear. I would be much happier if we had made a commitment to maintain that 30 per cent., and Patrick Moore made a good argument for showing that the carbon footprint would be much better if we considered going to about 60 per cent. That is not to say that the other 40 per cent. cannot come from renewables elsewhere, but we have a different perspective. The Scottish dimension worries me because we have parties committed to no nuclear rebuild, and that would be a problem for me.

Turning to the legacy and reprocessing, I heard what my hon. Friend the Member for Copeland said about what goes on at Sellafield, and its 17,000 jobs. That may be a strong argument, but things must be done properly, and it cannot be good just to keep employing people. It is clear that Sellafield and reprocessing are vital to the nuclear industry, and it is important to me as a Scottish Member. We have no reprocessing facilities in Scotland, and we must reprocess Scottish waste somewhere in England. I am not sure how that squares with the policies of the parties who would abolish the use of nuclear power in Scotland.

Mr. Jamie Reed: On the issue of waste and Scotland, all the waste that is produced by the nuclear industry in Scotland is in my constituency. In the event of independence, that waste will go back to Scotland. The agreement for housing that waste in my constituency is that it arises from Britain. I thought my hon. Friend might find that information useful.

Michael Connarty: I have always argued that, in the chemical industry, the polluter should pay, and it is certainly sensible to stay within the United Kingdom. I want an integrated energy-producing and waste-reprocessing unit. Otherwise, we will end up with problems and conflicts. I am happy to repeat that argument again and again between now and the Scottish elections.

I have been looking at the new technologies. I have been to Canada and France to see what they do there, and I am extremely impressed by the passive safety technologies in the CANDU process. They are designed to prevent repeats of Chernobyl by incorporating features that cut out processing and other dangerous elements very quickly. The latest technology enables any problem to be completely locked off within 72 hours—automatically and without human intervention.

Those who like to create hysteria—I call them siren voices—talk about waste and spent fuel rods, and pretend that there is a ticking bomb. They give the impression that when fuel rods are removed and set aside those rods could blow up at any minute. I was astonished, as would be any hon. Member who visited a nuclear power station, that one can actually swim in the tanks where the fuel rods are kept. Obviously that is not recommended, but it is possible to swim in the water above the fuel rods that have been removed for reprocessing without contamination being likely. No radiation is given off from the surface of the water at all, because 5 m of water completely cancels it out.

The Canadian plan is that, after 10 years, the fuel will be taken into concrete bunkers that are open to the air, where it can be kept without any radiation registering on a Geiger counter. The Canadians talk of keeping fuel there for 100 years without nuclear pollution, so it is wrong to give the impression that a great reaction is going on.

Reprocessing has moved on immensely. I am not sure about the company structure, but I believe that Areva owns EDF and Framatome and that it is a holding company that, in turn, is owned by the French Government. We went to look at its operations in the manufacture of MOX fuel—mixed oxide fuel, which is mentioned in the report. When people are asked how much of a spent fuel rod can be reprocessed, their guess is 10 or 5 per cent. They do not realise that the actual figure is 96 per cent. and that not only the uranium but the plutonium can be dealt with. The material is reprocessed into mixed oxide fuel pellets that are put back into rods and returned to the customer.

At an Areva site in France, four bundles of spent fuel rods have been reprocessed from weapons-grade uranium. Britain's 100 tonnes of plutonium was described as a treasure. It might be stored in or near the constituency of my hon. Friend the hon. Member for Copeland, but in any event it is valuable because it helps in the creation of mixed oxide fuels, and the report says, I believe, that two nuclear power stations could be run throughout their life using the quantity of plutonium stored in the UK. The industry is

sustainable and safe, and people should seriously consider the idea of "plutonium for peace", because when plutonium is not a scare story, it is very valuable.

Those who wish to use wind, wave and tidal power—particularly in Scotland—have the problem of getting power from the generating point to the user. The report raises the issue of the choice between national grid systems and dispersed systems whereby power is used near to the generation site. There is a great debate on that topic, and I think that the nuclear contribution should be the one to use the grid system. The Liberal Democrats are leading a big campaign in Scotland against a reinforced grid system that would extend across Scotland, even though it would use the renewable energy generated in the highlands and islands and get it to the end users, who are mainly in England, not Scotland. The Government should talk not only about where they put the stations but about whether they have a commitment to putting the grids in place to allow the energy generated to get to the end user—not necessarily using a national grid system, but perhaps a dispersed grid system.

The question of skills was raised by my hon. Friend the Member for Copeland. I have spent a long time considering the run-down of the skills that we require in the oil and gas industry. Despite the best efforts of the companies and associations—and the Government, through PILOT—there is a major skills problem in the UK. There is no doubt that we have to consider that as an EU question. For example, at the moment a refit, shut-down, maintenance job is going on in my constituency at INEOS, the company that bought the chemical olefins derivatives section of BP. Some 270 skilled workers were required, but we could not get more than 200 from the UK, even after asking all the associations and trade unions to supply them. Companies have had to bring in people from Poland, Portugal and elsewhere, paying them high rates of pay and additional expenses so that they can live in hotels. If we are to renew the build programme in the UK, we shall have to do that on a skill base at EU level. That underlines why it was so important for the EU to take those policies recently.

The second issue is the capacity of the licensing body. We heard a bid from the hon. Member for Bournemouth, East, who argued for an additional consideration for the pebble-bed process that has been developed in South Africa, on top of the Areva, Westinghouse and CANDU processes. My understanding is that talk throughout the industry is that the Government are sending out signals that they cannot cope with more than two pre-licensing examples; they only licensed two of the three that were named, even though there was a bid for a fourth, because there is not the capacity.

That is a sign of how far things have run down or of how many people, as my hon. Friend the Member for Copeland said, have left—because of age, not because of any lack of interest in the industry. There is a reigniting of interest in the industry at Birmingham, where there are nuclear industry courses, and among the trade associations. However, it will take a long time to get the capacity. If the licensing body does not have the capacity, all the aspirations in the report will come to naught. We will have to reduce the market and say that we can have only two players as we cannot cope with three—or, as I have been told, we will have to wait two further years if we want three. That leads me to disagree with my hon. Friend.

Mr. Quentin Davies: The hon. Gentleman has made an enormously important point. Does he share my hope that, in responding, the Minister will directly address that issue—the extent to which the capacity and capabilities of the nuclear inspectorate might be an avoidable delay in the launch of a nuclear programme in this country?

Michael Connarty: I certainly have that aspiration, but I must also commend the Minister. When he was Minister for Energy, he worked with PILOT. There is no doubt it was the Government that put together the consortium that brought together their aspirations and those of the trade unions with the energies of the industry. The industry was turned around when it had been going in a similar downward spiral. I hope that those skills will be brought to bear on the question of the NII, which is the first organisation that needs to be considered. If the door is too narrow, we will never make the market that we require.

The second thing that we should do is use the information that other countries use for licensing. For example, I have been told that one of the reasons why the building of Areva's new generation in Finland has taken longer than was hoped—it is said that it is behind schedule—is that the Finnish authority is very strict and keeps coming up with more and more rules and regulations. If that is the case, the information used in that process should be readily transferable to a UK system, without our having to go and reinvent the wheel and ask for it to be done all over again. That is often what happens—companies spend huge sums, but when they come to the UK are told, "We have the gold standard. We do not want to read that document. You will have to write it all again and we will take as long as we like to consider it." We have to realise that, in the EU particularly, we now have comparable skills and standards in this industry. We should use that to shorten the process.

The other question is about land use planning. I noticed that one of the recommendations, on page 77 of the Committee report, is for a review of the planning as well as of the licensing system. The oddest thing at the moment is that, when an energy source is being talked up as a solution, political parties are very keen. Then, when there is an application for a wind farm or something else in the locality, the very same parties at the local level are the biggest opponents—nimby, not in my back yard. *[Interruption.]* Or "not in my constituency". We have to deal with that. If we now have nuclear power stations in locus, and a new one is to be put in the same location, no logical question can be asked about whether there is permission for that land use. The process could, therefore, be very much foreshortened.

Mr. Jamie Reed: I would like to tell my hon. Friend and others that I am an "imby" and have made several requests for two new nuclear reactors at Sellafield. Nothing would please my constituents more, starting tomorrow, if the Minister is listening.

Michael Connarty: That is my experience when talking to my hon. Friend the Member for East Lothian (Anne Moffat), who has Torness power station in her area, as with the hon. Members around the Hunterston B power station in Scotland. People there are very supportive of the nuclear industry. We went to Canada and found very much the same—people there would gladly have taken another station. In fact, I understand that different parts of Canada have been bidding for the waste facility, since the very substantial report put together by a former United Nations environmental commissioner for the Parliament of Canada.

The last question about capacity is about the capacity to manufacture. From my information from talking to people in the field, I worry that the large castings industry—the steel industry required to cast the pressure vessels—is very under-supplied at the moment. The Americans have no capacity at all, because they pulled out of nuclear. I was recently in the Framatome processing site in France, which four years ago the Government were planning to shut down. The new chief executive of Areva convinced them not to. Areva took over Framatome, which it is now investing in and expanding. They were creating pressure vessels for Three Mile Island and for Florida—in fact, they had just finished a 200-tonne pressure vessel for Florida, which was about to go out of the door when we were there. But there is no capacity in the US. There is capacity in Japan and talk of new build for manufacture in Korea and other places, but at the moment people are booking slots for pressure vessels without any customers. They are booking them four years ahead, so that when they do get a customer, they have the pressure vessel to supply the nuclear power station. That is how bad things are. I think we need to get together on an EU basis—in fact, worldwide—to talk about that.

I have a suggestion for the Minister. Having done a number of seminars with people in the industry and having talked to people on the financial, legal and manufacturing sides, they are in absolutely no doubt that the Government have to come up with something to secure the carbon price. We could say that the emissions trading scheme will do that, but looking at it recently—at one point, it was trading at €60, then it went down to minus—the market is far too volatile. Tinkering with the emissions trading scheme may help, but I do not think that it will do what we require it to do.

My suggestion is that the Minister and the Government should think about how to get together a PILOT for the nuclear industry. Talking to people on the legal or financial side, they all have their little commercial niches and secrets, which for me recalls the days when the North sea was running down. People were hanging on to plots that they would not explore because it did not fit their commercial model, and they would not tell people what they had found. However, the Minister got involved and all that was freed up. They started to exchange information, put packages together and give up their little piece of a plot so that someone else could explore that licence area. We came up with the Buzzard field and made big finds in different areas. I think that there has just been a new one in the past month.

People need to put together their knowledge and help make the market, but the Government must make that move. I do not know whether it will eventually mean, as the hon. Member for Grantham and Stamford suggested, that the Government will go further and underpin the market, but we must get everyone working together to make the market before we can move forward. Part of that will involve the carbon price, and the other part depends on the will of the Government, once they have made up their mind, to sit down and put together a team to work with a purpose.

Having said that, I was dismayed to find when I had my last meeting with a group that one of the companies said, "The problem is that the next time we go across to some European organisation, the DTI team will be completely different, because the civil servants that we have worked with for the past three years will have moved on. They'll be in agriculture or somewhere else." The Government are shifting the very people who have built up that knowledge during the past three years to other duties because of the civil service rotation problem. It is a real problem for an industry and a company in which people commit their lives and investment capital. They put themselves on the line for their entire business life, only to find that the people in Government with whom they are working shift every three years. If we have a PILOT, let us make sure that the pilot has a crew who will be there until we end the journey.

4.36 pm

David Howarth (Cambridge) (LD): I start by congratulating the Chair of the Trade and Industry Committee on securing this debate, but I share his regret that, for various reasons, many hon. Members have been unable to attend today, including many who hold the same view as I do.

Mr. Drew: Does that include the hon. Member for Caithness, Sutherland and Easter Ross (John Thurso)?

David Howarth: Yes, absolutely. My lonely role here today is to represent those who are still far from convinced that the case for civil nuclear power has been made.

As I see it, the main argument in favour of nuclear power is that, although it is not a magic bullet—as the Minister often says—it is needed as part of the mix, for three reasons. First, as many hon. Members have mentioned, there will be a generating gap. How will the lights be kept on? Secondly, it is needed for carbon reduction purposes. Thirdly, it is needed for security of supply.

I do not think that any of those reasons hold up to analysis. Not even the Government believe the generating gap theory. The question is whether the market will cope and introduce new supply to fill the 25 GW reduction that might occur as nuclear plants close and some coal plants must close or choose to refit. In response to the Environmental Audit Committee's report, "Keeping the Lights On", the Government said that their own modelling

"indicates that in most scenarios, the risk of having unserved electricity demand is unlikely to become substantively higher than today until around 2015. Even then, the amounts of

'shortfall' between demand and supply are likely to be small and could therefore potentially be resolved by some companies voluntarily shifting their electricity consumption from peak to off-peak times in response to price signals."

In other words, the risk of the lights going off, to which some hon. Members have referred, is grossly exaggerated. There is no real risk of it—even the Government recognise that—and no need to panic. The market will plug the gap without any change in policy. Moreover, the risk itself, although small, decreases the more existing nuclear stations' lives are extended and the more existing coal stations undertake the regulatory requirements to which they are subject.

There is also the question of timing. Even with reforms of licensing and planning, it is unlikely that nuclear new build can make a contribution to carbon emission reduction for at least 10 years—it would make only a small contribution even after that period. The Government's response to the Environmental Audit Committee's report states:

"Government agrees that even with facilitating measures, new nuclear build is likely to make only a small contribution to carbon emission reductions and security of supply by 2020".

That then raises the question, why go for nuclear at all? Reducing carbon emissions over the next 10 or 15 years is crucial, and the Government say that nuclear new build will play absolutely no part in it. After 2020, we will see new technologies coming on line, not only renewables such as tidal, wave and solar power technologies, but those such as carbon capture and storage, to which the Chairman of the Committee referred. It is significant that the date given in the EU proposals on energy policy for all new coal power stations to be employing carbon capture and storage is 2020. In reality, that is about the time when any new nuclear will be going on line. The question is why we need new nuclear power at all if other carbon-saving technologies will be available at the time that that nuclear power is due to start.

Michael Connarty: I have to inform the hon. Gentleman that I questioned the person responsible for the first and most advanced proposal for carbon capture, who was a junior at BP when I first met him. In front of a large audience at Stavanger last year, he clearly said that carbon capture is technologically feasible, but that the go-ahead is not yet guaranteed because it is not yet financially viable.

David Howarth: It was significant that the Chairman of the Committee said that the finances are rapidly changing with the technology. I agree with him that, left to the market, it is possible that carbon capture and storage will be able to outbid nuclear quite soon. The nuclear industry is always optimistic, but I think that it is being over-optimistic.

I have never been able to grasp the point made by nuclear advocates on the security of supply because there is no domestic uranium and European supplies of uranium are insufficient to keep nuclear power plants going for long, especially if there is new nuclear build that uses up existing and known supplies. All usable uranium has to be imported, not only from Canada and Australia, but other countries such as Uzbekistan and Kazakhstan. On the other hand, wind, tide, sun and coal are local and there are plenty of suppliers within our political grasp, as it were.

Instead of comparing itself with those sources of energy, the nuclear industry usually compares itself with the gas industry. True, gas will probably play a bigger part in the generation of electricity in the next few years regardless of the policy on nuclear new build, because gas is probably the source from which new electricity generating capacity will come as other sources decline, depending on the relative price of gas and coal. That is not in any way an argument for nuclear. By the argument that I have been using, nuclear will not be able to plug the gap in the time scale. The policy problem—the problem of a secure gas supply—applies regardless of nuclear policy.

Mr. Jamie Reed: Is the hon. Gentleman aware of the radiation dose received by the European population as a result of the extraction of oil and gas?

David Howarth: I should be grateful if the hon. Gentleman would tell me.

Mr. Reed: The largest dose that the European population receives per head from radioactivity comes from the extraction of oil and gas from the North sea and elsewhere. Those are the findings of a long-established analysis undertaken by the European Union. I should be happy to furnish the hon. Gentleman with a copy of the report if he would like one.

David Howarth: I should be grateful to receive the document, although I cannot see what relevance such information has to my point about security of supply.

The nuclear industry has an appalling record of cost overruns. As many people have said, the nuclear industry runs as much on optimism as it does on uranium. The famous and heavily state-supported Finnish reactor to which reference has been made is already €600 million over budget and 18 months beyond its schedule. No British nuclear project has ever come in both on budget and on time. In addition, the industry has a record of secrecy.

Peter Luff: I do not have a mandate to defend the industry, although it is true that broadly I am sympathetic to it, but I do not understand the relevance of the cost issue. If the market is delivering, the private sector investors bear the problem. As it happens, every one of the Canadian reactors has come in on budget and on schedule. Matters are for the private sector to determine.

David Howarth: When upgrading reactors, even Canadian projects have come in massively over budget. So even there, in one of my favourite countries, such things are not always done well.

My response to the hon. Gentleman's argument is that the industry also has a sorry record of receiving hidden subsidies. The market is rigged in favour of the nuclear industry. Billions of pounds of public money have gone into research and development for nuclear energy, compared with tiny amounts that have gone into research for other forms of energy. If we include fusion research, even now nuclear research takes up more than half of publicly funded energy research. That is one hidden subsidy.

[David Howarth]

The hon. Gentleman is shaking his head. I shall show him the graph that I received from the UK Energy Research Centre later.

Peter Luff: Throughout the whole of Europe, overwhelming research goes into coal. That is where the public support goes, not into the nuclear industry. It is distressing to hear factual arguments being dismissed. The hon. Gentleman has some important points to make. I have a lot of sympathy with what he is saying, but the facts are against him.

David Howarth: I heard the Chairman of the Committee change the unit of analysis. He was talking about Europe; I was talking about Britain. I am pretty sure that, if we include fusion, public support for energy research in Britain is still overwhelmingly for nuclear.

The other massive subsidy for the nuclear industry is in the form of the Nuclear Installations Act 1965. It limits the liability of nuclear installations for nuclear accidents to about £150 million and promises Government money of up to £350 million per accident over and above the amount of £150 million. It leaves any excess damage on the heads of the victims. The nuclear industry should, like other industries, pay its way. It clearly does not when it comes to nuclear accidents.

Let us consider the estimates for the cost of Chernobyl. They vary from around £4 billion to more than £100 billion and are way higher than the liability limitations that the Act grants to the industry. The industry says that, without that cap and hidden subsidy, the risk would be uninsurable, but to echo what the Chairman of the Committee said, that is the industry's problem. If a risk is uninsurable, it might be because no one should be taking it.

Mr. Reed: That is an anti-nuclear fantasy of long standing. This spectre of "the industry" is invoked every time the issue is discussed. There is no such thing as "the industry". The UK civil nuclear industry has absolutely nothing in common with the former decrepit, dilapidated Soviet nuclear industry.

David Howarth: I was not suggesting that the risks from nuclear power stations in this country and western Europe are in the same league as those from former Soviet bloc power stations. I was making a point about the cap on liability. A cap on liability is a massive subsidy to the whole nuclear industry. If the industry had to bear that liability itself, it would make the industry uneconomic. That fact cannot be denied. Nuclear plants are not as reliable as the hon. Gentleman has implied. There are various estimates for load factors in excess of 90 per cent. Last year, four Swedish plants had to be turned off at the same time because of an accident in one of them. That is a warning to those who propose that the Government should help the industry by ensuring that a single design for the new nuclear fleet is brought forward. The problem with that is if, as happened in Sweden, one discovers a very dangerous flaw in one plant, all the plants of the same design would have to be turned off at once. That is one of the biggest threats that one could imagine to security and continuity of supply.

Similarly last year, a Spanish plant, which was responsible for 20 per cent. of the country's electricity supply, had to be turned off because it overheated in the hot weather. Even the French had to turn off the Dampierre plant this month. Members might remember an incident last year when the whole of northern France lost power for days on end. That happened because the connection between France and Germany was damaged. The French electricity system is predominantly nuclear-powered. It is massively inflexible and cannot cope with having its connection with another country broken. The French grid exports and imports vast amounts of electricity. Therefore, the claim made by the hon. Member for Stroud (Mr. Drew) that the French independent grid system is the best in the world is quite false. The French depend on import and export because nuclear power is so inflexible.

Mr. Drew: I was talking about the interconnector. We are a major importer of the French nuclear industry, and without the interconnector operating, there have been times when we would have seen the lights go out in this country.

David Howarth: The hon. Gentleman is making an error that many people make when discussing electricity. They think that importing electricity is worse than exporting it. In fact, they are both the same. The grid has to be balanced. If electricity cannot be exported because the interconnectors are broken, the whole of the grid could go up like a big fuse. The inflexibility of nuclear power is risky because of that fact and not just because of imports. The French also import vast amounts of electricity.

Michael Connarty: Is not the hon. Gentleman arguing about the problem of grid systems rather than the source of the energy? We have the same problem. That is why the proposal is for a very much higher rated grid from the north of Scotland to the conurbations of Scotland, which of course is opposed by his own party.

David Howarth: No, it is not about the grid system; it is about any grid system with a high percentage of nuclear power. The 60 per cent. that the hon. Gentleman proposes would be as dangerous as the 80 per cent. used by the French. The problem is that nuclear power stations cannot easily be turned on or off. Therefore, they are very inflexible. All this talk about base load—the concept of base load is an artificial construct because it is only the minimum amount of electricity being used on the grid over a long period—reveals a misunderstanding of one of the basic problems of controlling a grid, which is that it has to be held in balance at every point. Nuclear power cannot do that.

Michael Connarty: I am sorry to take the hon. Gentleman up on this. If a huge array of wind power was generating electricity in the north of Scotland on a very windy day and there was a problem with the grid connection at some point down the line, the same problem would occur: energy that had nowhere to go would be coming down the grid, so all the wind farms would have to be switched off.

David Howarth: No, the problem would be that the nuclear stations could not be turned off and that is why the grid would fail. *[Interruption.]* It is dangerous, risky and expensive to turn nuclear power stations on and off. That is one of the difficulties of nuclear power. *[Interruption.]* I move on to other aspects of costing, because the oddity of costing nuclear power extends to the energy review. We have delved into the costing offered for nuclear in the energy review and we found some odd things indeed.

First, one of the things that is known about nuclear power is that there are risks involved in the construction stage, not only political ones, but the inherent risk of the very long construction stage. As a result, experience from around the world shows that the relevant financing costs are about 3 per cent. higher than energy industry averages, yet the energy review's figure for financing the build stage of nuclear power is exactly the same as the percentage cited for all other technologies. That is simply a false assumption. Nuclear new build will involve a much higher level of risk—a 50 per cent. higher level of risk—than that borne by other sorts of projects.

We noted another odd thing. I suspect that this is for accounting nerds only, but it is important. The DTI's energy review is not using standard techniques for calculating the weighted average cost of capital for nuclear projects. Instead, it is using a weird mixed technique that discounts only some of the costs and therefore gives a big advantage to long-term projects. In other words, it is favourable to nuclear power.

Were standard investment appraisal techniques to be used and the right cost of capital inserted, nuclear energy would be shown to be vastly more expensive than the Government claim. We could include a carbon cost of about £20 a tonne and assume that nuclear energy has virtually no carbon cost—I am willing to accept that for the sake of argument. In even those circumstances, nuclear power would come out as being more expensive than onshore and offshore wind power—without any subsidy—and more expensive than tidal stream technology and carbon capture and storage. The only thing that it would be cheaper than is coal.

Even without including all the figures for the hidden subsidies and without taking into account the arguments about nuclear power crowding out investment in renewables, the arguments about it undermining efforts at energy saving—that seems to have happened in Finland—and the arguments about locking in the grid system to a centralised system that would impact on the ability of the system to accommodate decentralised energy, nuclear power is not a good bet over the time scales that we are talking about.

Michael Connarty: I am sorry to keep coming back at the hon. Gentleman, but I must point out that the PB Power report of 2005 "Powering the nation", to which the Select Committee referred, makes it clear what the costs are. The relevant cost of nuclear energy is 2.8p per kWh. The only sources that are cheaper are without carbon capture: gas and coal with none of the carbon capture. Even gas with carbon capture is more expensive per kilowatt-hour. This is a substantive report by an institute that everyone in the industry respects. I hope that the hon. Gentleman's party also respects it.

David Howarth: Of course, those estimates are changing over time as new cost estimates are coming through. I am talking about what is in the energy review, which I think is biased in favour of nuclear energy in a serious way.

Mr. Quentin Davies: Will the hon. Gentleman give way?

David Howarth: I will not, because I need to finish my speech to allow the Minister and the spokesman for the official Opposition time to speak.

I just want to make a final point, which arises out of several comments that have been made. The nuclear industry needs to be open. A number of hon. Members have said that it has had a terrible record. The Chairman of the Committee made a very eloquent statement yesterday in the House when he commented on the statement. The industry has a terrible record of secrecy, which undermines confidence. Many other people have also said that. Bill Nuttall, the academic, says exactly the same thing in his works on nuclear renaissance. That is the message of the CoRWM report and Professor Gordon MacKerron.

However, there is a fundamental problem with that argument. That is, that nuclear power, because of its inherent technical links with nuclear weapons and weapons technology, can never be purely private. It will always have a security element. It is interesting, for example, that the person who was recently appointed to head the civil nuclear constabulary is not a career police officer; he is a career intelligence officer from the Secret Intelligence Service. There will always be a link and, because of that link, the industry can never be wholly open. That applies both to techniques and to materials. I agree that the industry would do itself a lot of good by being as open as possible. However, I think that it is an impossible dream that the industry could be as open as other industries.

5.1 pm

Charles Hendry (Wealden) (Con): May I begin by drawing the attention of the House to my entry in the Register of Members' Interests, which shows that, last year, I went on a trip sponsored by E.ON to look at nuclear waste disposal in Sweden and a nuclear power plant in Finland? In case people fear that my soul has been bought, it is listed alongside the entry for a trip to look at onshore and offshore wind farms and oil and gas facilities.

I congratulate my hon. Friend the Member for Mid-Worcestershire (Peter Luff) on the way in which he has introduced this debate and the extremely robust report that his Committee has produced. The way in which he drives these things forward and his energy and commitment are evident throughout, not only in his speech, but in the thoughtful report that has been produced by his Committee.

We have had some extremely good contributions in this debate. A lot of knowledge and constituency interest have been brought to bear. I will pick up on a couple of those points. My hon. Friend the Member for Grantham and Stamford (Mr. Davies) is quite right to say that decisions need to be made soon. This is not an issue where we have the luxury of time on our side and where we can put off decisions until a future date. We need to make progress quickly.

[Charles Hendry]

I also pick up on the point that the hon. Member for Stroud (Mr. Drew) makes, namely, that we need a strategy for waste disposal. Regardless of whether we have a new generation of nuclear power stations, it is to our shame as a nation that we have not addressed that issue more substantially and earlier.

I listened with interest to the personal journey of the hon. Member for Linlithgow and East Falkirk (Michael Connarty) from old Labour leftie perhaps to Blairite, modern, new Labour luvvie, in a way that would bring joy to the hearts of the Labour Whips Office. However, I would not encourage him to take a swim in the tank in which the radioactive waste is stored. I understand that the water contains the radioactive waste and radioactive particles, and if he gets in it, he will be in very serious trouble indeed. That may also bring joy to the Labour Whips Office, but I would discourage him from doing so.

My hon. Friend the Member for Bournemouth, East (Mr. Ellwood) made an interesting reference to fusion. Fusion has been 20 years away for the past 50 years. One day, we will get there. However, that makes the point that we are making decisions that will stand for relatively few years and, in time, some new source of energy, which as yet is perhaps not even thought of, may come through and address these issues.

The hon. Member for Cambridge (David Howarth) talked rather idealistically. He talked initially as though carbon capture and storage were a certainty, and under pressure from the hon. Member for Linlithgow and East Falkirk, he said that it was quite possible that carbon capture and storage could outbid nuclear energy quite soon. I felt that that was quite a qualified comment in the circumstances.

The challenge of this debate is that we are expected to make the decisions now, when the technology for many aspects of energy and electricity generation is not yet clear. We do not know what their potential will be.

I agree with a great deal of what is said in the report; indeed, I agree with it overwhelmingly. The report is right to say that there should have been a more detailed assessment of future generating capacity before the energy review was published last year. I think it likely that the nuclear installations inspectorate will give life extensions to many of the power plants involved, but the Committee was being over-optimistic in saying that there was not a serious energy gap, because we do not know the role that coal can play. If carbon capture and storage can be made to be economically feasible, coal has a very bright future. However, without that feasibility, we would have a very serious energy gap opening up.

I absolutely agree with the report as well that the Government should be technology-neutral in these matters. The Government should be setting a framework in which business decides how to invest. That is why we have recommended that there should be a system of cap and trade. Under such a system, the Government would say that, over a period of years—many years, 40 or 50 years ahead—if carbon is going to be produced in the course of generating electricity, a certificate should be required to do so and the number of certificates would decline year on year. Therefore, people could invest with great confidence and great knowledge of exactly what the price of carbon was going to be 20 or 30 years ahead. However, the Government absolutely should not be picking winners. They cannot build a dome, or a football stadium. What on earth makes anybody believe that they could decide on the right balance for our energy policy?

The report is also right in saying that the public are more supportive of nuclear power when it is linked with a greater commitment to renewables. A YouGov poll said that 56 per cent. of the population backed nuclear power in conjunction with a greater commitment to renewables. I am sure that that is true, but I query a little the statement that my hon. Friend the Member for Mid-Worcestershire made about the need for a national consensus. That consensus is certainly desirable, but it is noteworthy that in Finland the public support followed the political decision and the decision of the Government. It is the case that, once that decision was made, the public have been moving more in favour of the nuclear debate.

There is no doubt, however, that the Government are in something of a mess over the issue. There is no doubt that they should have consulted more on the nuclear aspect of this debate. As Mr. Justice Sullivan said in summing up the Government's consultation proposals, it contained information that

"was wholly insufficient for them"—

that is, the public—

"to make an intelligent response."

I think that Greenpeace is largely right in saying that any consultation process requires clarity in identifying the problem; integration, to ensure that it ties in with wider energy policy and climate change debate issues; independence, in that it should be carried out by professional experts; a layered approach, so that the technical discussions should run alongside public engagement; and feedback, which shows how the consultation will affect the outcome of the Government's policy.

Mr. Drew: Will the hon. Gentleman give way?

Charles Hendry: I will not give way, because I want to give the Minister time to respond. I hope the hon. Gentleman will understand that.

I agree with the Chairman of the Select Committee when he says that there are inherent complications if the Government decide to launch the nuclear consultation document at the same time as the White Paper, because that would require assumptions to be made that cannot necessarily be delivered.

Our preference is clearly for as much energy as possible to be generated through renewables. I believe that we are on the brink of a revolution, in terms of what is going to be possible. Indeed, every week we are seeing new ideas being developed. This is an extraordinarily exciting time for energy. However, we do not have a philosophical objection to nuclear power. The Opposition view is quite simple. We have said that we would prefer to see other sources of energy being developed, but we accept that, if nuclear power must be used to keep the lights on, then it has a role to play. More than that, we accept that, if people wish to invest in nuclear power, without subsidy and taking account

of the full long-term decommissioning costs, then, as the Chairman of the Select Committee has said, it is not the role of the Government to stop that sort of investment.

Therefore, there should not be a subsidy, and potential investors must take account of the cost of disposal of the waste. We are quite to happy to see that investment made, as in Finland, on the basis of pre-sale agreements, where customers are found in advance and therefore it is known exactly who will buy the electricity that is produced. We take what is an entirely realistic view on the subject, but we need to see who will come forward on that basis. E.ON, EDF and Atomic Energy of Canada Ltd have all told us that they will do so. However, the challenge for the Government is what happens if such companies do not come forward. As my hon. Friend the Member for Grantham and Stamford said, there is a significant chance that, when they look at the economics, they may decide simply not to take forward that investment. That would leave a gaping hole in the Government's energy policy, one that we would avoid by saying that we take a much more neutral approach towards these issues.

If the nuclear policy is to move forward, the industry itself must do more to try to win this debate. Yesterday, a statement in the House highlighted the secrecy that has traditionally gone with the nuclear industry. It will only win hearts and minds by much greater openness than has been the case so far.

I have visited Sizewell B and know that the issue of safety there is paramount, but too many people do not believe that science has moved on since Chernobyl. They accept that there have been advances with their television and their car, with aviation and every aspect of science—everything, apart from the nuclear industry. The industry has to get out there more and persuade people that the world has changed. We must learn from overseas and look at how the debate was changed in Finland, for example, if this is to be the course that we take in this country. In Finland, two towns were bidding for a nuclear power station, partly because they wanted the business rates that went with it. In Sweden, there are two communities bidding for the nuclear waste site.

Mr. Cook, you will remember that 20 years ago it was suggested that Billingham in your constituency should be a nuclear waste site, but I do not think that 1 per cent. of the population would have backed that. However, in Oskarshamn in southern Sweden 80 per cent. of the population think that nuclear waste should be buried in that district. The nuclear industry there has won that debate, because it has been open and taken thousands of people a year to look at the potential site. It has, in many ways, put our nuclear industry to shame by the way in which it has conducted that debate.

We should also recognise where we as a nation can lead this debate. The work that Nexia Solutions, a former nuclear research body, is doing could lead to its playing a global role in using British technology and expertise. Regardless of whether we go down the route of new nuclear build, it has a significant contribution to make.

We are committed to changing the planning regime. There should be a level playing field. If people are going to come forward to invest in nuclear power, which is not our preferred option, the planning regime has to be changed. There has to be site and type approval.

We must learn the lessons of the past where we have gone wrong. If we are going to encourage economies of scale, nuclear power stations must be built to the same design on various different occasions, without people saying, "We have chosen one from this design, two from another and one from that one", which will massively increase the costs of building them. If that is to be a realistic option, we must learn to achieve the economies of scale, as they have done in France.

This has been a useful debate. The Select Committee's report is excellent. There are three alternatives available to us: the not-at-any-cost approach of the Liberal Democrats, which is to put one's head in the sand; the Government's approach, which is that this must be an integral part of our energy policy, without necessarily having the means to deliver it; and the realistic one, which is to say, "Let Government create the framework and let business decide."

5.13 pm

The Minister for Science and Innovation (Malcolm Wicks): I, too, think that this has been a useful debate. I have immense regard for the Select Committee system. I once chaired one myself. May I congratulate the Select Committee Chairman on the authoritative, lucid way in which he introduced its findings? The vast majority of the conclusions in the Committee's report reflect the position and proposals that we advanced in the energy review, which hon. Members know set out how the Government plan to meet the two major challenges facing us in the 21st century, namely, climate change and our energy security. We use the word "security" advisedly, rather than simply "supply".

It is worth reminding ourselves of the scale of those challenges. I have said before that when the history of the 21st century is written, not just for the UK, but globally, those twin issues will loom as importantly as some of the big issues about war and peace and the development of welfare states in the 20th century. Climate change is with us now. I was fortunate recently to visit Antarctica, where I talked to British scientists in the excellent British Antarctic Survey about their work on climate change.

In simple terms, we set out in our energy review that, in the face of those challenges, a low carbon and diverse energy mix is crucial. Those proposals will now be taken forward in our energy White Paper, which will be published next month. The Government responded to the Select Committee report last October. Last year, I gave evidence to the Committee on the energy review, so I do not want to use the time that I have this afternoon to repeat myself. Instead, it will be more useful to update hon. Members on recent developments. I shall also address the key elements that the Select Committee said should be the basis of any new policy decisions on new nuclear.

I have listened carefully to the views of hon. Members. We have had some important contributions from my hon. Friends the Members for Stroud (Mr. Drew), for Linlithgow and East Falkirk (Michael Connarty) and for Copeland (Mr. Reed), and of course

[Malcolm Wicks]

I listened with great care to the interesting speech by the hon. Member for Grantham and Stamford (Mr. Davies). We also heard speeches from two Front-Bench Opposition Members.

The Select Committee discussed a broad national consensus on the role of nuclear power, a carbon-pricing framework; the long-term management of legacy waste and a review of the planning and licensing system. I should also acknowledge that it identified issues such as pre-licensing and site selection, which are important for nuclear new build. They would need to be dealt with to enable any new power stations to be built.

Let me start with the judicial review. As hon. Members know, the Government accepted the High Court's judgment. We will publish a further consultation document next month alongside the energy White Paper. Our new consultation will endeavour to meet the Court's requirements, and it will bring together the evidence and analysis that the Government have collected and published since the energy review began. It will help people to reach informed views and to provide the Government with valuable contributions.

Our preliminary view, which is, of course, subject to consultation, is that there is a case for having new nuclear power stations as one of the options open to developers of large-scale electricity generating capacity. However, we will consider the comments that we receive before we reach any decision. This is not about nuclear for nuclear's sake; it is about the potential that nuclear has to reduce carbon emissions and to contribute to security of energy supply.

The Select Committee commented on the need for a broad national consensus. We have already said that we are committed to further consultation and that we will need to consider carefully the responses that we get. The Government recognise that nuclear is a subject on which many people have diverse views. The consultation will enable us to hear and to understand those views, and will inform our decision in the autumn.

Nuclear would only ever be one part of a future diverse energy mix. Renewables, other low-carbon technologies, energy-efficiency measures and carbon capture and storage will have to play an increasingly important role if we are to meet our challenging energy policy goals. The White Paper will set out the overall conclusions in respect of our energy strategy.

The Chairman of the Select Committee asked whether there would be nuclear new build by the private sector, in view of the political uncertainty and its impact on the cost of capital. Of course, political uncertainty is not purely in the hands of the Government. I listened carefully to the Conservative spokesman, but I am still a bit puzzled about the place of nuclear in the Conservative strategy. There are time scale problems that need to be addressed—I offer that advice freely, of course, in all senses.

The Government's response to the question is that the private sector will come forward if the economics are attractive. Our current view is that, provided the prerequisites that the Select Committee identified—planning, licensing, carbon pricing—are addressed, the economics will become more attractive. Those are precisely the issues that were identified in the energy review and that, subject to the outcome of the consultation, would need to be dealt with to enable any new power stations to be built.

There have been other developments. At the recent spring Council, EU leaders approved an ambitious climate change and energy package. The fundamental aim is to cut greenhouse gas emissions by 20 per cent. compared with 1990 levels by 2020, or by 30 per cent. if other countries also play their part. The targets are tough, but, through that package, the EU is sending a powerful message to the rest of the world that we are serious about tackling climate change and ensuring security of supply.

We will also continue to work in Europe to address issues surrounding the European Union's emissions trading scheme. The Commission has been tough in assessing the caps for the second phase. The market is expecting the price of carbon to be about €17 next year, which shows that the market believes that the scheme will have a real impact on emissions. That is encouraging. However, we will also keep the option open for further measures—I have listened to colleagues' views on that—in order to reinforce, if necessary, the operation of the scheme in the UK and to give greater clarity to investors. That answers another key point raised by the Committee concerning the framework of carbon pricing.

I have listened to a number of colleagues' views on nuclear waste, including my hon. Friend the Member for Linlithgow and East Falkirk. Comment has already been made on his suggestion that the waters are safe enough to swim in. One always looks for a photo opportunity, but on this occasion I would simply offer to hold the towel for my hon. Friend.

Since I last addressed the Select Committee, the Government have made progress on the issue of nuclear waste. We can be proud of the fact that we are the first UK Government to take decisive steps to resolve that issue. However, we are realistic and know that it will take concerted action to bring about a lasting solution. I should add that I visited Finland to examine its strategy on waste.

As the Committee will know, we are currently developing plans for a consultation on geological disposal and how to take forward the CoRWM recommendations. We aim for that to take place this summer. There will be more in that about volunteerism. I am advised that managing radioactive waste supply is the name of the project to which I have referred.

We all recognise the significance of planning, about which the hon. Member for Grantham and Stamford spoke in an interesting manner. The Committee rightly said that the current planning system can be a significant barrier to investment in all sorts of new infrastructure. All hon. Members are aware of that and we certainly came to the same conclusion. The system needs to be reformed to give us the infrastructure that we need on the right timetable, whether it be for energy or other types of large infrastructure. To that end, the Government will shortly publish a planning White Paper, which will take forward proposals for the reform of major infrastructure planning. Energy will, of course, be an important part of that.

The Committee has concerns on a number of other matters that I will now attempt to address, but I will start perhaps with another matter raised in the debate: reactor type and design. That is not a matter for Government per se, as it is, broadly, for the private sector to make judgments about that. Most of us would agree that that is the sensible approach. We have heard about a number of different companies and designs, so it is for the private sector to judge. However, of course, that must be subject to licensing. It is for private sector technology vendors to decide whether they want to have their technologies pre-licensed, and it is for the private sector generators to decide which licensed technologies to deploy if licensing shows that they are safe.

Skills are now a frequent matter for discussion, not only in the energy sector, but in many other sectors about which we are concerned. The Committee's report concluded:

"Constraints in the domestic skills capacity could be overcome".

In our energy review we agreed with that. We know that there are significant skill gaps in the decommissioning and waste management sector. We understand that the demography of the work force means that more people are closer to 50 than to 25—if I can summarise it in that way. Many of us have sympathy with that demography.

We know that there are significant skills gaps in the decommissioning and waste management sector, but we believe that the Nuclear Decommissioning Authority, Cogent, which is the sector skills council, and the industry more widely, as well as the recently established national skills academy for nuclear are pulling together a strategy to deal with those gaps. As the Minister responsible for skills in the Department of Trade and Industry, I promise to take a close interest in those developments.

Regardless of the decision on new nuclear build in light of the consultation, skills will continue to be an important issue. That applies both to existing nuclear power stations and to long-term decommissioning and waste management.

Charles Hendry: I am most grateful to the Minister for giving way, given our time constraints. When he went to Finland, was it impressed on him, as it was on me when I went there, that when the announcement about new-build nuclear was made, nuclear engineering departments started opening up in the universities? They are now producing graduates to help to build that programme, and they have had time to develop the new skills base.

Malcolm Wicks: I recognise that, too. I should assure hon. Members that we have learnt lessons from other nations and we will continue to do so. France and Finland obviously, but not exclusively, come to mind.

The hon. Member for Cambridge (David Howarth), the Liberal Democrat spokesman, did not have time to set out the party's strategy on energy policy, but he asked one or two questions as he piled attack on attack, in an obsessive way, on the nuclear industry. When I think of the Liberal Democrat strategy, I think of the last era when the Liberals were in power and a Foreign Secretary reflected in wartime that the lights were going out all over Europe. The hon. Gentleman still has to prove that, if the political miracle, or nightmare, of a Liberal Democrat Government occurred, the lights would stay on. I do not quite see it.

David Howarth: Will the Minister give way?

Malcolm Wicks: On the subject of wind power, I give way briefly.

David Howarth: Perhaps the Minister could explain his Department's response to the Environmental Audit Committee's report, to which I referred.

Malcolm Wicks: I am not sure that I can explain it. I am not sure that I understand the question. Let me reflect on it, and if it is worthy of an answer, I will reply in writing.

The hon. Gentleman made some technical, but important points, no doubt, that the DTI energy review used non-standard discount rates and costs of capital. The model used in the energy review was extensively peer-reviewed by external experts who were satisfied as to its robustness. We took the arithmetic very seriously.

My hon. Friend the Member for Linlithgow and East Falkirk asked about grid infrastructure, which is crucial in terms of any development that we are proposing or hoping to see. Ofgem has recognised the need for increased investment in the distribution networks. In its last electricity distribution price control review, it increased funding allowances for investment for 2005 to 2010 by approximately 50 per cent. over levels spent in 2000 to 2005. That is an important point, which is often neglected and I thank my hon. Friend for raising it.

It is interesting that, however few hon. Members are present in the Chamber, we always spend three hours debating, which is gratifying on a sunny afternoon. To sum up, the Government have reached their preliminary view on potential new nuclear build for two main reasons: the science of climate change is now very clear and we need to secure our energy supplies as the amount of oil and gas in the North sea declines.

We will bring forward our consultation on nuclear next month. It is important that people engage with the arguments. If people have better solutions, then, of course, we are listening. We are faced with difficult choices, but any Government worth their name must surely be prepared to show leadership while listening to views on this crucial issue. That is what we intend to do. We have made a good, as it were, new start this afternoon. We have had an excellent discussion involving all hon. Members. Again, I thank the Chairman of the Select Committee for an excellent report and for introducing it with such clarity and authority.

Question put and agreed to.

Adjourned accordingly at twenty-nine minutes past Five o'clock.

Westminster Hall

Tuesday 24 April 2007

[MR. CHRISTOPHER CHOPE *in the Chair*]

Community Radio and Television

Motion made, and Question proposed, That the sitting be now adjourned.—*[Mr. Heppell.]*

9.30 am

Ian Stewart (Eccles) (Lab): I am very pleased to have secured this debate. The category "community media" includes community television, radio and internet and is an area of growing interest across the country. It is not yet as well known as it should be, but my view is that it will soon have an impact far beyond its current recognition. I feel privileged to present not only my views but those of the 147 MPs who have signed early-day motion 922, which calls for additional and secure funding for community media and for space to be reserved for community media on the digital spectrum.

Community media organisations include community radio, television, the internet, informing, communicating and enabling technologies and digital media projects throughout the UK, and they represent the complexity and diversity of society. They are not-for-profit organisations run by local people, mostly volunteers, with a remit to unlock the enthusiasm and potential of individuals to create positive social change. They foster employability, especially among people facing disadvantage and social exclusion, and enhance the diversity of cultural and creative expression and personal self-confidence.

Mr. Andrew Dismore (Hendon) (Lab): My hon. Friend has raised the important issue of minority communities and the need for diversity. Shalom FM is a Jewish radio station that has only ever been able to secure restricted service licences, having been turned down for a permanent licence. Hopefully, it will try again later this year, if and when Ofcom gets round to inviting further bids. Does my hon. Friend agree that it is important that all the significant minorities in London and elsewhere have their own dedicated radio station?

Ian Stewart: I absolutely agree with my hon. Friend. The all-party community media group will be campaigning on those issues, and I am sure that the Minister, who has ears to hear, will act in the future.

As my hon. Friend has pointed out, community media are particularly effective in engaging and serving some of the most disadvantaged groups in our society. They provide a voice for many people who are disengaged and excluded from traditional media.

Community media projects are a key economic growth area in the creative industries sector. Since the enabling legislation contained in the Community Radio Order 2004, 122 community radio stations have been licensed and many more are in the pipeline. Even though similar enabling legislation for community television has not yet been introduced, there are 17 local community television stations around the UK, and there are many more groups with aspirations to become truly local community radio and television providers.

David Taylor (North-West Leicestershire) (Lab/Co-op): My hon. Friend has referred to the licensing of 122 radio stations. Ofcom has had two licensing rounds—one in 2004, and another in 2006, I believe. Does my hon. Friend agree that the licensing round has become a rather difficult hurdle race for many small, would-be community radio stations, which might be low-power AM stations or some other type of station at the moment? Would it not be simpler to focus on their ability to provide a service for a one-year period, and ensure that the cited community benefits are likely to be delivered? At the moment it is difficult for groups to make a successful application.

Ian Stewart: I agree with my hon. Friend. In my area of Salford, we have been successful in gaining a licence this year. Even there, however, the process was costly. I am sure that the Minister will take that on board as well.

The wider community media sector has more than 2,000 organisations, which use a variety of platforms for broadcasting, all with one aim—to give a voice to local people. They provide training, volunteering and employment opportunities for people in the community in general and digital media literacy, media production skills and basic information and communications technology skills. They also act as a platform for arts innovation, for community debate, and for communication with local and national government, thereby increasing social cohesion and community involvement in the democratic process and in citizenship.

The strength of community media lies in their participatory approach, whereby local people are involved in the operation of all aspects of the organisation. Community media projects have a track record of attracting large numbers of people of all ages, backgrounds and abilities as participants, volunteers and trainees. A good example of a community media project in action is Radio Regen, a community radio development charity based in Manchester, which has an average of 240 volunteers together with 1,000 beneficiaries, and which delivers accredited training to 200 people every year. I place on the record my thanks to Phil Korbel and Radio Regen for their help in running the community radio pilots in my city of Salford.

That initial work has now been built upon by the chair, Councillor Jim King, and his board of directors, who have gained a broadcasting licence and established Salford community radio, which will be up and running in the city in the near future. That could not have happened without the support of Salford city council, so I must thank the council, too, for its recognition that Salford community radio is part of the bright new future connected with the Salford MediaCity concept.

Another example of success is the women's radio group in London, which typically works with more than 100 women a year, providing training for women from minority ethnic groups in disadvantaged communities in the development and production of radio programmes. The group has reported improved levels of engagement in learning for women of all ages, and it has improved skills in communication and media production and raised confidence levels.

Bob Spink (Castle Point) (Con): If the hon. Gentleman will permit, I shall throw in an example from Essex, where John Brennan runs a community radio project for the elderly. He received, I think, either an OBE or an MBE for his services over many years, and he provides an excellent service. However, the service needs to be made available to a wider audience. Does the hon. Gentleman agree that we must ensure that the sources of charitable funds continue to flow from the lottery and elsewhere, so that we can first establish and then extend the organisations that provide community radio to vulnerable groups, such as the elderly people? Community radio improves the quality of life of such people.

Ian Stewart: I agree with the hon. Gentleman, and the thrust of my speech is about securing sustainable and adequate funding.

Community media also aim to develop social capital by building social networks, facilitating understanding and promoting shared norms in communities that are sometimes divided. For example, Bradford community broadcasting has made a major contribution in developing a sense of belonging and community cohesion for all groups in the city, particularly since the riots in 2001.

From the outside, people consider that community media organisations are just about broadcasting, but that is not necessarily the case. According to Cape Town's Zain Ibrahim, a world-renowned ambassador for community media:

"Community media is ten per cent. media and ninety per cent. community".

The 90 per cent. is all about engaging and empowering local people, encouraging volunteering and giving an outlet for people's aspirations through voice, local engagement and providing innovative training and employment opportunities.

The sector has an effective and experienced umbrella body, which is affiliated to the more generic national voluntary sector organisations. The Community Media Association is the recognised representative body for the community media sector in the UK, and it promotes access to the media for people and communities. It aims to enable people to establish and develop community-based media—community radio, television, internet and mobile media—for empowerment, cultural expression, information and entertainment.

With full-time community radio stations on air since 2002, along with the many other community media projects, there is now a considerable body of evidence about the benefits that the sector brings to the UK. In summary, it benefits the individual with skills and well-being, the community through effective information dissemination and community pride, and mainstream agencies by greatly boosting the impact of their engagement with the public. In more detail, individuals gain through the acquisition of media literacy and production skills, which are a vital element in decreasing the digital divide as they become more central to everyday life with the rise and rise of personal user-generated content.

Community media provide more than that, however. They deliver community benefit, assisting people to work together and to become more actively involved with one another. Participants in community media gain a raft of transferable workplace skills, such as creativity, problem solving, team working, production skills, self-presentation, social and communication skills, and of course computer skills. It is no surprise that basic literacy and numeracy are also boosted through involvement in community media. Under that heading, there is one thing that perhaps matters most of all in terms of moving people on in a positive manner—the injection or fostering of self-esteem.

Bob Spink: The hon. Gentleman is being extremely generous in taking interventions and is making an important speech. Does he agree that there is yet another way in which community radio can assist not only minority groups in the community, but the wider community? It can engender political engagement, which we need to do as a Parliament and as a country, by running campaigns such as "Knives or lives" and getting people involved in politics and campaigning in their local area in a way that matters and that makes a difference.

Ian Stewart: I agree, but it is also important to identify that before the engagement that the hon. Gentleman talks about, community media can help to improve political understanding, so that the engagement is based on better understanding.

Fostering self-esteem is so important. It is the simple matter of someone getting that glow of pride when they know that their programme has made it to air. Indeed, many organisations in the sector know that the foundation of their success is summed up by the phrase, "That's me on air, that is." We hear that throughout the country from our constituents who were involved in the pilots in the past and who are now involved in the stations that are being established.

David Taylor: My hon. Friend has been most generous in taking interventions. Would he commend the objectives of radio stations such as Takeover Radio in the city of Leicester near my constituency, whose focus is on young people in every sense? Its successes certainly include the two points raised in the debate—political engagement and self-esteem.

Ian Stewart: I acknowledge that. Those issues are fundamental to the development of community media as a vehicle for our constituents.

The community benefits from community media partly because community media reach the parts that other media cannot. Their use of peer-to-peer communication means that the audience see or hear someone like them—someone who looks like them and, it is hoped, shares their concerns. That prevents the awful barrier between the media elite and the rest of us, an effect amplified when local accents and non-English mother tongues are used.

Mr. Dismore: My hon. Friend has made an important point about non-English mother tongues. In that context, may I raise London Greek Radio? It broadcasts sometimes in English and sometimes in Greek, which not only means that those who do not speak English can understand what is going on, but helps to maintain tradition and culture for the second and third generations, who may not otherwise be able to maintain the language. For a Greek speaker such as myself, it helps me to keep my ear in.

Ian Stewart: As a bilingual Scot, I appreciate my hon. Friend's point. That point, made on behalf of the Greek community, can be made on behalf of every other ethnic community throughout the country, and it is not only a matter of those ethnic groups benefiting from community media. As has been pointed out, those of us who come from different ethnic groups also benefit. That is very important and leads me to my next point.

The community also benefits because in most cases community media do not follow a mainstream bad news agenda. People are as likely to hear about a parent and toddler group as they are about the latest drugs bust or antisocial behaviour order breach on a local estate. That helps to erode unbalanced, negative media images of an area and so boost community pride.

Mainstream agencies benefit through partnership with community media because all of a sudden they are working with a trusted intermediary and not as a bunch of faceless bureaucrats. Community media are increasingly used as the face of community engagement by local councils, primary care trusts, police forces and social housing providers, which is my personal key area of interest in Salford. The fact that those projects are repeated throughout the country is testimony to their obvious effectiveness.

Let us not forget that those multiple impacts are not simply about doing the right thing; they are about the well-being of our citizens and the economic performance of UK plc. Let us take as an example the social exclusion of young people, an area in which community media are a proven success. The recent report from the Prince's Trust, "The Cost of Exclusion", states that that phenomenon costs the nation £10 million a day in lost productivity and £1 billion a year in costs associated with crime—do not tell me that I sound like my right hon. Friend the Chancellor of the Exchequer as I get these figures out.

I shall now deal with the work of mainstream agencies in order to assess the impact of community media on the Government's own public service agreement targets, the means by which the success of all Departments is measured. Astoundingly, there is hardly a Department whose PSA outcomes are not or could not be boosted by the use of community media.

Let us take one reported example. Disaffected pupils at Cedar Mount high school in east Manchester, in the constituency of my right hon. Friend the Member for Manchester, Gorton (Sir Gerald Kaufman), took part in a brief community radio project organised by the local charity Radio Regen. The result? All six boys' attendance shot up, as did their grades, thus meeting the Department for Education and Skills target of raising grades and improving school attendance.

I do not have time to give examples for the following PSA targets, but all of them are being tackled by community media: for the Department of Health, health promotion, tackling health inequalities and growing public and patient involvement; for the Department of Communities and Local Government, tackling social exclusion and delivering neighbourhood renewal; for the Home Office, reassuring the public, reducing fear of crime and building confidence in the criminal justice system; for the Department for Environment, Food and Rural Affairs, helping to educate the public to reduce greenhouse gas emissions and tackling rural decline; for the Department of Trade and Industry, boosting enterprise in disadvantaged communities; for the Department for Work and Pensions, increasing the employment rate; and, for the Department for Culture, Media and Sport, increasing the number of people who participate in arts activities.

I could go on, but the point that I am making is clear. Let us consider, for example, the local PSA for Manchester. Community radio in that city is directly working on eight of its 13 PSA targets. There are, however, tangible threats to the further growth and development of the community media sector. The first may be deemed technical. Community media are well able intellectually to keep pace with the rapidly changing technological world. Indeed, many organisations already work across different media, not solely through traditional broadcasting platforms. However, access for community media projects to valuable spectrum is under threat.

On the television front, I understand that the Government's preferred view is that any spectrum released following digital switchover should be auctioned on a technologically neutral, free market basis. Such an approach would absolutely preclude community media and other citizen-based interests from accessing this valuable public resource. Without proper safeguards, it will strangle the development of local television at birth. Such safeguards include, for example, reserving spectrum for public and citizen uses and requiring spectrum bidders to ensure that there is a percentage of free access for community media projects—the so-called must-carry provision.

The Minister is on record as saying that such issues are a matter for Ofcom, as the regulator, and not for the Government, but Ofcom makes recommendations to the Government only on the use of the digital dividend. It will therefore be for the Government to choose whether to have another free-for-all spectrum sale. Although such a step might bring much needed moneys to the Treasury, it must adequately ensure that public benefit is preserved.

Mr. Dismore: I am grateful to my hon. Friend for giving way and promise that this will be my last intervention. One threat to community radio is radio piracy. In London, about 40 pirate radio stations are on FM at any one time, blocking many community stations. Will my hon. Friend discuss that at some stage? Does he agree that the problem will have to be addressed if we are to promote community radio effectively?

Ian Stewart: I will not be covering that aspect in my contribution, but Ofcom is coming to the next meeting of the all-party group on community media, and the issue is on the agenda. I am sure that my hon. Friend will be happy to attend that meeting and make a contribution.

The second major threat to community media is related to those that we have discussed. The community media sector as a whole is very young and fragile, and even some of the newly licensed community radio stations are under threat because the resources available to them are shrinking. Time and time again, at national, regional and local level, potential funders tell stations, "Community media is not in our brief," even though they recognise the value and benefits that they might derive from funding it, which I have outlined. The office of the third

[Ian Stewart]

sector, which is part of the Cabinet Office, turned the sector's umbrella body, the Community Media Association, down for core funding, because it viewed such funding as the sole responsibility of the DCMS.

In its report on the social and economic impact and benefits of one area of community media—"The Community Radio Sector: Looking to the Future"—the DCMS concludes:

"Long life for the community radio sector cannot be guaranteed, but there is a sense that the stations are only just beginning to scratch the surface in terms of the issues that they can help to influence or at least draw attention to. Funding is likely to remain a difficult issue for many."

Mark Lazarowicz (Edinburgh, North and Leith) (Lab/Co-op): My hon. Friend tells us that some sectors view the funding of community radio as a matter only for the DCMS. He will be aware, however, that the Welsh Assembly Government recently established a £500,000 fund to support community radio. Does that indicate a recognition that community radio has wider purposes? Could the UK Government and the devolved Administration in Scotland not usefully follow that example?

Ian Stewart: Indeed, that is perhaps a pointer, and I hope later to put some, let us say, friendly pressure on the Minister to at least consider ways of making more secure and adequate funding available to the sector.

As hon. Members can see, the potential impact of community media fully lives up to the prediction made about the pilot community radio scheme by Ofcom's assessor, Professor Anthony Everitt, who said that the sector's arrival would be

"one of the most important cultural developments that this country has seen in recent years".

Despite the barriers faced by the sector, however, I stress that the solutions are available and achievable. They lie in bandwidth, recognition and funding. I propose that the DCMS and Ofcom put community media on a par with that other public service broadcaster, the BBC, and follow the line of the must-carry provision as the media hurtle onward from analogue to digital transmission. Auctions, market forces and light-touch regulation simply will not do when the interests of the millions of beneficiaries of community media are under consideration. There can be a digital dividend for community media, if bandwidth is reserved for community media groups. We should not be dependent on the whims of media corporations or slithers of frequency that are deemed not to be commercially viable. Community media is too economically and culturally valuable simply to be left to feed off scraps from the media table.

The same formula applies equally to television and radio. Ofcom's recent digital dividend review appears to have a free market imperative, which could kill off most community media if followed through. The all-party group is pleased that Ofcom has agreed to come to its next meeting on 15 May, when we will be able to discuss this and other matters. Ofcom is being rather more cautious in its proposals for radio, which were contained in last week's report, "The Future of Radio", but, again, we must seek reassurance that the 122 community media stations licensed so far—the number is rising—will not be snuffed out in the rush to regulate with a light touch.

Community media is a curious beast—it is both media and community. The media part is the one that is instantly recognisable, like the tip of an iceberg, but most would say that the community impacts are far more significant. As part of the media, it is only right that community media should be under the watchful and able eye of the DCMS, and I congratulate the Department on its excellent work with the sector thus far. However, the DCMS is the smallest of all Departments, and as well as having a small budget, it has the small matter of the Olympics to deal with.

As I have mentioned, the impact of community media is felt across the work of all domestic Departments, but they do not seem to recognise its value. Anecdotal evidence suggests that community media are like a ball that is for ever passed around Whitehall, and there is a marked reluctance in some quarters to take a share of the responsibility for this valuable national asset. I therefore recommend launching a programme of interdepartmental education on community media with some degree of urgency. I also recommend establishing a departmental, cross-cutting committee, led by a DCMS Minister, with the Prime Minister's authority to implement its policies.

The last solution, funding, might sound obvious. Funding affects the vast majority of organisations in the voluntary sector, but the relative newness of the community media sector and the recognition factor combine to form a particular barrier. I applaud the fact that there is a community radio fund, but the fact that it is 12 times less than the reported and no doubt well-deserved annual fee of Radio 1 DJ Chris Moyles is not the resounding vote of confidence that the sector so richly deserves.

I am asking not for subsidy for community media, but for it to get the resources that it needs—if necessary on a cross-departmental, pooled basis—from the range of mainstream agencies for which it delivers services. For example, the Home Office could release a sum for community media to boost community understanding of the criminal justice system. Similarly, the Department for Education and Skills could provide funds for a national scheme to engage non-attending pupils, while the Department for Communities and Local Government could release a sum for projects aimed at neighbourhood renewal. I am pleading not for handouts, but for a heads-up for an extraordinary investment opportunity—for an investment in the quality of life and prosperity of some of the most disadvantaged communities in the country.

9.59 am

John Barrett (Edinburgh, West) (LD): Community broadcasting is often seen as a poor relation in the world of television and radio, but it is one area of communications of which we should all be more aware and which we should encourage to grow. I therefore congratulate the hon. Member for Eccles (Ian Stewart) on triggering this debate, which raises an important subject, and on giving us an excellent introduction. I hope that the debate will help to keep the issue on the agenda and will let those who are listening and

watching, or who will read the report of our proceedings, know that their parliamentarians are aware of this important dimension of the media, which is thriving in many communities up and down the country.

I should like to go into some detail about what is happening in one such community—South Queensferry—in my constituency. Before I do, however, I should like to put on the record the background to the issue, which resulted in my own awareness of the importance of community involvement in radio and television production.

Some years ago I was fortunate enough to attend Telford college in the constituency of the hon. Member for Edinburgh, North and Leith (Mark Lazarowicz)—although at that time it was in my constituency—to study radio and video production. After that I spent two summers at Cornell university in New York state, developing that work. The lessons that I learned then have stuck with me to this day, in two different ways. First, I saw how even in the developing world, where access to conventional media was very restricted, people could change their lives and tackle the problems of the community in a way that would provide hope to many who had given up, whether that was through dealing with social problems or alcoholism, educating people to improve their health, or tackling political injustices. Secondly, I experienced at first hand how, with access to community broadcasting and the skills that facilitate good production values, important messages could be spread to the wider community and to those with the power to make decisions affecting the lives of those involved. Real change could result.

I was involved through such work with the homeless, and a shelter that was set for closure because of lack of funding. When the people in the shelter were asked what they would do if they were given the tools to enable them to communicate with the authorities and others who knew nothing of the homeless, they agreed that they wanted to tell those in power how important the shelter was to the many young people who would otherwise end up on the street, where they would be at risk of violence or worse, where girls would be more likely to move into prostitution, and where there was the attraction of dealing in drugs to make money. Their story was told and the shelter stayed open, and that was possibly the best example I have ever seen of involvement in community radio and television.

Nearer to my home in my constituency, much is going on in Queensferry. South Queensferry in Edinburgh, West is home to two local community broadcast services: Jubilee FM Radio and Jubilee FM Television. Jubilee FM Radio was established in 2001 and currently has a bid with Ofcom to operate a full-time service in North Queensferry and South Queensferry and in nearby towns and villages. Jubilee FM Radio was launched initially to promote and celebrate the Ferry Fair festival, the oldest continuing civic gala in the UK. The station was an instant hit and has grown in popularity over the years. It has become a fixed part of the community and has a strong brand for entertainment and information. When it is not broadcasting, the station delivers live commentary and entertainment at a range of events in the town. It is now in its sixth year and has developed a partnership with the community high school in South Queensferry. It is a unique development and was the idea of one of the sixth-year students, Scott Findlater. He had been one of the volunteer presenters on Jubilee FM the previous summer and suggested that it would be great to have radio at school. A week later the head teacher, Robert Birch, and the station manager, Charles Fletcher, met and began the process of bringing the community radio station into the high school.

If Jubilee FM Radio is awarded a full community licence by Ofcom—something I fully support—it will, I believe, become the first radio station in the UK to broadcast full-time on FM from a school. To put it another way, Queensferry high school will become the first school in Britain to have its own FM radio station broadcasting to its local community. The school has been awarded school of ambition status, and hosting the community radio station is a key element of that programme. Having the station at the school offers students the opportunity to learn first-hand how to make programmes. They will have workshops in presenting, producing, recording, editing and technical skills, and they will have the opportunity to go on air and present and produce their own programmes, once they have been trained. Jubilee FM and Queensferry high school are making a major investment in the students' media skills and education, and the community radio station gets direct access to a sea of talented youngsters, who have already shown that they are willing and ready to learn how to make radio. Having the community radio station at the high school will also offer opportunities to senior students to use radio production as part of their subject work. Instead of writing an essay in English, they could submit a documentary; or they could record a series of interviews with people in the community to create an oral history programme and submit that as part of their course work.

Queensferry high school is also the home to Jubilee FM TV, which was established in December last year. Students who worked on the radio in the summer were given training in television production skills: how to use a camera and then edit pictures. That project has created a series of news, documentary and entertainment programmes posted online at the Jubilee FM TV website. In January, on new year's day, Jubilee FM TV did a live worldwide broadcast of the annual Loony Dook, when people—including Margaret Smith, the Member of the Scottish Parliament for Edinburgh West—waded into the River Forth to raise large sums of money for charity.

Jubilee FM TV—community television for Queensferry—offers groups and bodies in the community an opportunity to upload videos of their activities for the rest of the community to access freely. Like community radio, community television needs money to operate, and there frankly is not enough money set aside by the Department for Culture, Media and Sport, or Government generally, to help fund local broadcasting. Local broadcasting is a vital link in the community—arguably more now than before, as local and regional radio and television stations are merging into large unitary bodies. There is less requirement on the ITV companies to provide local news and programmes, and some local radio stations have cut their commitment to and output of locally generated news and information. That means that people are more and more reliant on community broadcasting for their local news and information. Services such as Jubilee FM in Queensferry have a key role to play in the community and should be able to rely on more support from Government than they currently get.

[John Barrett]

A number of possible funding sources must be considered, including looking again at the dispersal of the television licence fee. At the moment, all the income generated from the licence fee goes to the BBC, but is not community broadcasting a public service? I believe that it performs a vital public service. It is not only the BBC that engages in public service broadcasting. Community radio in particular needs serious financial support to help it survive, let alone develop. The BBC is experimenting with a series of localised services. Might it not be better, instead of extending the BBC's reach into more localised services, to consider channelling the money needed to deliver those services into community radio stations? It is also worthwhile to seek to divert some funding out of the Ofcom digital dividend into the community broadcasters; but I would not rule out top-slicing some of the licence fee as well.

Ofcom manages the community radio fund—an opportunity for stations that have community radio licences to apply for some financial support to help to pay for positions on the station such as the station manager, a fundraiser or a technician. The DCMS has confirmed that the total community radio fund for the year 2006-07 will be £830,000. The average station grant in 2005-06 was about £23,000 and the average grant in the last round was about £15,000. Community radio stations are generally staffed by volunteers, with a handful of paid positions. They try to generate an income from advertising, programme sponsorship and grants from local government and the lottery. It is a hand-to-mouth existence for many of them.

Additionally, broadcasting legislation has put a fundraising restriction on community radio stations by insisting that they can only generate 50 per cent. of their income from advertising and sponsorship. The other 50 per cent. must come from grants and donations. That is a restrictive practice which means that community stations could be turning advertisers away, because they have reached their 50 per cent. sales income threshold. I understand that the ruling is intended to help protect some of the heritage stations from other services that might eat into their advertising market, but perhaps the 50 per cent. barrier is unrealistic and should be adjusted to help those stations generate more sales income.

One new community licence holder, in the Shetland Islands, has written to Ofcom to seek a change in its status to a full service commercial licence because it is confident that it can raise 100 per cent. funding through sales of programmes and advertising spots; it is equally convinced that it cannot raise 50 per cent. of its income through grants and the lottery. If it is successful in its bid for a change in status, it could set a precedent that other community stations would be ready to follow. Services such as Jubilee FM Radio and TV in Queensferry open a unique window on a community. They help to give access to debate and exchange of views on local and national issues that are not found anywhere else in the media world.

Community stations also serve a further purpose—training the broadcasters of the future. Stations such as Jubilee FM train all their volunteers in production, presentation and diction. People who have had the break there are turning up on the doorstep of radio and television stations ready trained. No one knows their community better than the people who live and work in it; and it is usually such people who deliver community broadcasting. It is our duty in this House to help ensure that the sector is properly funded and economically stable, so that communities throughout the country can follow and build on the excellent pioneering work currently going on in Queensferry.

10.10 am

Mark Lazarowicz (Edinburgh, North and Leith) (Lab/Co-op): I am very pleased to have the opportunity to speak in this debate, and I am grateful to my hon. Friend the Member for Eccles (Ian Stewart) for securing the debate and therefore allowing us to spend some time on an issue that resonates through many communities and constituencies in different parts of the country.

In my constituency and, I am sure, those of many hon. Members, there is a growing interest in local community media of all sorts. Community radio has been mentioned and I shall discuss community television in some detail, but there are also community websites and a whole range of community newspapers, news sheets and outlets of all types. They reflect the explosion of local community life up and down the country and, perhaps, show that at a time when big media corporations dominate much of the media, people want to see other coverage and news, and want the opportunity to debate local issues in a forum that they feel is part of their lives and community and over which they have some say and influence.

In my constituency, we have a local community radio station, Leith FM, which was recently awarded a full-time community radio licence. It has operated for several years on an occasional basis and has played an important role in the local community. Like the community radio station that the hon. Member for Edinburgh, West (John Barrett) discussed, Leith FM was initially concentrated very much around a festival—the successful Leith festival—and the community radio station developed out of that. There are now plans to involve a wide range of organisations in the community with the station, which is expected to start regular broadcasts shortly. It will provide a range of programmes to cater for all sections of the community, and I am sure that it will proceed from its current, strong foundation to a wider audience within the communities of Leith and north Edinburgh, where its programmes should also be received.

The hon. Gentleman has told us that the experiences at Leith FM might be replicated in his constituency, and my hon. Friend the Member for Eccles described very well how they have been replicated up and down the country. As he said, such experiences should be encouraged and made a reality for communities throughout the country. As my hon. Friend the Member for Hendon (Mr. Dismore) made clear in his interventions, community media should reflect the diversity of communities.

Although that welcome flourishing of life in our communities happens spontaneously in many ways, it also needs to be encouraged. It needs the right regulatory framework to allow further development, as it is an important aspect of community life. Some key decisions to be taken in the very near future will either do a lot to encourage the development of community media, or, if the wrong decisions are taken, will undermine the

flourishing of community media and set back its development in this country. I therefore take this opportunity to encourage the Minister and the Government to take the right decisions and encourage community media in the way that hon. Members have suggested in this debate.

My hon. Friend the Member for Eccles and the hon. Member for Edinburgh, West spoke mainly about community radio, which I shall say something about later if there is time. I want to talk about community TV, which still has not really taken off in this country. Yes, we have a few community TV outlets of various types in different parts of the country, but compared with many other European countries the UK cannot be said to have anything like a vibrant local TV structure. However, there is no reason why that should not change. Indeed, if it were to change, that would reflect the wishes of communities up and down the country.

There is some evidence about the likely demand for community and local TV if it were more widely available, and that evidence clearly indicates that the public want it. Some 18 years ago, in 1989, an independent survey carried out in Edinburgh found that 93 per cent. of respondents were interested in watching a locally made programme about one of their interests; 92 per cent. of respondents were interested in watching local news on a local television channel; 80 per cent of respondents were interested in watching local current affairs on a local television channel; and respondents were similarly interested in local arts and cultural activities, local festivals and local sport.

Some 15 years later, a similar study carried out in south Wales for Merthyr TV suggested that there was a similar level of interest in local programming that offered news and local documentaries, local music and local sports projects and the like. Research has been carried out not only by groups with an interest in local and community TV; Ofcom has also produced research that came to similar conclusions. I understand that research was conducted for Ofcom last May which asked respondents to rate the importance of a series of statements when assessing the importance for UK society of new digital services. Respondents agreed, most frequently, that local news and information should be available on TV—I emphasise "on TV"—at home; local news and information about their local area should be available from at least one media source; and that programmes about community, local people and events should be available on TV at home.

So, when the public are asked about what they want to see on TV, they consistently tell us that they want local and community TV to be offered as part of a range of TV services. However, the reality is that in most parts of the UK, broadcasting regulation has resulted in local TV being excluded primarily for the benefit of existing TV suppliers, particularly big media corporations in both the private and public sectors. That needs to change, and we have the opportunity to change it with the digital dividend and the ending of spectrum scarcity. We can make that range of community TV services available to the public. It is therefore important that the Government take the right decisions to allow that range of services to be offered to the public and to local communities.

As I am sure hon. Members present will know, because of their interest in the subject, Ofcom has undertaken a study into how local TV could be provided as an outcome of the digital dividend. Decisions will be taken very soon about how the local TV element can be provided as part of that review. There is an ongoing debate about how far that greater facility for local and community TV should be provided through the digital terrestrial spectrum, and how far it should be left to the satellite channels or provided through broadband. I argue strongly that if we are to take full advantage of this opportunity and if we are to meet the public interest in local and community TV, it is essential that the digital terrestrial spectrum provides genuine community TV as one of its elements. By genuine community TV, I mean community TV in which the community has direct involvement and ownership. Certainly, the simple auctioning off of local TV channels, which my hon. Friend the Member for Eccles suggested might be the outcome, would not provide the boost for community and local TV that the public want.

The opportunity exists for the Government to make the right decisions, as section 244 of the Communications Act 2003 allows the Secretary of State to make provision for genuine local and community TV. I urge the Minister to take advantage of that section, either today or when the decisions are made, and ensure that a genuine community TV network is established throughout the UK. I want him to ensure that local TV can be a public service broadcaster, as set out in statute. Either that section should be implemented or, if required, amendments should be made to the primary legislation. Making community TV possible requires a level of funding that enables it to offer the kind of services that meet the needs of the community. Ofcom has discussed the fact that funding could be provided through a public service publisher facility.

To sum up, I hope that the digital dividend review will mean that a digital TV channel is available for a local community TV station in each area and that such local TV channels are required to be genuinely community-based. They should carry local news and community information, and provide a forum for local arts, culture and sporting events.

I want to spend a little time discussing two other issues relating to community media, the first of which is the development of community radio. My hon. Friend the Member for Eccles rightly set out how it is sometimes difficult for local community radio stations to get themselves established. The funding that is available is welcome, but there is a need for a longer term perspective. Using examples from Shetland, the hon. Member for Edinburgh, West pointed out that there should be more flexibility, and I would endorse that view. My experience of, and contact with, local community radio demonstrates the need for more flexibility in how set-up support is made available to community radio stations.

The example of the funding from the Welsh Assembly Government, which I have mentioned, should be followed both at UK level and in Scotland and Northern Ireland. Again, my hon. Friend has rightly pointed out that there are a number of opportunities for Government and public sector agencies to use community media outlets in a cost-effective way to provide information about important issues in the community. Such outlets can deliver that information well. Community radio and TV are means not just of establishing local media but of strengthening local communities. In so doing,

[Mark Lazarowicz]

they help us to tackle some of the divisions in society and to get the best out of a rich fabric of community life that exists in most parts of our country. We are now at a crossroads, because some of the decisions that will be taken could determine the future of community media for many decades, and it is important that we get them right.

I want briefly to comment on a specific issue relating to the subject matter of this debate which has been raised on a number of occasions in the House. There is concern about how the allocation of spectrum could have serious effects on the programme making and special events sector. Some hon. Members present have spoken of the concern elsewhere that the auctioning of the spectrum could have a serious effect on thousands of small businesses and community events that make use of radio microphones. Hon. Members raised the matter in an Adjournment debate in the House a couple of weeks ago.

Mr. Christopher Chope (in the Chair): Order. This is a debate about community radio and television, and their funding; it is not a debate about the radio spectrum.

Mark Lazarowicz: Indeed. I would not want to stray from the subject of the debate, but this matter relates to it, because the way the spectrum is allocated for community media has a bearing on the allocation of spectrum for radio microphones. The decisions that we must take in the entire area must take account of the needs of the communities in both the wider and local senses; many people's operations rely on that particular section of the spectrum too.

I hope that either today or in future the Minister will assure us that the decisions to be taken will support community media, allow them to flourish and allow the already welcome steps that have been taken in many communities in our country to be replicated elsewhere in the UK. That will give a boost, not just to the media, but to our local communities. I am grateful for having had the opportunity to raise these issues in this debate.

10.26 am

Paul Holmes (Chesterfield) (LD): I congratulate the hon. Member for Eccles (Ian Stewart) on securing the debate and on providing an excellent guide to, and summary of, all the issues. He was ably supported by my hon. Friend the Member for Edinburgh, West (John Barrett) and the hon. Member for Edinburgh, North and Leith (Mark Lazarowicz). In particular, my hon. Friend was able to cite examples drawn from professional experience, as he worked in the sector before he was elected as a Member of Parliament.

The principles behind community media are well known and have been ably described by the three hon. Members who have spoken. They can most succinctly be summarised as follows: allowing local news and activities to be broadcast in the local area; fostering community identity; empowering local communities; and assisting in training local people. Community media are not new, in the sense that the principles are not new.

My first experience of community media came when I was a student at York university from 1975 to 1978. The university was one of the first to have its own radio station. A number of the people who voluntarily gave a lot of their time working on it as students went on to have professional careers in the media, and that experience has been mirrored across the country. When I taught in Buxton, in the High Peak area of Derbyshire, a number of my students voluntarily gave a lot of their time to working on hospital radio in Buxton, at least one of whom went on to work in a full-time career in commercial radio. Those students initially worked at Peak FM in Chesterfield.

I have had nearly 30 years' experience of Chesterfield hospital radio, which has come both from visiting members of my family who are patients and from people whom I know in the constituency. Student radio and hospital radio are examples of community media that have been around for quite a long time on a small-scale, voluntary basis. There is now the potential for a considerable expansion of community media.

Legislation was passed in 2004 allowing community radio stations to be licensed provided that they could fulfil social gain obligations and that a maximum of 50 per cent. of their financing came from advertising and sponsorship. Since then, community radio has been the fastest growing sector of the UK broadcast industry, but the financial problems and uncertainties over licence renewals are causing problems. Of the 122 full-time community radio stations that have been licensed since 2004, just 60 have managed to commence broadcasting. That is because of some of the problems that have been outlined.

The licensing and regulation of community radio causes considerable problems. Community radio is intended to be clearly distinct from both commercial radio and the BBC, and it has been established as providing social gain on a not-for-profit basis. Meeting those licensing conditions requires a specific lengthy process, and four different targets need to be hit in order to gain the licence. Currently, community radio stations must deliver on those four criteria, which make up an overall social gain and community benefit criteria. Ofcom has suggested that meeting those four separate distinctive licensing criteria might be too onerous and that one way forward might be to have a review.

The four separate criteria could be relaxed and merged into an overall social gain benefit, which could be the threshold in respect of getting a licence. That might be a way of cutting out the unnecessarily complicated regulation that is causing problems at the moment. Most community radio stations, happily, meet some of the present criteria, such as providing social gain in the community, training, opportunities in the community, increased local skills and employability, and so on. Ofcom's suggestion of cutting the selection criteria to the applicant's ability to establish and maintain its proposed service and to the overall community benefit is the way forward.

Renewal of licences is also a problem, because community radio licences are issued for a shorter duration than those for commercial radio—five years for community radio, rather than 12 years for commercial stations. Such a short period of licensing causes problems in raising funding, obtaining sponsorship and putting in all the work to get a community radio station off the ground with the knowledge that the licence could be lost within a short space of time, because it operates on a short, five-year cycle. A longer licensing period—perhaps

in line with commercial radio—would remove one of the bureaucratic obstacles that prevent the rapid development of community radio.

We have heard about funding from the three hon. Members who have spoken, and it is inevitably a problem. The funding structures demanded for community radio stations may prevent more stations from being established and prevent those that have been given licences from taking to the air. The majority of community radio stations may not generate more than 50 per cent. of funding from advertising and sponsorship, and a minority has been prevented from generating any income from advertising and sponsorship due to the presence of nearby small commercial radio stations. That is designed to protect the small local commercial stations in a competitive and limited advertising market, but it could be seen as an unfair restriction on community radio, given that many commercial stations are not local, but are owned by large media groups and provide a rather more limited level of local service provision than their name implies.

Additionally, community radio stations are not allowed to receive more than 50 per cent. of their funding from a single source so as to maintain editorial independence, which is obviously a worthwhile aim. However, that restriction may prevent some stations from finding sufficient funding, so they cannot get on air. Ofcom has suggested that restrictions could be weakened, but that some limit on single-source funding should remain.

The other major funding sources open to community radio stations, as we have heard from the hon. Members who have spoken, are those to which everyone else is applying, such as the national lottery and charitable grant distributors. However, a number of problems are encountered when applying for grants, apart from application procedures being bureaucratic and expensive. As more community radio stations are granted licences, more and more of them are chasing the same limited pot of money, which must restrict the growth of community radio unless something is done about the pot.

Lottery grants are under severe threat over the next five years with the Olympics smash-and-grab raid to pay for the trebling, at least, of the cost of the Olympics due to incompetent costing. That will hit many community groups, sporting activities and much community media over the next five years, with the average constituency losing an average of £1 million of funding for such activities in the area. Community radio and TV, as newcomers to the scene, will inevitably lose out even more as a result of the Olympics smash-and-grab raid.

The time scale for obtaining funding is too tight. Only two years are given from the granting of the licence to going on air, and many of those who have been granted licences have found that that is not long enough, given the problems of financing. Ofcom has suggested that one way of helping to get round that might be for volunteer time to be costed up in hours and counted towards the funding contribution. That might be one way round some of the problems related to raising funding, qualifying and the amount that can be raised from advertising.

Ofcom has made a number of suggestions that are worthy of consideration to ease some of the problems. The community radio fund receives the limited sum of £500,000 per annum, which is only a fraction of what one well-paid commercial or BBC DJ receives, and the more community radio stations that try to become established, the less they can get from that limited pot. The average award last year was just under £24,000, but if the number of community radio stations is doubled or trebled, those awards will inevitably become smaller as time goes by.

Hon. Members have given examples from their areas and I shall give one from Chesterfield and North-East Derbyshire, where Trust FM is trying to become established. Trust FM was granted a licence in 2006 and was due to go on air in 2007, but it is having severe problems because of the funding issues that we have discussed. It is a professional organisation: I have mentioned my experience as a recipient of hospital radio at Chesterfield Royal hospital, and from 1984 to 1996 Ivan Spenceley, who is the leading instigator behind Trust FM, helped to run and worked with that hospital radio station, which became so popular that it led to a 28-broadcast trial in 1996. That was an extension of hospital radio to the whole community of Chesterfield and north Derbyshire.

The team that is trying to get Trust FM running is very experienced, but it is hitting problems. It got through the licensing barrier, but at the moment it cannot raise the funds to meet the initial start-up costs. It is confident that it can obtain advertising revenue and that it would be able to sell cheaper advertising to parts of the community that cannot afford current commercial rates, but getting funding to get off the ground is proving difficult, even for a highly professional, experienced and well-organised group such as Trust FM. For example, it has already been turned down twice for funding from the Big Lottery Fund and, as I have said, the situation will only get worse over the next few years.

Community TV is much less developed than community radio, and it has been a missing element in public service broadcasting in the UK for some time. There has been a debate about it since 1984, and it was first licensed in 1997. Currently, there are 17 analogue local community services broadcasting in the UK, but only two are not-for-profit community TV stations, the other 15 being commercial local stations. Getting community TV off the ground is proving to be even harder than getting community radio off the ground, despite the fact that all the same benefits are offered by community TV as by community radio.

One particular problem, which is not such an issue for community radio, is spectrum. There is currently poor picture quality because of spectrum allocation, and uncertainty with the forthcoming sale of digital spectrum as to what will happen and what will be available for community TV. If there is a straightforward sale of spectrum, clearly community TV will simply not be able to get in on the act or bid for sections of the spectrum.

Another possibility is to use broadband, and one good example of that is Southwark.TV. However, although that approach would be useful in many urban areas, it would exclude more isolated, rural and far-flung areas from day one. What will happen to the digital spectrum and whether community TV will be able to access it are major problems.

There has been a proliferation of TV channels, and of quiz and shopping channels, all of which are of low quality. There have been two or three recent scandals about quiz programmes, which have been a rip-off involving conning consumers who telephone into thinking

[Paul Holmes]

that they can win prizes when the results have been decided in advance. The Government must look again at how some of the spectrum could be more usefully allocated to community TV.

Community media offer an immensely valuable community resource and have huge potential, which has barely been tapped. They can reinvigorate and empower communities, offer training in modern technology at grass-roots level and get people involved in local politics, local community activities and local affairs. The benefits are endless, but the problems of licensing, funding and spectrum for community TV are impeding community radio and strangling community TV at birth. The Government must act to remove those obstacles, and I look forward to the Minister telling us exactly what the Government's plans are to deal with those issues.

10.39 am

Mr. Edward Vaizey (Wantage) (Con): I, too, congratulate the hon. Member for Eccles (Ian Stewart) on securing the debate, and I congratulate him on the work of the all-party community media group. At one point, the hon. Gentleman said that he was in danger of sounding like the Chancellor, but I assure him that he was not: not only was his speech eloquent and engaging, but above all, his figures were accurate. *[Interruption.]* I thought it was funny at the time.

We have had a very useful debate on community media and radio, and there are many points that I could make, but time is limited. First, I endorse everything that the hon. Member for Chesterfield (Paul Holmes) said. He made some excellent points with which I wholly concur, and he reflected the fact that all Members regard community radio and television as good things, and that they seek to ensure that such media have the best playing field on which to flourish. I endorse also his comments about lottery funding, because a great many of our community radio and television stations rely on it, and the Conservatives are concerned about the continued cuts to lottery funding, about the need to reduce the amount of bureaucracy required to get an application up and running, and about the length of the licence for community radio and television stations.

At the end of his remarks, the hon. Gentleman talked briefly about the internet. The debate about the meaning of community media, radio and television is fast-moving, and of course local people want to consume local media. They have done so for many years through local newspapers, but now the internet is changing the landscape. If my hon. Friend the Member for Harwich (Mr. Carswell) were present, he would tell us that he runs a community television station called ClactonTV. One could argue that YouTube is a community television station, and that 18 Doughty Street is a community television station catering for a particular countrywide community.

The Parliamentary Under-Secretary of State for Culture, Media and Sport (Mr. Shaun Woodward): A countrywide minority.

Mr. Vaizey: A minority, countrywide community that is interested in politics.

One could argue also that Tory Radio is a community national radio station, catering for a particular community. I accept the point that the hon. Member for Chesterfield made about broadband television and radio not necessarily being the answer to a community's needs, not least because of the limited broadband spectrum. Last week, an important report was published by the Broadband Stakeholder Group. It pointed out the need to continue to expand bandwidth in this country, and it highlighted social exclusion, whereby many people—particularly those who would benefit from community radio and television—do not have access to the internet.

Before I go in to bat for community radio and television, I shall make what could be construed as constructively critical remarks. It is important for community radio and television to shout about their benefits. In my part of the world, I am lucky enough to have a community television station, SIX TV, but I confess that have no idea how to receive it at home, I have never watched it and I have appeared on it only once in my two years as a Member of Parliament. I suspect that it is not widely known among the community that it seeks to serve. Although I also accept that community television and radio operate on strictly limited budgets, I believe that it would be good if their benefits were more widely known. It would be interesting to know the type of partnerships that community radio and television seek to forge with the organisations that can provide them with publicity, such as local authorities, community groups and hospitals.

The hon. Member for Eccles was quite right to say that when one refers to a community media organisation, there is a balance to strike between media on the one hand and community on the other. I wholly endorse his remarks about the fantastic opportunities that such organisations provide to the local community, particularly the training and focus that they provide to many groups. Those benefits were highlighted in the excellent report, "The Community Radio Sector: Looking to the Future", from the Minister's Department. I thoroughly endorse the report, especially its six key conclusions.

The point that I really want to get across is that this country lags behind the rest of Europe, mainly because of the high level of regulation that still surrounds community radio and television. In Holland, Spain and Germany the sector is thriving, and if one goes anywhere in the United States one is likely to have an opportunity to listen to a local community radio station. In this country, however, the sector remains heavily regulated, and anything that we can do to lower the regulatory barrier has to be helpful.

Ofcom recognised that point in its recent consultation document, "The Future of Radio". Community radio stations are governed by the same public purpose tests as the BBC, and to a lesser extent, the commercial broadcasters. They undergo the test of providing "social gain" with specific requirements to reach people "currently under-served by radio", and the test of

"enhancing the understanding of the target community and strengthen links within it."

Ofcom proposes that such purpose tests should be reconsidered, and I agree that they should. To be dynamic, businesses of every kind need to operate in a low regulatory environment, and community radio should not be any different.

I should also like to remove a host of statutory criteria that require Ofcom to consider such factors as

the extent to which the new stations would broaden choice and cater for the interests of the community, and the access that they would provide to that target audience. There is further scope for deregulation, which would allow businesses to own multiple community licences and make stations more viable as costs fall. Funding should also be reviewed, and I await Ofcom's recommended limit on the funding that a station can receive from a non-commercial source.

The hon. Members for Chesterfield and for Edinburgh, North and Leith (Mark Lazarowicz) commented on community television's difficulties due to spectrum constraints. Until digital switchover is completed, there will be space for only six channels to operate, and despite the hope that more than 30 local television stations would operate, the nature of analogue broadcasting means that conventional TV aerials can pick up only a limited chunk of spectrum. In the overwhelming majority of places, the spectrum is taken up by the five terrestrial television stations, so even if local stations receive licences and broadcast on the available spectrum, it is impossible to pick up that output without specialist equipment. The time frame during which licences were first issued also caused difficulties.

Community TV is, however, set to change radically during the next few years, and the switch to digital will present a huge challenge, so I await with great interest the outcome of the digital dividend review consultation. It is clear that there are advantages and drawbacks both to the interleaved option, which the Community Media Association favours, and to the add/drop method, which my local television station SIX TV favours. The hon. Member for Edinburgh, North and Leith said that there is a range of completing claims to the vacated spectrum, and I accept that there is potential for market failure if national operators are allowed to block-buy locally auctioned channels. I do not want locally auctioned channels to be block-bought and turned into gaming or shopping channels; there must be a system to ensure that local television continues.

We are all anxious to hear the Minister's views on this fast developing sector. The challenges that lie ahead are presented by the rapid growth of the internet and by the need for community radio and television stations to raise their profiles. However, hon. Members can work to solve the challenges presented by the level of bureaucracy and by the opportunity to free up spectrum as digital switchover approaches.

10.49 am

The Parliamentary Under-Secretary of State for Culture, Media and Sport (Mr. Shaun Woodward): I shall endeavour to answer a number of the points that hon. Members have made in the 10 minutes that remain to me. I congratulate my hon. Friend the Member for Eccles (Ian Stewart) both on securing this debate and on putting forward a robust and elegant case for community radio and television. The work that he and the all-party community media group have done on the issue has been extremely important not only in challenging the Government, but in helping to formulate better policy for now and the future. I am sure that he will keep up his trenchant challenges to the Government and the Opposition, as they try responsibly to get to grips with the challenges and opportunities that community radio and television pose.

I should put it on the record that I have some experience of community radio, having in the early 1990s been chairman of a student radio station, the precursor to community radio. I therefore have experience not only of trying to put together a radio station, but of fundraising. I should point out, with some care, that it is sometimes all too easy for those who look at community radio stations, but who do not have the experience of running one, to think that what is needed is just for the Government or the Department for Culture, Media and Sport to make the money available through some facility.

We had no such money available in the 1990s, but we managed to find it from a number of sources, and there are many sources out there. Hon. Members would be wise to urge those running community radio stations in their constituencies to look to trusts and charities, for example, many of which are expressly able to make grants within their terms of reference. However, that requires long-term planning, an essential ingredient of delivering any public service, which will otherwise simply be short-termism. The real benefits delivered by community radio for social inclusion and cohesion are long term as well as short term.

The past few years have seen a period of unprecedented change in the provision of community media in the UK. At the forefront of that has been the growth of community radio, springing from the statutory provision of the Communications Act 2003. Ofcom, the independent regulator, has to date awarded 122 community radio licences. That figure is set to grow even further over the coming months, in the second round of licence applications. To date, some 60 stations have commenced broadcasting. Community radio stations now serve a wide cross-section of the country. Ofcom has stated that its aim is, in principle, to license stations in the communities that want them; indeed, it restated that in its recent report, "The Future of Radio". That extensive growth is a major achievement and should not be underestimated in any shape or form. It has happened in a short space of time and surely reaffirms the desire for the so-called third tier of radio broadcasting.

Community radio stations are much more than broadcasters, however. They are already showing the impact that they can have on the communities that they serve, as my hon. Friend so eloquently pointed out. Indeed, at the Community Media Association festival last year, we launched the DCMS's independent review of the community radio sector. That review assessed the progress of community radio to date, examining social gain in particular. I always enjoy sparring with the hon. Member for Wantage (Mr. Vaizey) on these occasions, even though I feel that he is the Gyles Brandreth of his generation of the Conservative party, although he is more than simply entertainment value. However, I should point out to him and other hon. Members, including the hon. Member for Chesterfield (Paul Holmes), that social gain is a particularly important element of community radio.

Social gain distinguishes community radio from some of the commercial options. I understand and recognise, in part, the claims that the hon. Member for Wantage made for the need to deregulate and simplify the process, which Ofcom has also recognised. However, it would be a great shame to lose social gain as an important dimension for those radio stations, because that is what really distinguishes them from commercial radio per se.

[Mr. Shaun Woodward]

Social gain makes community radio essentially different, and that distinction should be maintained.

The review by Ofcom highlighted a number of areas where important work needs to be done, as did our own review, in which we looked at social gain. Our review looked at training and the value of the skills that it can produce for people in local areas. In many cases, training leads to people developing a career in paid radio. Volunteering in community radio stations is important and was highlighted in our report, too. As my hon. Friend and other hon. Members pointed out, volunteering also contributes to building social cohesion.

The Government established a framework for community radio. We were clear that we wanted services that were distinct from the existing radio market. Community radio stations should complement, not compete with, commercial stations. We want to ensure that community radio stations are a voice for the community that is relatively free of commercial pressures. It was for those reasons that the Community Radio Order 2004 included restrictions on the percentage of a station's revenue that could come from advertising. Ofcom has examined that issue in its report, and we shall give careful consideration to its proposals. Again, however, what essentially matters is maintaining the distinction between community radio and commercial radio. The existing distinctions are there to preserve the characteristics of community radio.

My Department has asked Ofcom to conduct a review of the existing community radio licensing framework. That review will consider the restrictions in the Community Radio Order 2004 and the extent, if any, to which they should be retained or removed. I am sure that Ofcom will want to note not only the comments that I have made, but those of all hon. Members in this debate, in conducting its work. The Government have been clear from the outset that it was never the intention to create a new tier of commercially funded radio, and that must remain.

Over the past four years, my Department has made £500,000 available to the community radio sector. The community radio fund, administered by Ofcom, has already awarded more than £1.2 million to about 50 stations. The intention of the fund is to support stations' core costs, such as the salaries of station managers and fundraisers—the very things for which stations might find it difficult to attract traditional funding.

I am conscious of the time that I have at my disposal. I am happy to write to hon. Members on the specific points that they have raised about community radio, but in the three minutes that are left I should like to turn to commercial television. The next great transformation in the media will undoubtedly be the development of community television and community services of that kind. One of the most important points, of which hon. Members should be aware, is that the technology is changing very fast. In considering the allocation of the spectrum for community television in the years to come, hon. Members should remember that there might be more ways to deliver community television than simply by looking at the current use of the spectrum, and Ofcom is aware of that.

Hon. Members have referred to the difficulties with broadband coverage in some rural areas, but we should remember how broadband has changed and that 10 years ago it was not there at all. Broadband is available in most areas now, and I suspect that in 10 years this debate will sound somewhat historic rather than contemporary. We should exercise a degree of caution in discussing the issue, because we tend to look through the prism of our interpretation of technology now, rather than where it will be in a few years' time. None the less, the important point that my hon. Friend made is absolutely well taken by me. I reassure him that the safeguards that he seeks are already there, even in Ofcom's digital dividend review. Indeed, Ofcom has gone further than that. For example, it has looked at packages of the spectrum that could be available within the existing use of the technology and has identified more than 40 packages that might be made available and that could be suitable for use by local television.

However, my hon. Friend should accept my reassurance that the points that he has made about the development of community radio and television are absolutely taken by the Government. We are firmly committed to the development of community radio and television. We shall seek to use the offices of government to encourage proposals for the future. We remain wedded to the technology-neutral sale of the spectrum. However, I reassure him that that will not preclude the use of the spectrum in the future for community television and that we shall look at ways of making that possible.

Rural Post Office Network

11 am

Danny Alexander (Inverness, Nairn, Badenoch and Strathspey) (LD): I am grateful to have the opportunity to raise the issue of the rural post office network today. As the House will know, the future of rural post offices is vital to rural communities the length and breadth of the United Kingdom—not least in the highlands and islands, where my constituency is. I was fortunate enough to secure a debate on a similar subject in January last year. During that debate, the Minister's predecessor described rural post offices as "inefficient physical structures". I am pleased to say that this Minister uses more sympathetic language and makes an effort to listen to the concerns put to him.

Since that last debate, we have learned about the Government's plans to close 2,500 post offices across the United Kingdom; the axe is expected to fall mainly in rural areas. The proposals have not been greeted with overwhelming enthusiasm in the rural communities that I represent. Put simply, post offices are an essential part of the social and economic fabric of the communities that they serve. They are crucial, too, to the sustainability of those communities. Even the post office that serves only a few dozen people a week during its limited opening hours provides an essential service and often makes the difference, for example, as to whether an elderly person can continue to live in that community. The impact of such post offices on issues of poverty and social exclusion—issues that concern this Government—is enormously significant.

Distances between post offices in the highlands and islands can be enormous; often a sea or a loch are in the way. If one post office closed, it could be next to impossible to access the nearest neighbouring post office, not to mention the environmental impact of the extra miles that Ministers clearly expect people affected by closures to drive if they are to get to that next post office.

It is worth bearing in mind a few facts about the importance of rural post offices. There are nearly 8,000 of them and they help to secure other local businesses. A shop is attached to 75 per cent. of rural post offices, for example. Post offices are frequently the only places in their communities in which local residents, visitors and tourists can access cash, an important resource. Although 60 per cent. of villages have a post office, only 4 per cent. have a bank. I am delighted to welcome the fact that the Royal Bank of Scotland, for example, has recently opened a new branch in Aviemore in my constituency, but many villages in many of the constituencies represented by hon. Members in the Chamber today still do not have banks, and post offices are the only places where people can access financial services.

The importance of small businesses in rural areas has been highlighted by a number of organisations, including the Commission for Rural Communities. Furthermore, the increasing number of people who work from home in rural communities rely on their post offices.

The Government have held a consultation on their plans. If the sample of responses that has been passed to me is any guide, the vast majority of responses to that consultation will have been overwhelmingly negative.

Mark Williams (Ceredigion) (LD): Does my hon. Friend share the scepticism of many about the consultation process? Many of those directly delivering services in our post offices were neither directly consulted by the Department of Trade and Industry nor, originally, sent the consultation document so that their views could be ascertained. They are the people on the front line who have something to contribute, but they were not directly canvassed for their opinions.

Danny Alexander: My hon. Friend has expressed an important concern. Although many hon. Members will themselves have passed the consultation documents on to local postmasters, one would have thought that directly consulting those affected was a Government responsibility.

The Government's response to the consultation has been delayed—mysteriously, some might say—until after the May elections. Although taking a little more time to consider their response to the consultation may well be wise, there seems to be more than a whiff of politics about the length of the delay. We might hope, but we cannot expect, that the Minister will give his response to the consultation today.

Mr. William Cash (Stone) (Con): I have presented several petitions to Parliament about the closure of post offices in my constituency, but the Government have not taken the opportunity to respond to them. Effectively, therefore, they have snubbed my constituents and their petitions. Many thousands of my constituents are as deeply concerned as the hon. Gentleman has indicated.

Danny Alexander: The hon. Gentleman's point helps to illustrate a pattern of behaviour on the part of the Government, and I hope to illustrate it further.

The Minister cannot be expected to tell us today about the response to the consultation. If he did, we would be delighted, but one suspects that the response will not be forthcoming. However, will he at least say whether his views have changed as a result of reading the responses, or should the closure plan be regarded as a done deal and the consultation be seen as little more than window dressing?

Some important questions need to be answered about the Government's proposals. The excellent Trade and Industry Committee report characterised the figure of 2,500 as "suspiciously round" and wondered whether it stemmed from a proper analysis of the number of post offices needed

> "or simply represents the maximum number of closures that would be funded from the resources of HM Treasury."

That is a good question, and one that I hope the Minister will be able to answer today. If the Government are really intent on putting the Post Office on to a more sustainable footing, we would expect the figure for the proposed closures to be the result of exhaustive analysis, not of simply trying to find a number that would give the Treasury the savings that it was looking for and also avoid the higher numbers in the extreme closure programme forecast by some in advance of the Government announcement.

I have questions for the Minister about how the Government intend their proposed criteria to be implemented by Post Office Ltd in rural areas. The proposed rural area criteria state that 95 per cent. of the

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total rural population should be within three miles of a post office. The phrase "total rural population" is worrying because it implies that some regions could see swingeing cuts. We already know that the 38 remote postcodes that now do not meet the criteria of 95 per cent. of the population within six miles will be exempt from further closures. That is good news, and I welcome it. However, it has inevitably created real worries among people in neighbouring remote communities, who fear that their post offices may be taken away.

For example, as I am sure the Minister knows, the post office in Fort Augustus at the southern end of Loch Ness is one of the best used in the highlands, serving large numbers of tourists as well as local people and businesses. It is successful and essential to the community. However, the neighbouring villages of Invergarry and Invermoriston are within exempt postcodes, so people in Fort Augustus are inevitably worried. I have also received strong representations in similar circumstances from the Kirkhill community about their post office.

Mr. Geoffrey Clifton-Brown (Cotswold) (Con): The hon. Gentleman may recall that during the last Opposition day debate that we had on post offices, I raised the problem of access criteria. The problem is that they are an average. Furthermore, we do not know what definition is being applied to rural areas—do they include suburban areas as well? If the criteria are an average and suburban areas are included, we may well find that the access criteria go down to 80-something per cent. rather than 90-something per cent. That would mean that constituencies such as the hon. Gentleman's and mine—mine is not quite as remote as his, but it is very rural—could suffer more post office closures than otherwise.

Danny Alexander: The hon. Gentleman makes an important point. I add that the words "rural" and "remote" were not defined in the Government's consultation, so it is impossible to understand exactly what is meant. The Minister may wish to elucidate or clarify that point in his response. I hope that he will be able to; if not, the uncertainty to which the hon. Gentleman referred will certainly continue. Although the Minister cannot necessarily be expected to comment on the fate of individual post offices, can he at least offer some reassurance to people in remote postcode areas where there is only one post office, such as Fort Augustus? Presumably, it would be wrong to close the sole outlet in such an area.

There is also the problem of remote and rural postcode areas where a post office has recently been closed. For example, in the last year or so the post offices at Tomatin, Laggan, Cromdale and Glenmoriquhart in my constituency have all closed, supposedly at a time when we have a policy of no avoidable closures.

Mr. Russell Brown (Dumfries and Galloway) (Lab): Will the hon. Gentleman explain why those post offices closed?

Danny Alexander: I suspect that if I were to go into all the reasons for each case in detail it would take up more time than I have available. Broadly speaking, most of those post offices closed because the postmaster did not want to carry on and so far the Post Office has not been able to find anyone to take over. That is a point to which I want to return, because it is important.

Andrew George (St. Ives) (LD): Although I do not think that my hon. Friend would argue that we should keep post offices open for reasons of sentimentality, does he not accept that the problem is that successive Governments created the conditions for failure by withdrawing services, which meant that many small post offices clung on despite the fact that they were placed in severe financial hardship? Those Governments have not given the post offices the freedom or the opportunity to expand their services.

Danny Alexander: I am grateful for that intervention, which anticipates a point to which I am about to move on.

In the context of the post offices that have closed, if reopening those offices is necessary in order to meet the criteria that the Government have laid down, will the Minister ensure that that happens? Ministers have implied, at least, that after this round of essentially driven closures, no more post offices will have to close. That implies that they intend to make it financially worth while for people to take on post offices such as those that I have mentioned. In that context, the continuation of the social network payment is welcome.

The Parliamentary Under-Secretary of State for Trade and Industry (Jim Fitzpatrick): Will the hon. Gentleman confirm that for the post offices to which he referred in response to my hon. Friend the Member for Dumfries and Galloway (Mr. Brown), where the postmaster retired or moved on, efforts are being made to recruit replacements?

Danny Alexander: As far as I am aware, efforts are being made to recruit replacements. One of the problems with recruiting replacements for a number of post offices is the uncertainty about the Government's plans, not only about funding, but about the provision of other Government services. That makes it harder than it should be to recruit replacements in such communities where post offices are necessary. If the funding and the services are not there to enable the post offices to move forward, it seems that we might be going back to where we started, with the rural post offices allowed to wither away, but with 2,500 fewer post offices than we started with.

Mr. Clifton-Brown: I thank the hon. Gentleman for giving way; I promise not to intervene again. Does he not find the Minister's intervention deeply unsatisfactory? If the postmasters and postmistresses are going to be offered £60,000 to retire, it will be difficult to recruit new, younger people to run that post office when they see the climate that the Government have already produced for post offices, with subsidies and further Government services likely to be withdrawn. Surely we should be freeing up the Post Office to allow post offices to do more business, whatever business they want to do.

Danny Alexander: I agree entirely with the sentiments expressed by the hon. Gentleman. He makes his point very well indeed.

Looking at the criteria, it seems that as well as the small villages and remote places that I have discussed so far, rural towns—market towns—could be hard hit, particularly those with more than one post office. For example, Nairn, in my constituency, has three post offices: one on the High street, one on Harbour street and one in Tradespark. Each is well supported and provides an essential and highly valued service to the distinct community that it serves. However, when the ministerial slide rule is applied it seems that places such as Nairn may—we await the response—be left with fewer offices. In the case of Nairn, that seems utterly wrong.

It now seems that Crown offices in rural towns also face closure and are being reassigned to businesses such as WH Smith. That has happened in Fort William in the constituency of my right hon. Friend the Member for Ross, Skye and Lochaber (Mr. Kennedy). People are understandably concerned that the consistency of service may be threatened and that experienced post office staff will be made redundant.

Mr. Jeremy Browne (Taunton) (LD): There are obviously particular concerns and problems in villages where the post office is the only retail outlet, but, in the case of the small towns that he mentions, does my hon. Friend share my concern about the impact of closing a post office on surrounding businesses, such as newsagents or greengrocers, which lose a large slice of their custom when post offices close?

Danny Alexander: My hon. Friend makes a tremendously important point. The footfall generated by a post office on a high street or in a section of shops in a small town is crucially important not only to the post office. The beneficial effect—the glow that comes out of the post office—spreads more widely than the post office and other businesses that might be located within it, to neighbouring shops and other businesses.

In relation to the Crown post offices, there is also a feeling of a loss of accountability. There is no comeback for the community if the business in which the post office is located closes down or chooses to relocate. That is exactly what happened in Balloch, in my constituency, when Somerfield closed its store. Many months later, the residents of Balloch are still waiting to have their post office restored. What guarantee can the Minister give that the new franchise arrangements will not go the same way? Does he want to see such franchise arrangements extended elsewhere?

Mr. Russell Brown: The Crown post office, or the directly managed service, in Dumfries went to a Spar shop. In recent weeks, we had significant problems—I shall put it no other way. Great efforts were made to find someone else to take over the business and that happened, but I assure the hon. Gentleman that at the time of the changeover Post Office Ltd gave a clear commitment that, irrespective of what happened, if the owner of the shop decided that they could no longer run the business, an alternative would be found. Post Office Ltd has come good on that, even after a fortnight's delay.

Danny Alexander: The hon. Gentleman's intervention is reassuring, although it seems perhaps surprising that an arrangement should be put in place that has such an inherent degree of uncertainty. The commitment that he has described from the Post Office to ensure continuity of service is important, but I am afraid that that is not something that they have been able to secure in Balloch.

We have to ask ourselves why post offices are in such difficulty. Ministers will say that demographic and technological changes are largely to blame, but some new technology—eBay, for example—benefits post offices. Of course, post offices have to adapt to the changes, but the Government should help. Instead, they have been taking business away. The Minister might wish to quote with approval the briefing from the National Federation of Sub-Postmasters for this debate, but he should be careful. It states that

"we regard this programme as unfortunately necessary...in view of the scale of withdrawal of government business from the network in recent years and the consequent viability of some sub post offices."

In other words, Ministers have taken away with one hand and are now using that as an excuse to take away with the other.

The loss of the television licence has caused real damage to post offices. We cannot blame the BBC alone for that; a responsible Government would have stepped in to prevent such a damaging change. Restoring the ability of post offices to sell TV licences would, to my mind, be a welcome step in the right direction. One of the major advantages that post offices have is their ability to reach the parts that other financial providers simply cannot or will not reach. Post offices have the capacity to be the engine room of financial inclusion, enabling groups who are often excluded, such as the elderly, the disabled and those without their own transport, to access financial services.

I had hoped that that would be part of the Government's vision of financial inclusion, but in the recent financial inclusion report, the Economic Secretary to the Treasury confirmed the Treasury's blind spot where post offices were concerned. A dismissive reference to the Post Office card account and a Panglossian reference to the post office closure programme were all that could be managed in a lengthy report. That is very worrying, particularly when the new contract for POCA is considered. POCA should be seen as a step towards financial inclusion, not a barrier to it. For example, additional features could be added to make it more useful to those who want them and want to stay with the Post Office.

In his reply, will the Minister update us on his thinking on the matter? I welcome the fact that the new contract for the POCA is proceeding. When will it be awarded? I regard it as essential that it goes to the Post Office. Without it, many post offices will lose vital footfall, and the pattern whereby the loss of Government's business sounds post offices' death knell will continue.

When the new replacement POCA is introduced, it must be made as easy as possible for new and existing customers to access, without any of the hurdles created when the Post Office card account was first introduced. The Government should also be working hard to persuade banks to allow access to their accounts over the counter at post offices. Installing free automated teller machines is certainly helpful, but enabling bank customers to carry out transactions on their account at any post office is what is really needed.

Fundamentally, this debate is about the importance of providing Post Office and postal services on an equal

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basis to every citizen, no matter how rural or remote their community might be. That is a principle in which Liberal Democrats believe firmly and in which we are prepared to invest, but there are warning signs that others wish to erode it. The proposed closures in rural areas are one such sign. Another is Royal Mail's application to charge a premium on business mail to the highlands and islands. To many, that seems to be the thin end of the wedge for Royal Mail to undermine the universal service obligation that results in letters and parcel services being charged at the same price across the country.

If the subject matter of this debate is crucial, so is its timing. There are 10 days to go until the local Scottish parliamentary and Welsh Assembly elections. Labour party leaflets circulating in my constituency suggest that the Minister's party colleagues, unlike him, are unwilling to accept responsibility for addressing the decline in rural post offices. I am sure that in 10 days' time, many people will use their vote to remind his colleagues of that responsibility.

11.22 am

Mr. Elfyn Llwyd (Meirionnydd Nant Conwy) (PC): I congratulate the hon. Member for Inverness, Nairn, Badenoch and Strathspey (Danny Alexander) on securing this debate. It is an important issue, and the timing is quite good as well.

The closure programme is not a new thing—it has been going on for some time. I recall that in the small village of Ganllwyd in my constituency, an elderly lady ran a post office from her own home. She gave the Post Office 12 months' notice that she was giving it up, and a local garage proprietor, who also owned a bakery and a shop, bid for the franchise. He was rejected summarily for not being a fit person to take over. In those days—there was a huge turnover of about £2 million—he was denied the opportunity. I rang the person concerned at the Post Office, and we had such an argument that she went on the sick for a week afterwards, but the Post Office reconsidered and my constituent took over. That post office has been very successful.

The ethos of cutting away at the network has been around for some time, and the present Government have accelerated it by taking away work from post offices. We in north Wales have the unenviable task of watching Labour Members of Parliament run around campaigning to keep post offices going—in fact, that was the main issue in a recent by-election in south Wales—when they voted for the closure programme. I do not know how cynical people can get, but I know that our constituents are considerably more intelligent than new Labour thinks they are.

We all know how important it is to maintain the network. I will not repeat what has been said by the hon. Member for Inverness, Nairn, Badenoch and Strathspey, who put the case eloquently and well, or what was said in the interventions that he took. I live in a small village outside the town of Bala that has one shop. The postmaster there tells me that he is actively thinking of giving up, because work has been consistently taken away from him and he has been denied any opportunity to expand. When he applied for grants, the problems that he encountered were such that in the end he just gave up. He is becoming more and more disheartened, and we in the locality are becoming more and more concerned.

If he were to close, that would be the end of our village shop. Effectively, the next post office is five miles away by bus—if the bus is available and at a certain expense. I am thinking of elderly people. We in this Chamber have reasonable earnings and can afford to travel back and forth as we wish, but sadly many people in rural areas rely on bus services that are not up to scratch.

Mr. Cash: It is somewhat ironic that reducing post office facilities in rural areas is likely to lead to an increase in car use. If people in small villages, particularly the elderly and infirm, can get to their post office on foot, taking away that post office will increase car use.

Mr. Llwyd: The point is well made and is absolutely right. Mention was made earlier of the Government's own figures on service in rural areas—that 95 per cent. of the total rural population will have access to a post office within three miles. I do not know where those figures come from. In parts of my constituency, the nearest post office is already 10 to 15 miles away, even before the closure programme. I have mentioned the distance of five miles, which is a relatively benign example, but others in my constituency must travel 10, 15 or 20 miles.

I do not know how the figures are worked out, but I know that three or four definitions of "rural" are being used in various Departments. I should like to know what the definition is, and whether, when discussing total population, second homes are taken into account. Are those figures factored in as well? I know that urban areas will also suffer from the changes, but I cannot recognise the figures or relate them to anything that I understand about the rural network in north and mid-Wales.

There is some hope, because we have been told that the card account will have a successor. We are all celebrating that announcement, albeit guardedly, but at the beginning we thought that the card account would be here to stay. When we looked at the small print—these are typical new Labour tactics—we found closure in 2010. As my dentist tells me frequently, new Labour announces that it is going to chop off both our legs, and when it chops off one, we celebrate because it is not as bad as we all thought.

The Government can do much more. Banking facilities have been referred to, and there is no reason why a full suite of banking facilities should not be available in our post offices. In Wales, we have taken a rather different view of things. We allow some post offices 100 per cent. rate relief, because we acknowledge that they are extremely important to the fabric of rural communities. Let us not forget that very often the post office is a social centre as well. It is a place where people meet. If Mrs. Jones does not turn up for her newspaper two days running, people begin to think, "Is she all right?" It is an important social gathering place.

The notion was proposed some time ago that post offices could become a one-stop shop for Government information—local government, central Government and the Assembly, as far as I am concerned. I think that that could be done, and that some form of payment should be made for delivering that service.

Mark Williams: Does the hon. Gentleman agree that there is a great opportunity in our village post offices for payment of council tax, rent and parking fines and, particularly in rural areas, for the administration of agricultural movement? The bureaucracies associated with that could be administered in our post offices as well.

Mr. Llwyd: I absolutely agree. There is a need for some creative thinking, and for considering rural issues quite apart from other issues, because they are clearly distinct. There have already been references to distances between post offices and so on.

I should declare an interest. My sister, who is a successful business woman, has opened a sub-post office in a village called Eglwysbach in north Wales. She is marketing local produce—yoghurts, cheeses, meats and so on—and I am pleased to say that she is doing very well. She was at one time a bank manager. She went on the induction course for post office workers and spent a week being advised how to do accounts, which was not difficult for her, although the Post Office way of doing accounts is quite different from everybody else's, but I shall not go into that now. She says that what she receives from Post Office business does not meet even half of the salary that her assistant is paid.

Let us consider the reality of that situation. My sister has opened a dynamic little business, but that may not be possible for everyone. There is a nice centre of population around her business, but other people might not have that potential. We need to think creatively and to consider the rural context all the time. The comments of the hon. Member for Ceredigion (Mark Williams) about what we could use our rural post office network for were well made. As I have said, I, for one, rely on my village shop, as do many other people.

Mr. Clifton-Brown: On the theme of being creative about what services could be provided in post offices, does the hon. Gentleman agree that if most post offices had a PC or a laptop with access to broadband a huge range of different services such as Government services, online banking and e-mail could be accessed? Does he agree that we should have access criteria not for the closure of post offices, but for Government services in post offices?

Mr. Llwyd: I absolutely agree. Given that we are discussing a necessary and very important service in rural communities, we should be thinking about giving some financial assistance, not from now until kingdom come but to get people on their feet and moving, while we consider various financial packages—the banking and so on. That could easily be done. It is simply a matter of political will and a bit of creative thinking, as the hon. Gentleman has just said.

I know that many other people want to speak, so I shall not delay matters. Suffice it to say that it is crucial to prevent any further closures in the network. I despair when I think how many offices have been lost in north and mid-Wales in the past couple of years. Indeed, since 1998, there have been 331 closures in north and rural Wales, which is a huge number.

I shall end with a point about Crown offices. The Bangor Crown office will be taken over by WH Smith. We heard in an earlier exchange of a fortunate example of one franchise coming to an end and another then taking it over. Fine, that is good, but the problem is that large companies are rather fickle about the services that they deliver. If the bottom line—what they get back—is not good enough, that will be an end of it. Will the Minister say whether there is a minimum period for which a franchise must operate? If, for example, WH Smith decided that it wanted to give up the franchise, is there a minimum period for which it would have to operate it? Is there a minimum period for notifying the Department, and what steps would WH Smith have to take for the franchise to be taken over by someone else? What input do the Government have in that? An added problem is that the Crown offices are the hub of the wheel. If the hub is wonky, the whole wheel falls apart.

I have concentrated on rural areas, but I appreciate that urban areas will suffer under the cuts as well. I urge the Government to think creatively—they have quite a good record on e-commerce and so on. They should use their record and experience with e-commerce and give post offices the opportunity to expand and to flourish, which is the way forward. The hon. Member for Cotswold (Mr. Clifton-Brown) has referred to broadband, which is the way forward, and that proposal could be done. Indeed, eBay has been mentioned, and it could assist as well.

In conclusion, I hope that the Government will think carefully about the various proposals put to them during the consultation and that they will come up with some proper, concrete proposals that will ensure that our important sub-post offices flourish in the future and are not further diminished.

Mr. Christopher Chope (in the Chair): Four more people wish to speak. It is up to them how they divide the time. I call Mr. Paterson first.

11.35 am

Mr. Owen Paterson (North Shropshire) (Con): Thank you for calling me, Mr. Chope. I shall be brief, because as you may be able to detect, I am about to lose my voice.

I heartily congratulate the hon. Member for Inverness, Nairn, Badenoch and Strathspey (Danny Alexander) on landing another debate on this issue. He is a stalwart on the subject, and I agree with much of what he said.

My views are also well known, as I have spoken on the subject on many occasions. I shall not go over my usual material but would just like to add a few new bits of information that I have obtained since we last debated the matter.

I am the secretary of the all-party group on sub-post offices, whose work I very much enjoy. The group is under the chairmanship of the hon. Member for Vauxhall (Kate Hoey), who, sadly, could not be here today. She left this debate to me, I believe because North Shropshire is more rural than Vauxhall. The group has been busy on the subject during the past couple of years. With the help of the National Federation of Sub-Postmasters, we delivered 4 million signatures to Downing street last year, and that was followed up this year with a week of action. A range of organisations was involved: the Royal National Institute of the Blind, Age Concern, the Countryside Alliance, the National Pensioners Convention, the National Federation of Women's Institutes, the National Consumer Council and Citizens Advice, just to name a few.

[Mr. Owen Paterson]

As the hon. Member for Meirionnydd Nant Conwy (Mr. Llwyd) said, the issue touches many people and involves an intangible social benefit—I entirely agree with him—that is not costed. The mess is one of the Government's own making. If they had not ripped out £400 million of income from benefits transactions, and if they had stuck with the last Conservative Government's plan to use swipe cards, they would have maintained security and avoided fraud but kept the income going through the post offices.

We now have a crazy churn. The Government have to throw in subsidies to compensate for the loss, but because there is so much uncertainty, other services are dropping out. There is nothing more telling than the issue of TV licences, which the hon. Member for Inverness, Nairn, Badenoch and Strathspey raised. I brought it up last autumn in parliamentary questions and in a letter to the director-general of the BBC. The BBC made a sensible commercial decision on the basis of information available to it. In a letter to me, Ms Pipa Doubtfire, the head of revenue management at the BBC, stated:

"It is worth noting that even where there are current rural Post Offices, the network is declining so there is no guarantee that those branches will remain in the future. The PayPoint network on the other hand, is expanding. There are over 15,000 PayPoint outlets which are able to operate the new TV Licensing services now, rising to 17,000 in 2007. This compares to only 14,585 Post Office branches."

That was confirmed in a letter of 11 October last year from the director-general of the BBC, who repeated much of what Ms Doubtfire said and made the key point:

"The Post Office however could give no assurances on how many of their branches will remain open."

The BBC made a completely rational decision.

Mr. Russell Brown: The hon. Gentleman quotes this fine lady, Pipa Doubtfire, but does he not recognise—he has not mentioned it—that the BBC made a commercial decision that saved it some £100 million? Likewise, other contracts have been lost by the Post Office because people are undercutting it. In general, it is PayPoint that is doing that.

Mr. Paterson: I believe that I said twice that the BBC made a sensible commercial decision. It was made under conditions of doubt and uncertainty, and a vicious circle of downward decline in the post office network caused by the brutal withdrawal of the benefits transactions income. I would like a virtuous circle. I would like many more services to go through the network. I entirely agree with the comments of earlier speakers about other Government services that could be put through post offices.

Let me give a classic example. A furious constituent from Market Drayton rang me the other day. He had been clocked for not paying the congestion charge. He knew nothing about it, as he had not been to London in a car for years, and he was very upset. That small example shows that if information on services such as the congestion charge was available across the post office network, which it could be, such charges could be paid. Other services offered by post offices seem to be positively Soviet and stone age—for example, pensioners can only withdraw their winter fuel payments in one lump sum and cannot have an account at the post office accumulating interest, which seems to be similar to 1917 Soviet economic thinking. There are many areas where the Government, with imagination, could develop more economic activity, particularly in relation to banking. Why do HSBC, Halifax, Bank of Scotland and the Royal Bank of Scotland Group not offer any access to their current accounts at post offices? What is happening to make the Link service universally accessible in post offices? Those basic banking facilities could be part of the network and would bring in income.

I consider the network to provide opportunity. A couple of months ago, I went to a brilliant new post office in Maesbury that takes up 0.46 per cent. of the space of a brand new post office, which is probably about a third of the desk that you are sitting at, Mr. Chope. However, it generates 25 per cent. of the turnover. It is a brilliant place that has a shop, an off-licence, a bed and breakfast, canoeing and drying-out facilities. However, it also has internet facilities and a place to show a film and is exactly the sort of go-ahead, positive post office that we should be encouraging. In contrast, when the Secretary of State for Trade and Industry last made a statement in the House about this issue he looked miserable and as if the last place that he wanted to be was in the Commons answering questions from ghastly Members of Parliament like myself. Instead of being hounded about the post office, he wanted to get back to Edinburgh. Much as I like the Minister, the hon. Member for Poplar and Canning Town (Jim Fitzpatrick), I think that he would also prefer to be somewhere else this morning. There is no enthusiasm on the part of the Government at all about what they could do to make the post office network more positive.

Jim Fitzpatrick: For the hon. Gentleman's information, I am supposed to be in a Committee on the Consumers, Estate Agents and Redress Bill. I have left that to come here and tossed a coin to decide which would be the most pleasurable. I am pleased to be here.

Mr. Paterson: I am delighted that the Minister chose this debate as the lesser of the two evils. I will wind up because I know that other hon. Members wish to speak.

There is now a huge amount of uncertainty throughout the country about this issue. Just before Easter, during the recess, I was given a petition from several hundred constituents in St. Martins, which has a big village and a busy post office. As far as I know there is no proposal to close anything in St. Martins, but a group of people had gone to much trouble to obtain signatures and organise people because they were worried about the situation.

The Government are probably right to extend the consultation and I understand that they have had 2,500 replies. Will the Minister say what those replies are and give a clear indication of when he will make an announcement? We have raised this issue endlessly in Adjournment debates, so he should also provide a clear promise that the Government will start to look positively at the network. A virtuous cycle could be created from the vicious cycle that we currently have.

11.42 am

Julia Goldsworthy (Falmouth and Camborne) (LD): I will be brief because I am aware that other hon. Members wish to speak. I congratulate my hon. Friend

the Member for Inverness, Nairn, Badenoch and Strathspey (Danny Alexander) on this debate. I promise the *Hansard* reporters that there will not be too many place names that will be a struggle to spell, as there have been quite a few already.

I draw hon. Members' attention to the concerns of sub-postmasters in Cornwall and other isolated rural areas about the potential impact of further post office closures. My perspective is taken from the work that I have done on the Sustainable Communities Bill, which is a private Member's Bill currently going through Parliament and has been introduced by the hon. Member for Ruislip-Northwood (Mr. Hurd). I will also use the perspective that I have from being on the Liberal Democrats' Treasury team. I will discuss the impact that post offices could have on local economies and on widening financial inclusion.

I emphasise the almost unquantifiable social value of post offices in many rural communities. I am reminded of the time when I went to Tehidy post office, which is one of my local post offices. There was no particular reason for my visit; I was simply running an errand. The person in front of me in the post office was a gentleman who was probably in his late 70s or early 80s and had not left his house for a year. On being well enough to leave his house for the first time, the highlight of his day was going to the post office and catching up with the local sub-postmaster and the many friends that he knew he would meet there. The importance of such social interaction cannot be underestimated—particularly in Cornwall, where demographics show that we have an older isolated population. People live in villages where there is often no access to rural transport and they cannot physically get to where other services may be provided. Often such people cannot drive a car themselves.

As my hon. Friend the Member for Inverness, Nairn, Badenoch and Strathspey has mentioned, the post office network should be used as a key tool for widening financial inclusion. The Post Office card account is an important area where that could be expanded. Like my hon. Friend, I was incredibly disappointed to see the Treasury's latest report on financial inclusion, which describes the Post Office card account as a barrier to financial inclusion. That was concerning because it should be recognised that many people who cannot access a post office will be even less likely to be able to access a bank. For such people, the Post Office card account should be regarded as a first step.

Mr. Russell Brown: Is the hon. Lady aware that, at any given time, out of 25 per cent. of Post Office card accounts, which is about 1 million accounts, the total of those accounts is around £600 million to £700 million? The Post Office would dearly love to move people from Post Office card accounts on to other accounts that it operates, in the hope that people would receive interest on those balances.

Julia Goldsworthy: That is a key issue, which needs to be looked at. However, I hope that the hon. Gentleman appreciates that Post Office card accounts should not be viewed as a barrier to inclusion, but as a starting point. It should also be recognised that, for many people, accessing a bank can be difficult, which is the key way described by the Treasury to enter into financial inclusion. Some people may not feel able to access a bank account on the internet and will depend on accessing a service locally. Often the main service that they are able to access is the local post office.

I will briefly mention the importance of post offices for local rural economies. Cornwall has more micro-businesses per head of the population than any other part of the country. Particularly in rural areas, accessing a post office is critical for people's access to cash and to services. My hon. Friend the Member for Inverness, Nairn, Badenoch and Strathspey mentioned new business developments such as eBay, which has resulted in a massive upsurge in the use of post offices. Cornwall is a recipient of European funding through objective 1, which deals with peripherality by broadening access to services and providing broadband. However, unless the Government arm also provides support, that good work will be undermined. It is a frustrating situation because there is potential, but the Government do not recognise that or see the Post Office as a vehicle for providing such services.

The Treasury is happy to send every post office a summary of the pre-Budget report. I was stunned when I went into Penryn post office and found a summary of the pre-Budget report, which would realistically be of interest to very few people. The Treasury sent it to every single post office and asked it to be displayed. The Treasury clearly recognises that post offices are a useful source of information, but is not prepared to offer the financial support to ensure that services are viable. Services are being withdrawn and the Government are not thinking laterally about what other services could be provided. We have heard that benefit payments have been taken away from post offices and things such as the pension credit application form make it incredibly difficult for credit to be paid into anything other than a bank account. On passport offices, Redruth, which is a town in my constituency, is fortunate to be one of two places in Cornwall that has passport interviewing centres. However, it will be impossible for people in the more isolated parts of Cornwall to get there. Why have the Government not realised that rural post offices are the ideal place and have the skills to deliver that service?

Such an approach from the Government also has an impact on commercial services. South West Water no longer allows people to pay their bills at post offices and we have heard about TV licences. The providers of those services have followed the Government's lead in providing an incredibly broad definition of what constitutes access. On PayPoint, I was in a place called Stithians on a travelling surgery and I spoke to a lady who was irritated that she could no longer pay for her TV licence through her post office. She had been told that her nearest PayPoint was only three miles away in another village called Lanner. However, the fact that there were no direct public transport links between where she was living and the place where the PayPoint would be delivered was never taken into account. I am concerned that the Government are taking a similar approach to that and when they talk about distances from a local post office, they have not looked in the round at how someone would physically cover those distances. Very often, the roads on which people have to travel have no such thing as a pavement, and there are no public transport links. That has been my experience of the closures that have actually happened so far in my constituency.

The fundamental problem is that the people who are best placed to recognise the value of the services that local post offices could and do provide are those in the

[Julia Goldsworthy]

local communities, but the decision-making process and the funding stream are a million miles away from those people. Perhaps the Government could therefore consider devolving responsibility and possibly also funds, so that local authorities and communities can take the decisions.

As has been said, certainty is needed, together with a positive approach, because at the moment the climate of uncertainty is undermining confidence in sub-postmasters even more. A post office in one of my local towns has just closed, and a replacement sub-postmaster could not be found because the axe was known to be hanging over people's heads. Why would it be commercially rational for anyone to think of taking such a role at present? I hope that the Minister will therefore reassure us that the response to the consultation will be speedy, so that the damaging climate of uncertainty will not be perpetuated.

11.51 am

Mr. Geoffrey Clifton-Brown (Cotswold) (Con): I am grateful to you for calling me, Mr. Chope. I had thought that perhaps my hon. Friend the Member for Stone (Mr. Cash) would be first, but in any event we have agreed that we shall allow each other time, so I shall be brief.

I congratulate the hon. Member for Inverness, Nairn, Badenoch and Strathspey (Danny Alexander) on securing a timely debate, and I commiserate with the Minister in his position, because he is a very pleasant Minister. I am not sure which was the lesser of two evils—being here to debate post offices or being upstairs in a Committee Room debating the Consumers, Estate Agents and Redress Bill, which I understand from my colleagues has also encountered some problems. Nevertheless we are delighted to see the Minister and we are sorry that he has to deal with the problem before us.

There should be a much more positive outlook on post offices; we should be looking to open rather than close them, and we should be considering how many post offices can be kept open. There is not necessarily any need to rely on Government subsidy; Government good will can do it.

There are 36 potential closures in my own area of Gloucestershire, according to the Gloucestershire rural community council, and if all of them proceeded, there would be a devastating effect on the economic and social life of the local rural communities. As has been said by a number of right hon. and hon. Members, the more remote an area, the more important is the glue that a village post office provides in binding together the community.

I want to quiz the Minister on the access criteria, because those criteria are worrying. As I intimated when I intervened on the hon. Member for Inverness, Nairn, Badenoch and Strathspey, it seems to me that the Government are using averages. The 95 per cent. average for rural areas is deeply worrying, because if the definition of rural areas includes suburban areas, that could mean that the more remote rural areas will have little effect on the average, so that the Government will be able to use the average as a pretext for closing more post offices in the remote rural areas than would otherwise be the case. Will the Minister give some reassurance on that?

Will the Minister also give some clarification on the Post Office card account? I have had complaints from my constituents similar to those made by the constituents of my hon. Friend the Member for North Shropshire (Mr. Paterson) about withdrawing money from such accounts. People with several hundred pounds in such accounts have been told that it is almost impossible to take out some of the money without closing the account; they either have to take out the whole amount or close the account, whereas they should be able take out only part of the money.

I am delighted for the people who will receive a retirement package, but I caution the Minister about the thoughts that he expressed in his earlier intervention. There is going to be difficulty in recruiting postmasters or postmistresses in many remote rural areas after people have been offered such a package, particularly in the current environment, in which the Government are making access to Government services more difficult and there is a reduction in subsidies. There are high property prices in remote rural areas such as my own. If someone receives a retirement package and manages to obtain planning permission for a change of use of the post office to residential use, it will be difficult to find other potential sites.

I plead with the Minister to use more lateral thinking, which has been mentioned so many times in the debate. On the theme of positive thinking, a broadband IT point in every post office would give access to a huge range of Government services and would enable a wide range of forms to be printed out. Education could even be undertaken remotely—all sorts of things could be done if people started to do some lateral thinking. The problem is of deep concern in rural areas, many of which have very few services already. Many villages in my constituency have either no buses at all or one bus service a week, and post office closures will mean more car use, more pollution and more miserable lives, particularly for the elderly and the socially disadvantaged. As has been said, we want to increase economic and social inclusion by keeping post offices open.

11.55 am

Mr. William Cash (Stone) (Con): I endorse the comments of all Back Benchers who have spoken so far. Rural post offices provide an intangible benefit—they are the heart of many villages and are as important to local communities as the village hall. It is essential that we adopt a positive view on maintaining them and keeping them open, and I agree with what was said by my hon. Friends the Members for Cotswold (Mr. Clifton-Brown) and for North Shropshire (Mr. Paterson), because they and I have practical experience of seeing elderly people in rural areas who are being deprived of services.

Positive approaches such as leaflet distribution could encourage people to find out about ways in which local post offices could be used for parking fines, or TV licences, which I think could be reintroduced as a service. Benefit payments, agricultural payments, marketing of local produce, Google use, small-scale library services, e-commerce, eBay use and other internet and broadband use are other possibilities, together with access to PCs and laptops, planning papers, card accounts and Government information services.

We need a more creative way of making sure that post offices are used. There is a simple reason for that,

which is not that they are a battleground at the moment, though they certainly are in the rural areas, but because they are the heart of rural communities. They give the disabled and the infirm a point of social contact, so other people are aware if they are ill. They are a means of communication and are the heartbeat of the local community, where village and rural life can come together. There is deep concern in my constituency that the petitions that I submitted on the subject have received no Government response. That is inexcusable.

I congratulate the hon. Member for Inverness, Nairn, Badenoch and Strathspey (Danny Alexander) on having proposed the debate. I also congratulate Age Concern, which I had the pleasure of meeting and which has put an enormous amount of hard work into stimulating interest in and thought about post offices. It knows how much post offices mean to local communities.

11.59 am

Mr. Roger Williams (Brecon and Radnorshire) (LD): It is a great pleasure to take part in the debate, Mr. Chope, and I congratulate my hon. Friend the Member for Inverness, Nairn, Badenoch and Strathspey (Danny Alexander) on obtaining it. It is the second occasion on which he has been lucky enough to bring the matter to the attention of hon. Members, and it is useful that hon. Members can make their points directly to the Minister, because he must know of the great concern in rural areas about the future of post offices.

My hon. Friend the Member for Falmouth and Camborne (Julia Goldsworthy) put her finger on the point when she said that it is uncertainty that is killing the enthusiasm of sub-postmasters and sub-postmistresses to continue with their businesses. Indeed, over the past two decades, post offices have been closing at a rate of more than 300 a year. Under the previous Conservative Government, 3,500 local post offices closed, and under Labour, another 4,000 have closed, hitting communities throughout the country. Between 2000 and 2006, nearly 1,200 rural post offices closed.

At this point, I pay tribute to the people working in post offices, who had a commitment to keep rural post offices open and who have indeed been working with rural communities. We have seen a great deal of ingenuity to ensure that post offices are replaced when a sub-postmaster retires.

In Llanbadarn Fynydd, in my constituency, the community bought the local shop, post office and filling station so that that facility could continue to exist. In Pontneddfechan, the post office is used to provide a police presence, so that people in a very remote community can make contact with the police. That gives the post office added income. In Hundred House, a local postmaster goes to the village hall to carry out that function. In the constituency of my hon. Friend the Member for Ceredigion (Mark Williams), mobile post offices have been a very successful feature of the service.

The Government's consultation has been fundamentally flawed, based on consideration of the needs of the Post Office, rather than on the needs of post office consumers. My hon. Friends have made the point that we see the post office as a service, just as education or health is a service, that is fundamental to social inclusion and cohesion. Just as we would not expect the other services to be provided without a cost, we do not expect post office services to be provided without a cost, but wherever that cost is incurred, it should be incurred in the most efficient and effective way.

The Government's consultation was difficult to respond to. It was a rather dry document, and responding to it required an understanding of the Post Office business that most post office users would not have had. Indeed, a month before the close of the consultation, only two responses had been received from the whole of Wales. Sub-postmasters and sub-postmistresses were not contacted directly. They may have been contacted electronically, but certainly when I went round the post offices in my constituency, I found that a number of the postmasters were not aware that the consultation was taking place. My hon. Friends the Members for Ceredigion and for Montgomeryshire (Lembit Öpik) met Wales Office Ministers and encouraged them to intervene with the Department of Trade and Industry to ensure that postmasters were aware of what was going on.

That was important because we had only just emerged from the urban reinvention programme for urban post offices, which led to a large number of closures. In my constituency, with about 55 post offices, only three were defined as urban, yet as a result of that process we saw the closure of the only one that we really wanted to keep open and we managed to keep open the two that could have closed at a push, whose business could have been dealt with by the main post office in the town.

Because I felt that the consultation was difficult to respond to, I produced a consultation document of my own. Customers were asked to comment on whether there would be an increase in car use, whether the public transport system was good enough for them to be able to access neighbouring post offices and what effect there would be on shops and garages.

Mr. Paterson: The Government had 2,500 responses to their consultation document. How many did the hon. Gentleman have?

Mr. Williams: I was about to come to that. My constituents responded to the DTI: 1,827 of them took the opportunity to write to the DTI to say how much they appreciated their local post office. Thirty-five responded to the DTI consultation, and 216 responded to my consultation.

Mr. Cash: Will the hon. Gentleman also consider that it might be a good idea, for example, to have bus stops and bus shelters adjacent to or near post offices, so that people could get to them with minimum inconvenience and those facilities would form a focal point?

Mr. Williams: The hon. Gentleman makes a good point. Convenience is very important to post offices. The ability to use public transport and to get to post offices was one issue on which my constituents responded.

We also want the post office to be a one-stop shop where people can buy their TV licence, renew their car tax and pay council tax and other bills. The Government should be allowing post offices the opportunity to engage and invest in other businesses as they become apparent, but the Government have clearly been taking every building block away from post offices. We have heard about benefits and pensions, about the difficulties of getting a Post Office card account and then of using

[Mr. Roger Williams]

it, and about TV licences and car licences. The postmaster in Ystradgynlais, where there is just a post office and no other business involved in it, tells me that the number of car licences that he issues has decreased by 30 per cent. Particularly in rural areas, the presence of a post office is essential for the continuation and survival of the village shop, the village garage and all the other facilities that are so important in rural areas.

On the business of 95 per cent. of rural people being within three miles of a post office, we are worried that a canny cartographer in the DTI will be able, with his compass and other instruments, to draw little lines of three miles and to work this out on a very artificial basis to meet the target that the DTI has set. Is that three miles as the crow flies or does it refer to the length of road that one needs to use to get to a post office? As my hon. Friend the Member for Inverness, Nairn, Badenoch and Strathspey said, if there is a mountain or loch in-between, someone may have to travel round that physical feature to get to the post office.

That said, good things have happened. My colleague, Kirsty Williams, the Assembly Member for my area, recently went to Llanbister, where a cash machine has opened in the post office, so there are ways in which both the Government and the Post Office can work to get good facilities for people living in what are often disadvantaged and low-income areas. Often they do not have a car or access to public transport to get them to a post office.

I say to the Minister that I hope that closures will not be driven by the postmasters and postmistresses who are looking towards retirement. If there are to be closures, it is essential that they take place on the basis of the network and the need to serve the people, rather than of the individual needs of postmasters and postmistresses.

The timing of the announcement of the result of the consultation is quite interesting. I understand that it is being deferred. When I asked the Secretary of State whether the results of the consultation would be announced before May, he said that the closing date was 8 March and added:

"I imagine that March comes before May, even in Liberal Democrat-land."—[*Official Report*, 14 December 2006; Vol. 455, c. 1042.]

When I shared that response with my constituents, they were concerned about the flippant approach that the Secretary of State had taken to my inquiry.

It is especially important that we keep our post offices open in rural areas, where the local economies do not have the robust characteristics of urban areas, and where there is variety in type and character of economic investment. In rural areas, stability and continuity are essential. However, the Government's approach to the future of post offices does not in any way deliver that for us.

12.9 pm

Charles Hendry (Wealden) (Con): I congratulate the hon. Member for Inverness, Nairn, Badenoch and Strathspey (Danny Alexander) on yet again securing a debate on this important subject and on the thorough and thoughtful way in which he introduced it. We have had extremely good speeches from everybody who has contributed, which shows the seriousness of the issue.

The hon. Member for Meirionnydd Nant Conwy (Mr. Llwyd) rightly pointed out the cynicism of Labour Members who go through the Lobby to vote for Government policy, but who then issue press releases and campaign to explain why their constituency should be exempt from that policy. That applies not only to post offices, but to hospitals and other things, too.

My hon. Friend the Member for Stone (Mr. Cash) rightly showed the inherent contradiction between the Government's plans for the Post Office and those for improving the environment and saving car miles, which are in direct conflict.

None the less, the debate has been characterised by a very positive approach. In particular, I congratulate my hon. Friends the Members for Cotswold (Mr. Clifton-Brown) and for North Shropshire (Mr. Paterson), who have been energetic campaigners on this issue, on highlighting what could be done to bring new business to the Post Office. We are looking not for the gradual managed decline of this much-loved institution, but for policies that will bring it new business.

The hon. Member for Falmouth and Camborne (Julia Goldsworthy) was absolutely right to say that the debate is being carried out against a background of great uncertainty, which, in itself, undermines the future of the network. As we have heard, we expected a response to the consultation document in December, but even on 27 February, the Minister said:

"It is very much as I outlined in my statement. The consultation ends on 8 March. We are assessing the submissions as they come in so that we do not have to wade through hundreds of submissions on 8 March. As I said, the Secretary of State hopes to make an announcement by the end of March so that we can confirm, amend or adjust the access criteria and the points that he made in his statement on 14 December".—[*Official Report, Third Standing Committee on Delegated Legislation*, 27 February 2007; c. 13.]

Something therefore happened in the last week of that consultation process to blow the time scale out of the water, and we believe, with good reason, that it could be that the Government have in mind more closures than they have announced so far.

Jim Fitzpatrick *rose—*

Charles Hendry: The Minister will get his chance to answer in a moment. If the Government do not have more closures in mind, perhaps he can tell us why, in the week before the consultation closed, it was decided that the statement had to be put off by two months. There is great suspicion up and down the country about what has happened.

In 2001, the Labour party promised to keep post offices open "except in unavoidable circumstances". As we know, however, it has now overseen the largest annual closures of sub-post offices around the country, and 4,000 have closed since it came to power. If we take into account the 2,500 or more that will close as a result of the current process, the Government will have been responsible for closing one third of the post office network. As we know, Adam Crozier, the chief executive, has said that he can meet his legal obligations with a network of just 4,000 post offices—he is not saying that that is what he wants, but that is what he needs to meet his legal obligations. Against that backdrop, the outlook is very depressing, and 39 per cent. of sub-postmasters say that they now see no future whatever for their

business—in urban areas, that figure rises to more than 50 per cent. The fact is that under this Government post offices have closed at three times the rate they did under the previous Government.

In their proposals for the future of the post office network, the Government set out plans for their new access criteria, which, as we have heard, sound impressive. They include ensuring that 99 per cent. of the population lives within one mile of a post office and that 95 per cent. of people in rural areas live within three miles of one. However, those distances are measured as the crow flies. Although they take account of some major geological and geographical factors, they generally do not take account of the roads, many of which, as we have heard, are very windy in rural areas, where it will often be much more than three miles to the nearest post office.

The Government's pledge is essentially meaningless, because the Prime Minister's performance and innovation unit has said that it would be possible for the Post Office to close two thirds of its rural outlets while still ensuring that 99 per cent. of people in rural areas live within three miles of a post office. What will the criterion for closure be? Will it be just the volume of business? Will it be the distance to the nearest post office? Will it be the areas to which people say they want to retire? If closures are carried out on the basis of distance, not only the most marginal post offices, but successful local ones could be forced to close. There is profound concern about how the whole process will go forward.

We also fully recognise that the post office network faces particular challenges. Only about 1,500 rural post offices are making money, and the rest require subsidies. We have heard that about 1,000 rural post offices have fewer than 50 customers a week. The Government have told us that the annual subsidy of about £160 million will remain, but since they said that, they have admitted that they are not guaranteeing that level of subsidy and that it is the maximum level. The subsidy could therefore be significantly reduced as soon as the Government have got the coming set of elections behind them. Originally, the subsidy was intended to support rural post offices, but it must now be spread more thinly across the entire network. Is the volume of subsidy for each post office therefore likely to decline? And what consequences would that have for the support available to local post offices?

We have heard much about Government business being taken away from the post office network—the figure for last year alone was £168 million. In some areas, however, the position is being made even more difficult. If I go online to renew my car tax, those involved can check automatically on their computer whether my insurance is up to date and the car has an MOT certificate. If I go to a post office, staff will not have a computer link to enable them to establish those facts. The ground is therefore being tipped against the Post Office, and things are being made even more difficult for it.

When the Government announced that they would phase out the post office card account, we and, indeed, the Liberal Democrats called on them to replace it, and we are pleased that they have decided to offer a new card. However, the process will be subject to commercial tender, and it is possible that PayPoint, with about 18,000 outlets, will choose to bid. If the Post Office loses out, that will be an absolute hammer blow for it. At the moment, people must physically go into the post office to enter their PIN number, but if they end up going to a different store to use PayPoint, they will not use some of the money that they take out in post offices and not bring those post offices additional business.

The Post Office is unable to invest at the same level as PayPoint, which has outstanding levels of technology in that respect. One issue that the Minister must address is what he will do about the structure of the Post Office and Royal Mail to allow them to compete. The Post Office and Royal Mail more generally are being starved of investment, because Royal Mail does not have access under its current structure to the funds that it needs.

There are wider issues of ownership. Submissions have been made, and Royal Mail has put forward its views on a future structure. However, the Government's delays and dithering mean that they might undermine this vital institution still further. The Post Office has excellent management, particularly in Adam Crozier and Allan Leighton, who are doing an outstanding job. However, there is a risk that they will simply pull up stumps and walk away if the Government do not decide how to resolve the issue of the Post Office's long-term structure.

What is missing from the Government's strategy is a vision of what the Post Office could be doing, how it could play an even more vibrant part in our local communities and how we could bring more business to it—an issue touched on by many of those who have spoken. The Post Office should have the freedom to offer additional services and to work with other carriers. Many more local government services should be operated through its network and much more should be done to bring in new business. The Government are overlooking the non-economic aspects of the Post Office, and they have failed to understand the importance of post offices as a hub in the local community. They have overlooked the non-financial benefits, such as when post office staff identify that things are going wrong and that somebody has not been in to collect their pension. The greatest disappointment is that the Minister has been in his job for almost a year, but there is no new thinking. We have had no answers to our questions and no statement in response to the consultation document.

The Post Office still faces an uncertain future and continuing decline, and the Minister is doing nothing to prevent that. When the history of the Government is written, their abject failure to stop the decline of the Post Office network when they had the opportunity to do so will be one of the clearest reasons for their losing the trust of the British people.

12.20 pm

The Parliamentary Under-Secretary of State for Trade and Industry (Jim Fitzpatrick): I extend my welcome you, Sir Nicholas, as Chairman for the closing minutes of the debate.

I congratulate the hon. Member for Inverness, Nairn, Badenoch and Strathspey (Danny Alexander) on securing the debate. He speaks regularly on Post Office matters, as I and my colleagues are only too well aware. He set out his concerns in relation to the rural nature of his constituency and its widely dispersed population, and made other strong points. However, the future of the post office network is of great relevance to all Members

[Jim Fitzpatrick]

of the House, regardless of the type of constituency that we represent. I shall try to answer as many as possible of the points that have been raised, but hon. Members will understand that I am somewhat constrained, as it will be inappropriate to comment on the specific issues that the Department is currently considering, in the light of responses to the national consultation. Something that I can repeat, however, in response to points made by the Opposition spokesmen, is that the closure programme will not proceed simply on the basis of retirement. We have made that clear in several debates.

Mr. Clifton-Brown: Will the Minister give way?

Jim Fitzpatrick: If the hon. Gentleman will forgive me, I should be happy to give way towards the end of my speech, when I have answered points that have been made so far in debate.

The Government announced proposals to the House on 14 December with the aim of putting the post office network on a stable footing and to ensure that there is a national network across the country, because we know how important post offices are. Our proposals were the subject of a 12-week national consultation, which closed on 8 March, and we received more than 2,500 responses. We are grateful to those who took time to participate in the process. We are giving full consideration to the comments received and hope to be able to announce our final decisions in May.

The hon. Member for Inverness, Nairn, Badenoch and Strathspey suggested that we have delayed a final announcement—I think that he used a phrase about a possible whiff of politics in the timing—until after the devolved Administration and local elections in early May, as a way of withholding bad news. That is utter nonsense and it appears to me that we would have been damned if we announced our response—for being too premature—and damned if we did not. I should have thought that hon. Members would agree that it is essential to take sufficient time to give full consideration to the issues raised by those who responded.

That very point was made by the hon. Gentleman's colleague, the hon. Member for Berwickshire, Roxburgh and Selkirk (Mr. Moore), who, expecting an announcement in March, said in a press release on 13 February:

"How, then, are the Government intending to give full consideration to the many thousands of responses that they will receive to their consultation in just three weeks and one day? This smacks of utter complacency. The Government must listen to all the points—this must not be a fait accompli."

In addition, the hon. Member for West Aberdeenshire and Kincardine (Sir Robert Smith) said:

"The closing date for the consultation is in March and the Minister is going to respond in March. When we met him, I understood that he expected to respond in May. How do the Government expect to do due justice to all the concerns expressed in the consultation so soon after its closure? Will it be a genuine response that reflects those concerns?"—[*Official Report, Third Standing Committee on Delegated Legislation*, 27 February 2007; c. 11.]

It was always our intention to make an announcement as soon as it was possible. The hon. Member for Wealden (Charles Hendry) asked what changed in the last two weeks. What changed, very simply, was the volume of responses that we were getting. During the consultation I had been informally sharing with colleagues what was almost a running commentary about the number of responses that we were getting, and in various debates I had tried to provide reassurance that we were assessing the responses that were arriving, so that on 8 March we should not have a mountain to climb. Unfortunately—it is the way of consultations—the vast majority of people, because of cycles of meetings, the consideration that they were giving to the matter, or the timing of their own business, delayed and made their responses in the last two weeks.

We had hoped to make an announcement in March and we wanted to make an announcement then, although it would not have killed the uncertainty: it would have been our announcement of the access criteria and comments made on them, but would not have listed the offices that needed to be restructured. That will be done by Post Office Ltd six or eight weeks after we make the announcement, whenever that happens, in March or May. It will have to get to grips with changes that we make, such as amendments or alterations, in the light of responses received, to the Secretary of State's statement of 14 December. I assure hon. Members—and I am sure that they will accept—that there is no duplicity. What has happened is a straightforward case of volume. We agree entirely that sufficient time is required for the proper consideration of responses. Our aim is to be in a position to announce final decisions in May.

To respond to comments by the hon. Member for Wealden, since 1999 the Government have committed some £2 billion to support the network. We now propose to make a further investment of up to £1.7 billion to support the national post office network. Last year we announced financial support to the tune of £1.7 billion to Royal Mail Group, in the form of a mixture of access to reserves and extra access to borrowing, to ensure that the business overall had the support that it needed to enable it to restructure, modernise and buy the necessary technology and equipment to put it on as sound as possible a footing.

The hon. Member for Inverness, Nairn, Badenoch and Strathspey asked about the franchise arrangements with WH Smith. Franchisees are bound by stringent contractual requirements to ensure that service standards remain at the same high level. After a transfer from the direct management of Post Office Ltd, staff at franchise offices receive the same training as employees of Post Office Ltd. All the evidence from mystery shopper visits and feedback groups suggests high customer satisfaction. My hon. Friend the Member for Dumfries and Galloway (Mr. Brown) was among hon. Members who asked about the length of the contracts with WH Smith. The contract guarantees that a branch will operate for a minimum period of seven years. In the extremely unlikely event that WH Smith did not want to renew the contract when the initial period expired, Post Office Ltd would act to ensure that the main post office services were retained.

The hon. Member for Cotswold (Mr. Clifton-Brown) and others made some points about extending the opportunities for Post Office Ltd to function. We are very committed to that, as we have explained in detail in many debates in the past six months. I shall not go into the details now, but I assure the hon. Gentleman that we are doing all that we can to ensure that Post Office Ltd will be in a position to operate efficiently and effectively,

and to expand its services. The vast majority of sub-post offices are individual small businesses. They have the licence to expand services, although there are one or two restrictions, such as using PayPoint to serve contracts that they already have with other suppliers; that is obviously a bit of a contradiction.

The hon. Member for Ceredigion (Mark Williams) asked about the consultation. More than 2,500 hard copies of the consultation document were issued by the Department, including to Postwatch and the National Federation of Sub-Postmasters. The consultation document was also available electronically through the Department of Trade and Industry and Directgov websites, and was downloaded 3,700 times; so more than 6,000 took the opportunity. As to remarks about sub-postmasters not knowing that the consultation was going on, I do not for a second challenge them, but with the national publicity and the campaigns being run by virtually every regional newspaper in the country, and some nationals, one or two of which actually mentioned me, I find it hard to accept that sub-postmasters do not know what is happening to their services—especially when the national federation is so centrally involved.

Several hon. Members raised the question of thresholds for the access criteria. The proposed criteria were designed to balance the Government's desire to preserve a national network with the need to put Post Office Ltd on a more sustainable footing. They were developed in a way that would offer as much protection as possible to vulnerable communities most in need of Post Office services. Clearly, we accept that there is no "one size fits all" approach and that there are geographical obstacles to be overcome. When we deal with the consultation with Post Office Ltd we shall be able to address some of the points that have been raised.

I shall respond in writing to points raised by other hon. Members. Much has been made, rightly, of the valuable social role played by post offices. Not only do we accept that, but we are putting our money where our mouth is, by supporting them to the tune of £1.7 billion between now and 2011. In May we shall be presenting our response to the thousands of submissions that we have had following our announcement on 14 December. However, it makes no sense to suggest that we should remove the choice of how services can be accessed, and force people to use post offices. Last year, for example, more than 5 million people renewed their car tax disc online. That was 4 million more than the previous year.

We have set out proposals to create a sustainable framework for the good of the network in the future, so that the Post Office can move forward with confidence and rise to the challenges of the 21st century.

Sir Nicholas Winterton (in the Chair): We have run out of time. I am grateful to the Minister for telling hon. Members that he will write to them about matters that he was unable to cover in his response.

We now move to the next debate. Two hon. Members have indicated that they have approached the initiator of the debate and, I hope, the Minister, about wishing to intervene. I am happy that they should do that.

Water Bills (South-West)

12.30 pm

Matthew Taylor (Truro and St. Austell) (LD): Thank you for those comments, Sir Nicholas. I have indeed had approaches from two Labour Members, and I think that some of my colleagues may also wish to speak, but they should let you know if that is the case.

I welcome the opportunity to raise this issue, although, unfortunately, addressing Ministers on it is all too familiar. I have faced successive Ministers—both Labour and Conservative—in a large number of Adjournment debates over the years. Indeed, back in 1988 and 1989, I warned the then Conservative Government's Ministers and MPs that privatisation would lead to unbearably high bills in the south-west, not least because the cutting off of the public and European Union funds that were needed to clean up beaches would leave the region to foot an unreasonable proportion of the national cost of those programmes. I was ignored, but when rates did rocket, I heard Conservatives claim that they had not seen it coming. That was probably the most decisive single issue that led to the loss of Conservative seats in our part of the country, so perhaps they should have listened.

When I faced Labour Ministers on this issue in the past, I met them with a degree of sympathy about the difficulties of tackling that messy legacy. It was not Labour's fault that the Conservatives radically underestimated the cost of cleaning up Britain's beaches and left only a £1.5 billion so-called green dowry from the much larger proceeds of privatisation for what turned out to be a £6 billion job. They left bill payers to cover the difference, and used the receipts to cut taxes for the very wealthy.

It is harder to excuse the fact that 10 years into the Labour Administration we are here again because the surface of the problem has not even been scratched, let alone the problem resolved. This is the fifth Liberal Democrat-initiated debate since Labour has been in government, and debates have also been initiated by Labour Members who made much the same case. I welcome the fact that they have been raising this issue.

Linda Gilroy (Plymouth, Sutton) (Lab/Co-op): I congratulate the hon. Gentleman on securing the debate. Does he agree that it is important that all Ministers, not only those with responsibility for water, should understand that there will be no possibility of successfully concluding the mission to end child poverty unless something is done about our high water bills?

Matthew Taylor: I strongly agree with the hon. Lady. Bills have started to rocket much higher in the past two or three years, with an average rise of 10 per cent. in this year alone.

Sir Nicholas Winterton (in the Chair): Order. May I say to the hon. Member for Plymouth, Sutton (Linda Gilroy) that if she wishes to intervene in a half-hour Adjournment debate, it is courteous and the tradition of the House that she should advise the occupant of the Chair as well as the Minister and the initiator of the debate.

Linda Gilroy: I did advise—

Sir Nicholas Winterton (in the Chair): I must say that I have not received any note on this, but if she indicated her intent to the Speaker's Office—

Linda Gilroy: I did.

Sir Nicholas Winterton (in the Chair): Well, then, that is fine, but it should have been drawn to my attention. However, I gather from the Minister that the hon. Lady has done him the courtesy of advising him of her intent. I am grateful for that.

Matthew Taylor: The hon. Lady advised me of her intent as well.

The average bill that landed on doormats in the south-west in the past few weeks was £483, while the average metered bill was £378—well above the national average. For low-income families and the disabled, who may use quite high levels of water, especially those families with children, as the hon. Lady said, having a meter might not be a better option; but unmetered bills can average a staggering £650. Also, many people do not have the option of having a meter. A couple of surgeries ago, I was approached by an elderly pensioner who was told by South West Water that it was not possible to fit a meter. He therefore has to pay the full £650.

By 2009-10, the average bill in the south-west will cost about £700 in today's money, and the average working household will be paying twice the national average on water and sewerage.

Julia Goldsworthy (Falmouth and Camborne) (LD): I want to follow up the point made by the hon. Member for Plymouth, Sutton (Linda Gilroy). At our last meeting with Ministers from the Department for Environment, Food and Rural Affairs, the Minister promised that he would help to lead a joint meeting with the Treasury, because co-operation from both Departments is needed to tackle this issue. A couple of weeks ago, at Treasury questions, the Economic Secretary rejected that idea. Will my hon. Friend continue to press the Minister to ensure that that cross-departmental meeting goes ahead for all the reasons that the hon. Member for Plymouth, Sutton outlined?

Matthew Taylor: I will, and I believe that specific issues could be tabled for discussion at that meeting, for which it would be useful to have both Ministers present.

It is worth making a few comparisons, because the Minister may not realise how high are the bills that we pay. Many Ministers pay charges in the capital and have earnings much higher than the average earnings in our part of the country. The average bill in London was just £275 this year. That is a difference of £208, which means that the average bill in the south-west is 75 per cent. higher than in the capital—nearly 150 per cent. with unmetered bills.

Alison Seabeck (Plymouth, Devonport) (Lab): Does the hon. Gentleman therefore share my concern that plans to bring in the 5,000 km of private sewers under South West Water's remit could add to the cost to bill payers? Will he seek clarification from the Minister on that?

Matthew Taylor: I shall seek clarification from the Minister on that, and I shall come to that point shortly. DEFRA accepts that those changes will add to bills, but I do not think that its figures are very reliable. Rather than helping to reduce bills, the plans regarding private sewers will increase them. DEFRA estimates that the increase will be anything from £3 to £11, but the industry believes that it will be much higher. My experience from dealing with large numbers of constituents who face problems with this issue tells me that costs are likely to be extremely high.

I do not believe that the figures take into account the fact that those sewers are likely to be extremely dilapidated and will therefore require very high levels of capital infrastructure costs, and not just maintenance costs. Typically, in our part of the world, many of the estates were not officially adopted when they were built precisely because their sewerage systems were not of an adequate quality and were often made of pitch fibre. They are currently collapsing and often need replacing. Whilst that is a huge issue for the residents of those estates, simply deciding to bung the problem on to South West Water bills without an adequate calculation of the likely increase in bills could leave us saddled with a repetition of the mistakes that the Conservatives made in the late 1980s.

In my last debate on this, in 2005, I got the distinct feeling that the Minister who responded saw bills as a south-west problem and a south-west responsibility, but the entire country benefits from our coastline. In 2003, Cornwall alone received 5 million UK tourist visitors and there were 25 million tourist nights. Those figures do not include the 2 million overseas visitors. Our part of the coastline is part of the bedrock of Britain's tourism industry and is a national asset, but just 3 per cent. of the national population is bearing the cost of cleaning up to a third of the national beaches.

At the heart of the debate, more than the question of who should pay for what and who benefits from what, is the fact that the people who are paying for all this are the poorest in the UK. It is a mistake of the Minister's Conservative predecessors, but surely a concern of the Labour party, that people on such low incomes, in such high levels of poverty, are paying such big bills without any help from the benefit system in the way in which it would help them out with housing or council tax costs.

Andrew George (St. Ives) (LD): My hon. Friend would agree that when South West Water was set up—this applies to many other such companies—a risk-free money extortion system was created for those receiving dividends as shareholders of the company. They could predict the dividends that they would accrue at the end of the year, and the comparison should be made with the poverty of the people who have to pay the bills. This situation will continue and will perennially be a problem unless a Government intervene and provide better regulation to give customers a better deal.

Matthew Taylor: I shall come to regulatory issues in a moment, but I must make some progress or I shall run out of time.

My hon. Friend the Member for Falmouth and Camborne (Julia Goldsworthy) secured an Adjournment debate in the main Chamber on 14 November 2005, when she was told that the Government's approach was to "tackle low incomes generally." Water bills in the region have continued to rise while we have been tackling serious poverty, particularly in Cornwall, where wages are among the bottom 2 per cent. nationally, and while the gap between Cornish incomes and national incomes has widened since 1997.

The south-west has the highest proportion of pensioners. The Minister shook his head in respect of this issue of

poverty, but will he consider the fact that the average water bill of £483 eats up 7 per cent. of the disposable income of a single pensioner who is in receipt of pension credit? Measures have been designed to tackle the problem, but they have not addressed the scale of the problem of water bills. A national income tax rate of 7 per cent. for water bills would cause an explosion of anger, but that is what many people on low incomes in the south-west face.

Given the time constraints, I want to shift my focus to solutions. I have consistently called for action to remove the disproportionate and unfair burden of unaffordable bills from households in the south-west. This is not just a matter of high profits, so even the toughest regulation would not provide a solution. In the financial year 2005-06, South West Water's return on capital employed—the equivalent of the interest rate that the company could get by banking the money in a financial institution—was 4.8 per cent. That is a slight reduction on the year before, and the figure is the lowest of any water company in England and Wales. The company also has the lowest costs of borrowing, so while there might be room for manoeuvre at the margin, we are not talking about a solution to the high bills.

The high rates reflect the genuinely high costs of the clean-up, especially the capital costs of the "clean sweep" scheme. In addition, the company now has to pay the costs of the capital invested. We need a mechanism for redistributing the environmental costs more fairly across the country. As the Conservatives faced loss of office, we reached a point when the then Secretary of State for the Environment, the right hon. Member for Suffolk, Coastal (Mr. Gummer), took a proposal to Cabinet for such a funding increase, but it was turned down by his Cabinet colleagues. There is no indication that Labour has changed the view in any way, but I would like to know what the Minister's position is.

Labour has put in place exactly such a mechanism in relation to bills in Northern Ireland—it has capped the level of those bills—and that is funded by UK taxpayers. It is hard to see why the Government take one view on Northern Ireland but another one on the south-west. They have also introduced a similar mechanism for electricity bill payers in northern Scotland, who would have otherwise faced disproportionately high bills. I do not believe that such help breaks any rule that the Government have seen through; it is more likely that they simply see helping out the south-west as being too expensive.

I do not want to concentrate on what I believe the Government will continue to reject, much as my Liberal Democrat colleagues and I will continue to campaign. I want to examine other options. There is the possibility of extending the benefits system at some level to try to help those on low incomes. The Government should re-examine that because bills have continued to soar.

In addition to lasting solutions such as that, action could be taken on second home owners. Second homes have been switching to using meters, because as they are unoccupied for much of the year, their bills are much lower than average. Yet holiday-home owners are perhaps the greatest beneficiaries of the beach clean-up programme for which they are now avoiding paying. Every second home that switches to using a meter, and cuts its bills in the process, increases bills for everyone else, because South West Water still has to raise the same sums overall. A quarter of Britain's second home owners—some 58,000 households—are to be found in the south-west. Taking them up to the average levels of payment would not cut overall bills significantly, but doing so could at least create a fund to help with the benefits system and to help those on low incomes to pay those bills.

The Minister may refer to the Government's pilot affordability scheme, but the Consumer Council for Water points out that it is falling

"far short of what is needed".

Indeed, it covers only 1,000 out of 600,000 households and is failing to make structural changes.

South West Water is trialling its three-year water care project, which is better news. Customers identified as struggling to pay their bills—those who are not paying or who have contacted the company to say that they cannot pay—are actively contacted. The bailiffs are not simply sent in, nor do warning letters simply come through. The company now actively contacts people to offer advice on their billing and to see whether they could go on to a lower rate or benefit from a water meter. Practical help in installing low-water-use devices is available; the company will pay for people to get things such as low-water-use cistern devices and water-saving shower heads. The company will help people to move to a more comfortable debt repayment scheme and offer a new start on their water bills, rather than having the bailiffs press them for money that they simply do not have.

That is a solution for a tiny number. It is no long-term solution, because people's bills continue to be high even after much of that action. The Consumer Council for Water, South West Water and DEFRA are examining whether, short of some of the big scale, long-term solution that I would press for, we can at least find systems that reduce the bill for ordinary families and pensioners in the south-west by changing the tariff regime.

I am thinking of the so-called rising block, whereby people would pay an affordable amount for an amount of water that would allow their household to operate on a reasonable basis through the year and would provide essentials, such as washing and toilet functions. The cost would be relatively low, and as people start to use more water, for example for watering the garden, running a swimming pool and so on, they would start to pay higher rates. That is the so-called rising block tariff and I understand that the Minister may have DEFRA's research on that.

I call for Ministers to give an open door to such a scheme being trialled in the south-west, although I do so with caveats. The first is that the Government would have to share information on household numbers, because we know that larger households with a lot of children need to use greater amounts of water, thus a rising block tariff could hit larger families hard were it done on a simple per-property basis. The second is that the needs of some disabled people who have relatively high levels of water use arising out of their disabilities would have to be recognised.

Finally, we would need to examine the second home issue seriously, because such properties already benefit from the installation of meters and use water for only part of the year. A rising block tariff could give them an even bigger discount as a result, so the systems should apply specifically to occupied households. A consideration of the numbers in full-time residence at a household would catch that particular issue.

To some extent, that matter has been researched, and I believe that the Minister has seen some of the work. Such a scheme would need to be modelled specifically for the south-west. I believe that Members of Parliament who represent the region would co-operate, and that South West Water and the Consumer Council for Water are keen to do so. It would provide a solution and, were we to get on with it, it could be done in time for next year.

Sir Nicholas Winterton (in the Chair): May I just clarify matters relating to interventions? I do this partially with an apology to the hon. Member for Plymouth, Sutton (Linda Gilroy). Strictly speaking, only additional speeches need to get the permission of the person who secured the debate, the Minister and the Chair. Interventions are taken at the discretion of the speaker. May I say to hon. Members that notice, even of an intervention, is helpful? It might help the person who secured the debate and the Minister to deal with the matter; thus the debate will be more constructive. I hope that that proves helpful to hon. Members.

12.50 pm

The Parliamentary Under-Secretary of State for Environment, Food and Rural Affairs (Barry Gardiner): The hon. Member for Truro and St. Austell (Matthew Taylor) has done his constituents a real service by enabling us to debate this issue. I am well aware of the depth of concern in the region.

I pay particular tribute to the untiring efforts of my hon. Friend the Member for Plymouth, Sutton (Linda Gilroy), who recently led a high-level delegation from the National Consumer Council and South West Water to see my hon. Friend the Minister for Climate Change and the Environment. I give his apologies that, as the Minister with primary responsibility for this issue, he is not here today. He is in Copenhagen on ministerial business, but I know that he would have wanted to respond to the points that have been made, and that he will read *Hansard* with great care.

I also pay tribute to my hon. Friend the Member for Plymouth, Devonport (Alison Seabeck) who, in the relatively short time that she has been in the House, has grasped this extremely complex issue in an outstanding way. She raised with the hon. Member for Truro and St. Austell the issue of private sewerage, and I give her the assurance that she sought that the matter is at the forefront of Ministers' thinking. The Government have decided in principle to transfer private sewers to the company. We shall consult on the route and timing of that transfer, and take full account of the cost to customers when we do so. Ofwat provided a model of the impact on bills of the decision on private sewerage. That produced a range of different impacts for each company, and that will be clarified and improved as we develop the approach for adopting private sewers.

I hope that that gives both my hon. Friend and the hon. Member for Truro and St. Austell the assurance that they sought. The Government are very much alive to the issue and are looking carefully at the financial impact. We share a common view of the problem and a determination to adopt a constructive approach, although I cannot accept all the hon. Gentleman's proposals.

South West Water's customers pay more for their water and sewerage services than customers in other regions. That arose from privatisation, which required each customer to pay for the costs incurred by their water company. Identifying the problems does not necessarily mean that there are easy solutions, and so far none of the ideas has been a complete solution in the interests of customers.

The hon. Gentleman's party has put forward a number of ideas for reducing the burden on South West Water's customers. They have often involved shifting the burden to national taxpayers or water customers in other parts of the country. I wonder how many "Focus" leaflets are being put out in London stating that people in Twickenham should pay more to help out the people of Truro and St. Austell.

Like other companies, water companies must meet their costs, including the costs of running services and of meeting drinking water and environmental standards. Ultimately, all those costs are paid by their customers. Ofwat sets an upper limit on customer prices, but there is a strong and visible link between what the company spends and what customers fund through their bills.

I am not convinced that it would be right to break that link. There is a considerable risk that any national fund to support water companies' costs from customers throughout the country would weaken the connection between the water company and the customer. There is a question whether companies would pay as much heed to their customers if customers throughout the country met the cost of their plans. There would be a lack of accountability and a weakening of the incentive to individual companies to keep their costs as low as possible. Any such solutions would run counter to the present legislative and regulatory framework. I also doubt that customers in other regions, each with their own problems and costs, would agree that they should shoulder the impact of any redistribution of South West Water's costs.

The hon. Gentleman brought up the particular point about redistributing the environmental costs throughout the country. Since privatisation, every sewerage company in England has had to meet the same list of legal requirements for sewage treatment, but those legal requirements vary in different parts of the country. The basic requirement everywhere is for secondary treatment of sewage, and there are more stringent standards on top of that in designated sensitive areas. Those areas include designated bathing water, as the hon. Gentleman said, as well as many fresh water sites.

What is necessary to deliver those standards has varied widely and depended on the sewerage company's starting point at privatisation—what sewerage network and treatment plants they had to start with. The cost of improvements to meet the required standards also depended on the size of the work, and in the south-west the scattered population has resulted in smaller treatment works, many of which do not offer the same economies of scale that other regions are able to enjoy.

There is an essential truth in the suggestion that sewage treatment is inherently more expensive in the south-west, although the requirements are the same. That is the historic picture of costs, but although the principle of meeting the same standards will hold, customers of water companies will continue to face issues and costs particular to their regions. For example, the customers of Thames Water will, over the next few years, have to meet the costs of further improvements to water quality in the Thames tideway—a necessary but

extremely demanding exercise that will be reflected in their bills, making them higher than they would otherwise have been.

Matthew Taylor: Will the Minister give way?

Barry Gardiner: The hon. Gentleman left me very short of time, and I want to respond to some of the specific points that he raised, so I shall press on.

Another reason why the Government are sceptical about the idea of the customers of one water company subsidising those of another is that such a subsidy would be very difficult to target. The overall effect would be that low-income customers in other water company areas would subsidise all customers, including owners of second homes in the south-west.

I would like to speak positively about what can be done about water bills. The true water affordability problem is for those who are least able to pay. That is particularly serious in areas with high water charges and low incomes, and it is worst of all in the south-west. That is the problem that we must look at, and it would not be addressed by blanket subsidies to all customers, including the well-off in the south-west.

The Government acknowledge that there is an issue with water affordability, particularly for those with the lowest incomes. We have already taken action, through legislation, when there might be a risk to household health. We have legislated to stop household water disconnection because of inability to pay. We have also set up protection for vulnerable groups on meters who might otherwise cut back on water that they could not afford.

In 2004, as I am sure the hon. Gentleman knows, a cross-Government steering group reviewed the way low-income households are helped with their water and sewerage charges. A wide range of stakeholders were involved in discussions with the steering group, and the Government published their report on the review in 2005. Since then, the Government have been working with Ofwat, water companies and the Consumer Council for Water to take forward the recommendations in that report. They include measures, which I am sure hon. Members are aware of, to look into alternative tariff and charging options, and a pilot study in the south-west. I would like to talk briefly about the progress of that work.

The first strand is to look at the scope for redistributing the burden among customers of a company through tariffs and charges. The Government reviewed methods of water charging and tariffs in 1997-98, which resulted in the Water Industry Act 1999, including protection against disconnection and the free meter option. We are currently working with water companies to develop a model to look at the distribution effect of tariffs, particularly the winners and losers that would be created among households. The model is looking at the effects of a wide range of measured and unmeasured tariffs. One tariff that the group is looking at is the rising block tariff, offering a free or cheap basic amount of water to a household, with higher charges above that.

We have set up a working level group to look at the results of that work, and to advise on how lower income groups might be affected by any change to the current charging system. The members include representatives from the Treasury, Ofwat, the Consumer Council for Water and water companies. The group is considering how tariffs might distribute the total burden of a company's charges in ways that might address affordability and promote water saving. We hope that that work will provide some real ways forward.

There has been discussion about whether second home owners pay a fair share of costs. The Government recognise that there are issues about the balance between fixed costs of the network and costs that vary according to how much water is used. Ofwat regulates that balance when it approves company charge schemes. I certainly agree that second homes should pay a fair share, and we are willing to look at any proposals to improve fairness on this issue.

The other strand of work from the report is the south-west affordability assistance pilot study. That involves the Government, South West Water and other stakeholders, and it is being run in the south-west to assess the combined impact of benefits checks, water efficiency measures and metering. The Government have been working on that pilot study with South West Water, the Consumer Council for Water and Ofwat since 2005. The pilot study is targeting and assessing the effectiveness of water affordability assistance to lower income households in the south-west.

The pilot study is assessing the combined effect of benefits checks, water efficiency measures and metering on low-income households. The pilot—*[Interruption.]* The hon. Member for Truro and St. Austell—

Sir Nicholas Winterton (in the Chair): Order. The Minister will have to finish his speech in 15 seconds. I have allowed extra time because of my intervention earlier in the debate.

Barry Gardiner: I am most grateful, Sir Nicholas. The hon. Member for Truro and St. Austell, who took 20 minutes to make his remarks, is not listening to my response; he sees more importance in turning and chatting to his friends. The pilot study in the south-west will be—

Matthew Taylor: On a point of order, Sir Nicholas.

Sir Nicholas Winterton (in the Chair): I fear that it will be a bogus point of order. I suggest that the Minister is allowed to reply. I am sure that if he has not responded fully, he will write to the hon. Gentleman.

Matthew Taylor: But I am listening.

Sir Nicholas Winterton (in the Chair): Yes, we accept that.

Barry Gardiner: The pilot study in the south-west is attacking the affordability issue on two fronts: helping households to make savings on their water bills, and increasing their income through benefits checks. The average household toilet uses about 30 per cent. of a property's water supply, and the relatively cheap installation of a toilet hippo will reduce toilet water usage by one third. Estimates based on expertise with similar energy-related schemes suggest that benefits entitlement checks can increase incomes by up to £25 a week. The hon. Gentleman actually raised those issues in his own remarks.

Sir Nicholas Winterton (in the Chair): Order. We genuinely have run out of time. I allowed a little injury time, because of the interventions earlier in the debate, and I hope that that is accepted by the Members present.

Pedicabs

1.2 pm

Mr. Mark Field (Cities of London and Westminster) (Con): The streets of the west end of London—in particular, Soho and Covent Garden—have become a dangerous free-for-all. I worry that it is a matter of when, rather than if, a serious accident—perhaps even a fatality—occurs involving one of the unlicensed rickshaws or pedicabs that have proliferated so strikingly on London's thoroughfares. That situation is not acceptable in a 21st-century global marketplace such as London.

Two facts clearly illustrate the situation with regard to unmotorised cycles for hire—pedicabs—in London. First, the pedicab industry still operates without almost any enforceable external controls over licensing, registration or traffic management. Secondly, pedicab numbers are rising very quickly indeed. The latest estimates are that within the city of Westminster alone, their numbers have risen by some 50 per cent. in the past six months.

The issue is not confined to the west end of London, and I appreciate that there are an increasing number of pedicabs in places such as Brighton. Within London, the issue is not confined to my constituency, and I suspect that my neighbours in Regent's Park and Kensington, North and in Holborn and St. Pancras have similar concerns, albeit on a different scale from mine. Tonight, it is estimated that some 500 pedicabs will be out on the streets of Westminster touting for business. Naturally, the situation will become ever more acute as spring turns into summer.

It is important to realise that many people and groups are completely opposed to pedicabs operating on our streets in any form—I shall represent their views, although I do not agree with them entirely, because I believe that pedicabs make for some of the colour of the life that we live in London—and that other people want pedicabs licensed as quickly as possible. The Licensed Taxi Drivers Association, for example, which represents about 7,000 drivers in the capital, has always been strongly opposed to pedicabs. The association claims that its opposition does not stem from a fear of competition, because pedicab rides are typically very short journeys that would otherwise be taken on foot or by bus rather than by cab. Rather, its concern stems from pedicab riders' daily infringement of traffic and parking regulations, and from seeing the real danger that pedicab passengers and riders face.

Even with a licensing regime, the LTDA claims that there is an urgent necessity—recognised by all parties, including the Government—for parking and traffic regulations to be applied to pedicabs, as they are to other licensed vehicles. The provisions to achieve that purpose were included in the London Local Authorities and Transport for London Bill, but the Government blocked them in Committee in November 2005. The LTDA has since repeatedly urged the Government to bring forward the necessary legislation as soon as possible.

On the other hand, the London Pedicab Operators Association has brought some 200 riders into its organisation, which although a welcome development, still represents a minority of operators. The LPOA encourages higher safety standards for pedicabs, but the pedicabs that passengers climb into tonight are likely to be dangerously unsafe in several ways. First, without background checks, it is perfectly feasible for criminals to operate pedicabs, which is entirely unacceptable in the operation of black cabs, for example. At least one rape has been committed by a pedicab operator, and further anecdotal evidence suggests that riders include illegal immigrants, foreign students, who ignore the terms under which they are allowed into the country by working longer hours than authorised, and others who under any sensible licensing regime would be considered unsuitable for such work and daily contact with the public. We do not tolerate such risks for licensed cab drivers or bus drivers, and we should not tolerate it for this new mode of transport.

Although the taxi drivers do not agree with me, I think that the pedicabs are here to stay. In a way, it is a mode of transport that looks to the past: all who have travelled to India and China will have seen rickshaws and pedicabs. There is a certain convenience that comes with a pedicab, and it adds to the colour and gaiety of city life here in London. They are here to stay, and we must consider the manner of their regulation. The Minister and I have discussed the issue privately, and she knows that I am instinctively wary of ever more legislation and regulation. Quite rightly, the Department believes that registration should be a last resort, but I suspect that the proliferation of pedicabs means that on road and personal safety grounds, we must give the issue much more urgent consideration.

Secondly, the pedicab does not have any safety requirements whatever, presenting a major risk to passengers and other road users. Again, such a situation simply would not be tolerated for any other mode of transport. Thirdly, without adequate powers to enforce traffic regulations, pedicabs are able to flout parking and wider traffic rules. Tonight, if one were to go from Regent street, where the pedicabs parked outside Hamleys block the bus lane, to Cambridge circus or to any west end theatre, one would see that we must urgently enforce traffic regulations on the grounds of safety and because of the duty of local authorities to manage the transport network properly.

In an operation lasting just six months in the Charing Cross area, Westminster city council's community protection team warned 124 pedicab operators for obstruction of the highway. Nine operators were subsequently arrested, and of those, seven were successfully prosecuted for wilful obstruction. The other two failed to appear in court. The highest fine paid so far has been a rather derisory £75 with £35 costs. The London Pedicab Operators Association claims to have an insurance policy that costs £275 per pedicab per annum, but I do not know whether it covers serious injury to drivers, passengers, or indeed pedestrians who are caught up in any accidents.

The Charing Cross initiative was a small-scale operation over a limited period, and because of the current dearth of legislation, it did not cover the full range of traffic offences that affect my constituency day and night. Due to the complete absence of a registration regime, it is impossible to verify how many offences pedicab riders have committed. That represents a truly dangerous gap in our knowledge. The anecdotal evidence that I have heard from people who spend their evenings in theatreland, or who are local residents of Soho or Covent Garden, suggests that the study has revealed only the tip of the iceberg.

One of the difficulties in London is the proliferation of organisations with a certain amount of responsibility, including local authorities—in this case Westminster city council and the London borough of Camden—and, to an extent, Transport for London, under the auspices of the Mayor of London. TFL has been working with the industry to develop a registration scheme, which I greatly support, and recognises the urgency with which it needs to conclude that process. That course of action has the support of the Metropolitan police, Westminster city council and the responsible pedicab operators.

I hope that the Government will use their influence to ensure that any licensing regime requires operators to undergo a full check before being allowed to work, just as with any other operator of public transport, and ensures that riders have a good working knowledge of the area in which they operate and that they are physically fit. Any regime should also ensure that vehicles are fit for purpose and not in imminent danger of toppling over, which is the case with so many older pedicabs, that fares are standardised and that operators face the same penalties as other road users in the event of their contravening traffic regulations. However, if we are genuinely serious about protecting road users and pedestrians, we urgently need to give local authorities statutory powers to enforce traffic and parking rules against contraventions by pedicabs, in accordance with any licensing regime. It has become abundantly clear over recent months that the only truly feasible way of achieving that would be to introduce primary legislation.

Westminster city council's parking attendants have no means by which to issue penalty charge notices to pedicabs, despite the fact that any recent visitor to the west end cannot have failed to notice the pedicabs blocking roads, junctions and bus lanes, undermining emergency access to streets and pavements as a result, and generally making an already challenging transport network that much more difficult for pedestrians and other road users. I am sure that the Minister would be happy to come to the west end—unlike the Under-Secretary of State for Environment, Food and Rural Affairs, who was perhaps not terribly inclined to go down to the west country—and see for herself what Westminster city council is doing on the ground to ensure that the unlicensed hazard of pedicabs is kept to an absolute minimum.

I hope the Minister will do two things in responding to this debate, both of which would make a huge difference to residents, businesses, visitors and, importantly, tourists, who will be flooding into central London in the weeks and months ahead as summer arrives. I should like her to undertake that she will do everything that she can to ensure that a licensing regime is introduced for pedicabs as soon as possible. I should also like her to impress upon TFL the importance of its current work to introduce a licensing regime and to include the detail that passengers and other road users are currently subject to far too many risks every night.

Furthermore, I would be grateful if the Minister were to undertake that the Government will introduce primary legislation that will allow local authorities to use their traffic enforcement powers against pedicabs, just as they do against other vehicles. The Department for Transport has previously assured us that primary legislation already exists to bring pedicabs into line with other vehicles in law. However, the search for that legislation has proved fruitless and local authorities' hands have remained tied.

In the past, the Department for Transport has suggested that once the licensing regime was in place, local authorities could issue traffic management orders to enforce the rules on pedicabs. That is not really a workable solution, because a TMO to ban pedicabs from using the pavement, for example, would mean Westminster city council being obliged to erect large signs all over the city of Westminster, as it is required to do when enforcing such a TMO. That would lead to a bureaucratic nightmare and would not be a solution to the problem of pedicabs, given the relatively small locality in which it exists.

It would not be overstating the case to say that we are not far off experiencing our first fatality involving pedicabs. I hope that the Department for Transport will bear that in mind as it prepares any new legislation. With the Olympics approaching, we cannot allow this dangerous situation to continue. We cannot seek to manage London's transport network with so little knowledge about the vehicles on our roads, not least because of the problems with gridlock.

Let me summarise the situation as it is. Westminster city council wants to improve the experience of going out in the west end. That is understandable and in all our interests, given the importance of tourism as a major driver of imports and central London's role in that regard, which cannot be overstated. Safe transport is a major part of that offer. London's increasing numbers of unlicensed pedicabs represent a threat to the safety of passengers and the reputation of London. It is extremely difficult for traffic authorities in London to enforce parking and moving vehicle traffic rules against contraventions by pedicabs, given the current lack of any registration and licensing regime, and the absence of powers to allow highways authorities to issue fines to drivers.

TFL intends to introduce a full licensing regime for pedicabs following its consultation process, and I welcome that co-operation going forward. However, new legislative provisions are needed to allow the current enforcement regimes for parking and moving traffic contraventions to include pedicabs, too. Those provisions will be required to enable the proper regulation of pedicabs as they conduct their business, and to ensure that they are subject to the same safety regulations that apply to other road users.

Amendments were tabled to the Road Safety Act 2006 during its passage in the previous Session, and supported my hon. Friend the Member for Ilford, North (Mr. Scott). They were resisted by the Department for Transport, on the grounds that alternative legislative routes might be available. Similar objections were made to my amendments to the Greater London Authority Bill. However, I hope that the Minister will find the opportunity in the very near future to improve the safety of pedicabs, and therefore to enhance and protect the reputation of the west end as a showcase for London.

1.16 pm

The Parliamentary Under-Secretary of State for Transport (Gillian Merron): I congratulate the hon. Member for Cities of London and Westminster (Mr. Field) on securing this debate on an issue of concern to many people who are interested in transport

[Gillian Merron]

safety, and in the very essence of our capital city, in which we have much pride, and its development.

Let me begin by saying that the Government believe that pedicabs have a role to play in transport provision, provided that they are properly regulated and managed. In that respect, I was glad to meet my hon. Friend the Member for Regent's Park and Kensington, North (Ms Buck) and the hon. Gentleman, as well as interested parties, to discuss how we can sensibly accept that point and move forward. A number of people, including the hon. Gentleman and me, welcome pedicabs as an addition to the diversity of city life, particularly in our tourist areas, but I also know only too well that not everybody takes that view. For example, as the hon. Gentleman said, many taxi drivers would prefer pedicabs to be banned from London's streets altogether.

The issue, as I see it, has always been about how to achieve proper regulation in the public interest and how to ensure safety. The issue specific to London is that there is currently no system of pedicab regulation in the capital. A proper system of regulation in London is both necessary and desirable. On that basis, I very much welcome the steps being taken by Transport for London, as the taxi licensing authority in London, to put in place measures to bring pedicabs into its existing taxi licensing regime. That is essentially a matter for TFL to take forward.

Once achieved, licensing will provide a means of exercising comprehensive but appropriate control over pedicabs in London. That will include dealing with important questions to do with safety and standards, about which the hon. Gentleman is rightly concerned. Licensing will also involve defining areas of operation, as well as the vetting, listing and identification of pedicabs, their operators and their riders, and of course the use of Criminal Records Bureau checks. Licensing will deal with the enforcement of those standards and rules, to ensure that the services offered are reliable and safe.

The hon. Gentleman referred to what he described as the Government blocking the inclusion of relevant provisions in the London Local Authorities and Transport for London Bill, in 2005. I assure the Chamber that that was not the case. Those provisions were removed by the Committee considering that private Bill after taking account of the views expressed to them, including those of pedicab operators and the taxi trade. Our view was that the weak registration system that the provisions proposed for pedicabs was an inadequate response to the safety and regulatory concerns about pedicabs, and that only a full, enforceable licensing system of the sort that TFL now proposes would provide the right answer.

Last year, TFL carried out a public consultation on its proposals. It set out in full how the organisation proposes to tackle all aspects of regulation. It is now for TFL to take the matter forward in light of responses to that consultation. In so doing, I am sure that it will take full account of the views of pedicab operators and others on the principle and details of its proposals.

I understand that TFL is now working on the necessary amendments to the London cab order to facilitate the licensing of pedicabs. It is seeking the right balance between regulation and control, and the particular needs and circumstances of the pedicab industry. I also understand that TFL is in the process of securing the necessary clarification from the courts. That would reverse a previous decision that prevented pedicabs from being classified as taxis for the purposes of the legislation.

Securing that clarification is one of the main reasons why the introduction of licensing has taken more time than all sides would have hoped. The matter remains before the courts, and the hon. Gentleman will understand that I cannot speculate on the likely outcome of the court's deliberations, although I can say that TFL, having considered all aspects of the issue, remains confident of a successful outcome.

It is important to make early progress, but it is also important to get the detail of the new licensing arrangements right. On that basis, I welcome TFL's proposal to initiate discussions with the representatives of the pedicab trade about the trade's proposal for a voluntary licensing scheme, ahead of the resolution of the remaining legal issues. TFL is hopeful that a voluntary scheme, if that proves possible, could become the basis for the enforceable licensing scheme that it is trying to achieve. The Government share TFL's hopes and ambitions in that respect.

I recognise that without a satisfactory enforcement regime, licensing will not help local authorities achieve suitable regulation in the public interest and ensure protection. The regulations to enforce the Traffic Management Act 2004 will enable enforcement action to be taken against any vehicle that contravenes local traffic regulation orders about parking, bus lanes and issues such as banned turns, pedestrian zones and one-way streets. I do not share the hon. Gentleman's view that further primary legislation is required. It is incumbent on us all not to seek extra legislation unless it is required. As soon as a robust licensing system is in place and keeper information is available, local authorities can take action against pedicabs that break those traffic management orders.

I listened closely to the hon. Gentleman. He raised the question of pedicabs parking on the pavement. Once again, I do not believe that primary legislation is the way forward. To be effective, decisions about what vehicles should have the right to park and where can only, in practice, be taken by local authorities. That is why they have been given the power to make traffic management orders. Instead of attempting to introduce unnecessary primary legislation, local authorities should use the powers that they have been given, and that they wanted, to ban the inappropriate parking of pedicabs on the pavement so that there is no illegal parking to cause difficulty for pedicab passengers and the general public.

Mr. Mark Field: Our concern about traffic management orders is that allowing one local authority to have particular rules and another to have different ones—or, indeed, none at all—often means that the problem is simply displaced. It could also lead to a very confused system among adjacent local authorities. Obviously, I am considering the London context, but the same could apply beyond the boundaries of the capital. The local authorities concerned feel that although having the discretion to make traffic management orders provides a potential opportunity, it is relatively unworkable. Relying simply on it rather than on the primary legislation route could be a bureaucratic nightmare.

Gillian Merron: Clearly, local solutions are necessary to meet local conditions, and such decisions should be made at the local level. Although I take the point about adjacent local authorities, particularly in respect of London, there is nothing to stop local authorities from co-operating on such issues; indeed, I would encourage them to do so. However, they might be the first to complain if we took away local decision making and put it elsewhere.

The hon. Gentleman expressed concern that a ban introduced by a traffic management order would have to be indicated by traffic signs on the street. Restrictions should be clearly signed for all concerned. One of the most frequent concerns expressed by road users is that traffic signs are not clear about what restrictions are in place, so restrictions are broken inadvertently. Information should always be widely available in the appropriate form, through traffic signs or other means, so that everybody can abide by them. We are seeking to prevent the problem, rather than cure it afterwards.

As I have stressed, our objective is to support TFL and the London boroughs so that they are in a position to ensure safety and secure the proper regulation of pedicabs in the public interest. We are preparing regulations that will enable local authorities to ensure that all vehicles, including pedicabs, comply with traffic regulations. We will continue to work closely with TFL and its partners to find a satisfactory outcome.

Power Generation (River Severn)

1.27 pm

Steve Webb (Northavon) (LD): Good afternoon, Sir Nicholas.

The timing of this debate could not be more appropriate and I am grateful for the opportunity to raise the issue of generation in its broadest sense from the River Severn. I deliberately did not call the debate "The Severn Barrage" or "Fifteen things you didn't know about tidal lagoons". The idea behind the debate is that there seems to be an overwhelming case for making far more use of the River Severn's tidal power and I urge the Government to take a lead on the idea.

The timing of the debate is significant for two reasons; the Minister will be familiar with one, but not the other. The Minister knows that an energy White Paper is due imminently. I hope that the ink on it is not quite dry and that my representations even at this late stage will encourage him to ensure that a serious, publicly funded appraisal of the options, benefits and costs of different forms of power generation from the Severn becomes an important feature of that document. That is one of the principal reasons why I have sought this debate now.

The second reason, of which the Minister may not be aware, why the timing of this debate is particularly appropriate is that I have just extensively consulted my constituents. I e-mailed several thousand of them to ask their views on whether they support in principle a Severn barrage. I posed it in that way not because I have a closed mind on the issue—I do not, as will become apparent—but because if I had simply asked whether we should get more power from the Severn, I was in danger of getting results such as those of newspaper phone-in polls, in which 100 per cent. answer yes and no one answers no. I did not think that that would be very helpful.

I specifically asked whether my constituents supported a Severn barrage in principle. In their ever-creative manner, they responded yes but added in their comments that they did not mean a barrage, but something slightly different. I had to interpret the results carefully. However, I received more than 1,500 replies—unique answers—from my constituents. The majority were in favour of the principle. I should explain that I asked the question as neutrally as a politician ever can. I provided internet links to the arguments in favour and against. For example, my initial question contained links to the Royal Society for the Protection of Birds site, the World Wild Fund for Nature and so on. Those who wished to do so had the opportunity to read both sides of the argument before coming to their judgment, and a majority of six to one in my constituency supported the principle of a barrage although, as I say, the nuanced replies were slightly more complex.

What was interesting was the variety of people who supported the principle. Constituents who are pro-nuclear thought that a barrage or a tidal power scheme was a good thing just as much as those who are anti-nuclear. We have the interesting position of being a constituency with a coast along the Severn and a nuclear power station, so there is a lot of local interest in energy matters. As I say, being pro-tidal power from the Severn does not mean that people are in any particular faction on wider aspects of the energy debate. There appeared to be a broad spectrum of local opinion.

[Steve Webb]

I have consulted my constituents on other issues, and the issue of tidal power from the Severn saw perhaps the biggest spontaneous write-in response that I have ever had. We all know that when we do surveys and so on one or two people might spontaneously fill in a blank box with an idea, but when person after person says, "Never mind that, what about tidal power from the Severn?" one starts to realise what a groundswell of support there is for the idea.

I am sure that the Minister will be familiar with the context, but I shall set it out for the record. We are talking about an estuary with the second largest tidal range in the country. Many of my constituents who, although I have reached the grand old age of 41, still regard me as a bit wet behind the ears tell me that such issues have been talked about for a very long time. Even as recently as the 1970s, the dear old Central Electricity Generating Board undertook a study. At that time, the argument was that because oil was cheap, we did not need power from the Severn.

In 1981, the Severn barrage committee considered a range of locations. One thing that one starts to discover is that there is no such thing as "the Severn barrage"; it could go in various locations. Interestingly, the committee recommended a barrage location that would not necessarily generate the maximum power. There are some interesting trade-offs between full-blown all-singing, all-dancing schemes way down the estuary that block the entire thing off, go for miles and generate huge amounts of power but probably have the maximum environmental knock-on, and a few lagoons and bays that will cause limited environmental damage but might have less potential for generating power. Part of my point in urging a fast and substantive cost-benefit analysis is that there are so many trade-offs. We can maximise the power potential, but might thereby do more environmental harm than we are willing to do.

The important thing is to come at the issue not doctrinally but independently, almost pragmatically. We should start with a blank sheet of paper—although the sheet is not blank, because it has been gone over many times before—and not commit ourselves in advance to a particular answer. The technology is evolving and the energy market is changing all the time, and we need someone to take a hard, up-to-date look.

The biggest substantive study seems to be the one undertaken at the end of the 1980s by groups including the Severn tidal power group, which came up with the idea of a 10-mile barrage stretching from Lavernock point near Cardiff to Brean down near Weston-super-Mare. To give an idea of the scale, that barrage was envisaged to provide electricity equivalent to 5 per cent. of the UK's entire electricity needs. It was costed in those days at £8 billion—we might double that number, on Olympic budgeting we might triple it. It is a familiar technology, which has been in operation at La Rance in France for 40 years, albeit on a much smaller scale. It could take eight to 10 years to construct, but could last more than a century. The technology is familiar, albeit on a larger scale than has been envisaged before.

At that time, the idea was shelved again; there seems to be almost a tidal flow to the idea. High interest rates were an issue. Since then, energy costs from other sources have risen, as has the desire for renewables and concerns about CO_2 emissions. We are in a different world. It is worth mentioning that the Royal Commission on Environmental Pollution, when considering different scenarios to reduce UK greenhouse gases by 2050, included some form of Severn tidal power in three of its four principal scenarios. This is a mainstream idea whose time has come.

Last year, in its energy review, the Minister's Department said:

> "Tidal impoundment schemes—such as barrages and lagoons—and tidal current technologies have the potential to make a significant contribution to carbon reductions."

When do we move from potential to actual? Part of the thrust of the debate is to get a steer from the Minister. Obviously I do not want him to break the embargo on his White Paper—well, I do. However, people say to me, "We've heard it all before. It has been talked about for 30 or 40 years. This is more talk, more hot air—or whatever. When are we going to get more action?"

I do not want to talk only about barrages, although they are obviously the subject that grabs the headlines. On the face of it, a barrage-type scheme has a number of attractions. Clearly, tidal power through a barrage is tremendously predictable. We know the times and scale of the tides and we know when electricity can be generated and when not. Compared with some other forms of renewable energy, it is far more predictable.

I have mentioned the substantial scale of what could be achieved and the saving of millions of tonnes of CO_2 every year, which has to be welcome. Such tidal power is clearly a secure domestic source of power and in a changing and troubled world many of us would sleep better at night—even those of us who live near the River Severn—if we knew that we were not quite so dependent on imported sources of power. It is clearly a clean source of power, as there is no issue of long-term waste disposal. One interesting idea to arise from the responses from my constituents was the suggestion that a barrage could be used as part of the transport infrastructure. It has been suggested that there could be a rail route across it. Some of my more pessimistic constituents have noted that the Severn bridge, which is in my constituency, is rusting. They feel that sooner or later it will rust away and we might need another route across. I hope that we will act sooner than that, but the potential to use a barrage as part of the transport infrastructure is important.

Flood protection will be a growing concern to coastal constituencies, and there is potential for that. The next idea is double-edged, for reasons that I will come back to, but the construction of a barrage has huge potential consequences for tourism, water sports and so on. We can see why such an idea is attractive to people.

The big reservation that people have is about what such a move would do to the environment in a special place. The Severn estuary has many environmental designations already, with more under consideration. National and international laws and obligations would, rightly, be central to any appraisal. That is why, as someone who is interested in the issue but does not claim to be an expert, I do not know whether the environmental costs would outweigh the potential benefits of the schemes. I want to see the work that has been done looked at through modern eyes, in the way in which we now consider the marine and coastal environments. That has moved on greatly since the last comparable study.

There are concerns. I know that the hon. Member for Stroud (Mr. Drew), who represents Slimbridge, is hostile to the barrage idea because he is concerned about the mud flats further up the estuary. Something on this scale cannot be done without a big impact on the ecosystem. There are arguments on both sides. Some people say that if there is less tidal flow, less sediment is disturbed, which means that the water becomes clearer, more sunlight gets through to the river bed, more life grows on the river bed and so there is more plant life, more fish life and more birds. I would not have thought of that, but that argument has been put to me. The RSPB has made an interesting observation on that point in its briefing:

"A greater abundance of more common species is not a substitute for the loss of scarcer species as well as a rare habitat that is an important resource for migrating wildlife."

Those are difficult things to weigh up if a scheme would make an area more habitable for some sorts of wildlife, but damage a habitat for others, and if there are not many similar habitats elsewhere. How do we weigh such things up? It is clear that we need to get down to specifics. Since the matter was last fully appraised, the arguments about the birds have changed. Patterns of migration have changed, as have the birds in the estuary. This is a moving feast and that is why we need up-to-date analysis.

The view is, interestingly, that the cost of an appraisal such as that which I am talking about, and the cost of getting it through the planning system is probably difficult for the private sector to bear, which comes back to the question of the Government's role. The construction and operation costs are commercially viable, certainly according to the Severn tidal power group. In other words, nobody is saying that the Government should build a barrage or other tidal scheme, but they probably must act as co-ordinator. The Welsh Assembly Government will clearly have a key interest and role in the matter; the Welsh Secretary (Mr. Hain) is a great advocate himself. An awful lot of co-ordination will have to occur. Somebody will have to take the lead, and I see the Minister, whose innate leadership skills are called on, to be the person who steps into the breach. I look forward to seeing him step into that mantle, if one can step into a mantle, in a moment.

I mentioned development. Clearly, there will be lots of jobs—somebody who replied to my e-mail survey said, "It'll be like the south coast, only cheaper," although I do not know about that—but development could easily be inappropriate as well. The estuary is an environmentally sensitive area. We do not necessarily want a raft of development alongside it. A balance must be struck. Also, development will obviously have an effect on shipping. It will depend on where in the estuary the barrage is built, but if it is below Bristol and other ports, that must be considered.

It is so easy for the debate to be dominated by the barrage. A variety of other approaches deserve active consideration. Environmental groups such as Friends of the Earth support different forms of tidal power, and I urge the Minister to ensure that they are properly appraised. I have seen Friends of the Earth appraisals that say that tidal lagoons are a better bet than a barrage, but the construction companies that might build the barrage say that their schemes are much better than lagoons, which will not make any power. I do not know. Somebody independent who knows what they are talking about must resolve the issues and give us definitive answers.

The principal alternative appears to be man-made tidal lagoons that fill and empty through turbines on the ebb and flow of the tide. Each one might have a smaller power potential, but they do less environmental damage. It is suggested that when the Oldbury power station in my constituency is decommissioned, that coastal site might be used for such a scheme. I gather that Tidal Electric, which holds the patent on tidal lagoons, is already considering options for doing that sort of thing in Swansea bay.

One of my constituents said to me, "Look, the problem is that we need base-load power generation, and tidal power is not base-load power generation." One of the interesting things about lagoons is that to some extent, they can be used to time shift—to shift the point at which the tides flow in order to change the time when electricity is generated, although the tide can be held back only for a certain length of time. People have also suggested underwater marine current turbines, which would not have to be an alternative—for example, the turbines could be combined with a barrage. It does not have to be either/or.

Where do we go next? The Sustainable Development Commission is considering UK tidal resources, including Severn tidal power, and is due to report in mid-2007. But what I fear is another report saying, "Wouldn't it be interesting?" and "This is an idea worth further investigation"—the classic academic "We need more research". When will somebody bite the bullet, drive the matter forward and try to resolve it once and for all? We need an appraisal that considers the different options—barrages, lagoons and underwater turbines in different locations—and the economic and environmental costs and benefits of each.

There is considerable cross-party support. I mentioned the Welsh Secretary; I attended a briefing recently by the Severn tidal power group at which a Welsh Labour MP was in favour, and which was hosted by a Conservative MP. My hon. Friend the Member for Bristol, West (Stephen Williams) and I have been promoting it, as has Bristol city council, and hon. Members from the area are interested in the scheme. It is not a party political issue, but one that many of us with an interest in the Severn estuary want to see furthered. The role of the Government and this Minister in particular is to be a driving force. Instead of letting it drift, let us have some real power.

Sir Nicholas Winterton (in the Chair): I call the Minister to reply to this most interesting debate.

1.44 pm

The Minister for Science and Innovation (Malcolm Wicks): It has been a very interesting debate. I had better try to maintain the interest level as best I can. There was a time when I thought that I would be destined for ever to debate social security and pensions with the hon. Member for Northavon (Steve Webb), until one day for reasons of mortality—hopefully a day far advanced—our last winter fuel payments arrived. It is not that they were not fascinating debates, but this one is also interesting. I am grateful to him for securing this debate. He obviously takes a keen interest in the matter.

[Malcolm Wicks]

I did know about the hon. Gentleman's survey, because I monitor him carefully. I do not always use satellite technology at the moment, but that will come. However, I did not realise that so many had responded to the survey. Hopefully, they were not paying £1.50 a call; I am sure that his ethics preclude that. His findings were interesting. I had better not talk about rising tides of support, because he has out-punned everyone in this debate and I shall not try to follow him. I shall set the context, however. I know that the hon. Gentleman is aware of it, but I shall do so for the record.

The energy challenges that we face were described recently in the energy review and will continue to be the main policy drivers for the energy White Paper, which will be published in May. From the start, our objective has been a better position to tackle the two major long-term challenges for UK energy policy. The first and foremost is climate change. Global carbon emissions are continuing to grow. In addressing climate change, we face arguably the biggest challenge to human civilisation—for once the speaker does not exaggerate in saying that. Secondly, we need to ensure a secure supply of clean and affordable energy, not least because, as the hon. Gentleman indicated, we now need to think of Britain's energy security and not just of energy supply. He made that point himself in his own way.

The energy review published last year set out a wide-ranging strategy for delivering our energy goals, a strategy to which low-carbon technological innovation and expansion of renewable energy are central. Since 2002, about £500 million has been committed to help develop low-carbon technologies. Building on that, the Government will increase funding substantially for low-carbon energy research and development through the new Energy Technologies Institute. That public-private sector joint venture will have up to £1 billion in funding over 10 years. We have also created a new environmental transformation fund to help support renewables and other technologies through demonstration stage and beyond.

Our main support mechanism for achieving the necessary expansion of renewables is the renewables obligation, which the Government introduced in 2002. Under the RO, renewable generation has more than doubled, with the UK joining the small band of countries to have installed 2 GW of wind energy. We want to ensure that that increase continues, and we will publish our proposals to strengthen the renewals obligation further with the energy White Paper next month.

I turn to tidal power in the Severn estuary, which I know is of great interest to both Welsh and English Members of this House. I am grateful to the hon. Gentleman for enabling us to debate the issue, albeit briefly. It may be useful for those not well acquainted with the subject to understand that there are differences between tidal barrages and the emerging tidal stream technologies being developed under the Department of Trade and Industry's technology programme. Put simply, tidal barrages are similar to the hydroelectric dams with which we are all familiar—it says here. Some of us are more familiar than others. I have certainly seen them in operation in Scotland, but I am still searching in Croydon.

Fundamentally, tidal barrages work by impounding a body of water which is then released through turbines to produce electricity. A variation is the technology known as tidal lagoons, which can be attached to the shoreline or located fully offshore but work on similar principles. Tidal stream technology, on the other hand, exploits the energy in relatively high-speed sea currents. Such devices extract energy from water flow—rather like a windmill, but under water. It is with the help of support provided under the DTI's technology programme that the UK is now well positioned as a world leader in the development of this new technology.

Martin Horwood (Cheltenham) (LD): I would like to take this opportunity to support the request of my hon. Friend the Member for Northavon (Steve Webb) for a speedy reappraisal of tidal power in the Severn estuary. I apologise to you, Sir Nicholas, for arriving a little late for the debate.

Does the Minister agree that the tidal flow technology that he describes is actually more suitable for deep-water environments—in this context, further out in the Bristol channel—and could be provided in addition to lagoon or barrage technology, whichever route we finally decide is the most environmentally beneficial?

Malcolm Wicks: I agree with the broad thrust of the hon. Gentleman's comments. In distinguishing the different forms of marine technology, I was not suggesting an alternative to a Severn barrage. I was simply giving another example showing that, given that we are an island, there are different ways of exploiting the power of the sea.

We already have a good understanding of tidal power. The UK has spent considerable sums in the past—some £20 million in all—evaluating the potential for generating electricity from tidal barrages. The UK tidal programme ran from 1978 to its completion in 1994, and was the most comprehensive ever undertaken anywhere in the world. Several schemes were studied under the programme, the largest being a Severn barrage which would have a capacity of 8,600 MW and an output of 17 TW hours a year, providing some 5 per cent. of current UK demand from a renewable source and saving some 7 million tonnes of CO_2 a year over its 120-year projected lifetime.

A Severn barrage would be one of the largest civil engineering projects in the world, and by far the largest single renewable energy generation scheme in the UK. It would involve building a 10-mile long barrage between the Severn estuary and the Bristol channel just downstream of a line between Cardiff and Weston-super-Mare, and enclosing some 140 miles of coastline. I do not have time to go into great detail, but a project on that scale clearly would be complex. It would have numerous advantages and disadvantages which we would need to appraise and discuss.

At the current estimate of £15 billion, the barrage would be expensive, and it could take as long as 12 years to build and commission once a decision was made to proceed. However, as well as providing 5 per cent. of our electricity, it could bring additional benefits such as a reduction in the likelihood of increased flood damage in the Severn region, and an estimated 35,000 jobs at the peak of construction.

A barrage would have to comply with a wide range of environmental legislation, as the hon. Member for Northavon implied. The Severn estuary is of national, European and international nature conservation

significance, and has been afforded the corresponding levels of legal protection. It is designated as a Ramsar site and is a special protection area under the EU habitats directive. The estuary comprises a series of sites of special scientific interest and is in the process of being designated as a special area of conservation.

The scale of environmental changes that would be introduced by a barrage would be very large, and, with the loss of some 65 per cent. of the inter-tidal areas, there is no doubt that it would have a major impact on Severn estuary ecosystems. I acknowledge the hon. Gentleman's point that we could argue to and fro. There are ecological benefits as well as disbenefits, and that is part of the complexity of and interest in the subject.

The energy review recognised the potential benefits of tidal power schemes but also the environmental concerns that a Severn barrage would raise. We therefore committed to a major £400,000 study, which is under way. It is being led by the Sustainable Development Commission, which is working with the DTI, the Welsh Assembly Government, the Department for Environment, Food and Rural Affairs and the South West of England Regional Development Agency.

The SDC is the Government's independent advisory body on sustainable development. One aspect of its role is to engage in understanding what members of the public and stakeholders believe is the best way to solve the problem. Given its role and expertise, and the complexity of the issues, the commission is well placed to carry out such work.

Steve Webb: Will the Minister clarify the kind of output that he expects from the SDC? Is there a danger that it will say "Yes, this is a really good idea, we must do more work"? Is there not a danger that we will get just another review? What will clinch the decision?

Malcolm Wicks: Let me continue with where we are on the study. Not only will the study consider all aspects of and options for tidal power in the Severn estuary and, more widely, the UK, but, importantly, it will help provide us with a much better understanding of the public position on the acceptability of any Severn barrage development. The SDC is undertaking a major stakeholder engagement and public consultation exercise—perhaps it could draw on the hon. Gentleman's experience—which includes a national survey and several regional public and stakeholder workshops. A final report by the commission setting out its position and advice to the Government on tidal power is expected in July. It will serve to inform any future considerations.

I hope that the hon. Gentleman will agree that that is not just another study. It is a significant exercise involving the key players—agencies in England and Wales—and, with the public consultation element, will result in an important report. I hear what he is saying about just getting on with it, and his volunteering me to head forward, with his help, with my bucket and spade. However, given the complexity and the fact that it has been quite some time since the last proper study, it is not unreasonable that we examine the issue carefully, and that the Government consider the commission's report carefully.

Once again, I am grateful to the hon. Gentleman for enabling this discussion to take place. It has been a useful contribution to the debate. The Government fully recognise the contribution that tidal energy in its different forms—including the tidal resource potential that exists in the Severn estuary—could make towards our goals. Of course, he will appreciate that I cannot comment on the detail of the forthcoming energy White Paper, but I can assure him and colleagues that tidal power, including that in the Severn, will be covered in the forthcoming White Paper.

Sir Nicholas Winterton (in the Chair): I thank hon. Members for that most interesting debate. There are advantages to being in the Chair—one can actually learn something. The House is grateful to the hon. Member for Northavon (Steve Webb) for initiating the debate and to the Minister for replying.

Question put and agreed to.

Adjourned accordingly at three minutes to Two o'clock.

Westminster Hall

Wednesday 25 April 2007

[FRANK COOK *in the Chair*]

British Waterways

[Relevant documents: The oral evidence taken before the British Waterways Sub-Committee of the Environment, Food and Rural Affairs Committee on 12th March, HC 345-iii, and on 23rd April, HC 345-v, together with an appendix to that evidence, Session 2006-07.]

Motion made, and Question proposed, That the sitting be now adjourned.—*[Mr. Cawsey.]*

Frank Cook (in the Chair): Order. I should perhaps announce at the outset that quite a number of hon. Members have written to seek permission to speak in the debate. Quite a few more have arrived who did not take the trouble to write; I do not know whether they will take the trouble to speak. For the moment, the debate is the property of the hon. Member for Lichfield (Michael Fabricant), but I appeal to everybody to keep their remarks pertinent and brief. Interventions and responses to interventions should be as concise as possible; otherwise some hon. Members might not get their turn.

9.30 am

Michael Fabricant (Lichfield) (Con): I am grateful for this opportunity to debate the effect of the cuts in the Department for Environment, Food and Rural Affairs grant to British Waterways.

Canals play an important part in the life of my constituency. I have enjoyed taking part in activities and events on them, and I am a very keen narrow boater. Last Sunday, on dry land, I walked part of the route of the Lichfield canal with fellow keen supporters of the Lichfield and Hatherton Canals Restoration Trust. I ought also to declare an interest in that I am a proud member of the Lichfield branch of the Inland Waterways Association.

To get back to the cuts, however, the background to this sorry story goes back to last summer. After British Waterways had set its annual budget for the year—a budget already diminished by more than £1 million—the then Secretary of State for Environment, Food and Rural Affairs discovered a large hole in her Department's budgets. It was a £200 million hole, which no one—including DEFRA—has been able to explain properly. It is clear that the Chancellor of the Exchequer was equally unimpressed with DEFRA, because he refused to bail it out using the Treasury's contingency reserve.

The various lamentable ministerial explanations of how the funding gap arose could be the subject of an entirely different debate—a point that my hon. Friends have frequently made. Suffice it to say that the gap has had an enormous impact on everyone but the very people who created it, one of whom, to her immense surprise, was not sacked by the Prime Minister for incompetence when she was suddenly called to see him, but was instead promoted to Foreign Secretary.

British Waterways woke up last summer to discover that, as a result of the hole in DEFRA's budget, it had to make cuts year in, year out, in a totally unplanned manner. It is not good enough for the Minister to say, as I am sure he will later in the debate, that British Waterways was already restructuring. All bodies are always looking at ways to save money. Yes, British Waterways would certainly have made some changes and probably some redundancies. The difference is that they would have been planned and properly constructed, not handed down from on high to be delivered within the same financial year. They would certainly not have been worked out on the back of an envelope, as these cuts apparently have been.

The exact size of the cut that was imposed has been much disputed. The Minister's oft-repeated line implies that it is just a few million pounds. Only last Monday, the Minister gave evidence to a Sub-Committee of the Environment, Food and Rural Affairs Committee on that very subject. I shall return to that topic, but it is worth noting that he made an extraordinary announcement, which implied that the British Waterways board was deliberately misleading the Government. I know that British Waterways was told to make the cuts and to plan to spend up to 95 per cent. of its revised budget. It is a sign of the success of the anti-DEFRA cuts campaign that that particular cut was quietly forgotten.

Whatever the exact figure, the impact has been massive. There were 180 job losses this month; millions of pounds of maintenance have been put back; the freight division of British Waterways has been completely dissolved, and, in the centre of canal country, two units have been merged into one, thereby taking British Waterways further away from the very people it serves in running our waterways.

Lembit Öpik (Montgomeryshire) (LD): Does the hon. Gentleman accept that there is now a question mark over some very worthy causes in the waterways network, such as the reconnection of the Montgomery canal to the rest of the network? In the long term, canals pay for themselves many times over, so in macro terms the economy is a false one.

Michael Fabricant: The hon. Gentleman is absolutely right. Not only is there a question mark over the future of some projects, but a project has actually been stopped, as I shall explain. Incidentally, I have been on the Montgomery canal and it is a beautiful route. Actual cuts have now taken place because of the incompetence of DEFRA.

Dr. Andrew Murrison (Westbury) (Con): Does my hon. Friend agree that one of the manifestations of sheer incompetence has been the increase in mooring fees on the Kennet and Avon canal? One of my constituents wrote to me to say that there has been an increase of 44 per cent. in the mooring fee for their narrow boat. Many people using the canals are not people of massive means; very often they are pensioners. What does my hon. Friend think of that? Is not the problem attributable directly to DEFRA's incompetence?

Michael Fabricant: My hon. Friend makes his point well. DEFRA's incompetence is depriving ordinary people such as pensioners and people with restricted incomes of their use of canals, and that incompetence has been repeated year after year. It is quite extraordinary.

[Michael Fabricant]

On the few occasions on which he has met with organisations involved with the waterways, and notably on Radio 5 Live, the Minister has said that the cuts were just for the one year. They were a disaster, but at least a one-off disaster. Now, however, we know that that is not the case. Indeed, the Minister is now making it clear that the likely budget increase for British Waterways will be based on the retail prices index minus 5 per cent., year after year, and might be even worse. That is my concern, because most organisations can take a one-off hit on their budgets, but the problem for British Waterways is that we now learn that the cuts will be year on year.

No similar organisation is treated in that way: financially crippled through the mistakes of others. I argue that British Waterways, the guardian and steward of 2,500 miles of linear park up and down the country—I use the word "park" advisedly—and custodian of hundreds of listed structures, several ancient monuments and 65 sites of special scientific interest, is a national institution that should be cherished.

Mr. Roger Williams (Brecon and Radnorshire) (LD): Ongoing cuts will have a terrible effect on maintenance of existing canals. The Environment, Food and Rural Affairs Committee was told only recently that certain businesses will not operate in future. On the Monmouthshire and Brecon canal there have already been two breaches that have put the canal out of action for a few months.

Michael Fabricant: The hon. Gentleman is absolutely right, and he must have read my speech, because I shall come to that subject.

Mr. Ian Liddell-Grainger (Bridgwater) (Con): The Bridgwater and Taunton canal has enormous problems because the lock gates that would connect it with the sea cannot be used, and the status of the maintenance programme has completely removed any chance of it ever being opened up. Does my hon. Friend agree that the Minister is now likely to cut such canals on the basis that they have no practical use and exist only for aesthetic reasons? Does he agree that that is utterly wrong?

Michael Fabricant: It is indeed wrong, and I hope that the Minister feels ashamed of himself. He has spent most of the debate grinning from ear to ear, but he has nothing to grin about.

More than 200 million visits are made to the waterways each year, and that number is growing. The waterways constitute a national linear park and some might say that they should be treated as such. Some argue that they should be a national park, while others argue that they should receive UNESCO world heritage site status. When in Washington DC recently on a private visit, I went on the Georgetown canal. Members of the excellent US National Park Service, a part of the US Government's Department of the Interior, told me how much they envy our canal system and how they had themselves been on narrow boat holidays in the UK.

When I have been on canals up and down England and Wales—I have yet to visit Scotland's canals—I have met Americans, Canadians, Australians, New Zealanders and Israelis, all of whom had come to Britain for a canal holiday. That generates useful foreign currency earnings and benefits the United Kingdom economy, as the hon. Member for Montgomeryshire (Lembit Öpik) rightly pointed out.

Andrew Stunell (Hazel Grove) (LD): Does the hon. Gentleman agree that Britain was a world leader in developing the canal system and that there are canals that are world heritage sites, such as Marple locks, an aqueduct on the Cheshire ring in my constituency?

Michael Fabricant: I absolutely agree and I can tell the hon. Gentleman that I have been through those locks as well—hard work it was, too.

Our inland waterways hit all the Government's buttons in encouraging outdoor activities and, in particular, encouraging young and old to take part in sport. They are a catalyst of inner-city and rural regeneration up and down the country. The Environment, Food and Rural Affairs Committee has been taking evidence to that effect and did so as recently as last Monday; I look forward to its conclusions. I know that for every £1 spent in regeneration around our canals, there is a payback far beyond the usual returns. I think that everyone here will agree with that—perhaps even the Minister, who has finally stopped grinning.

That effect can be seen in my own area. I am proud to say that we have the hidden jewels of the midlands canals: the disused Lichfield and Hatherton canals, abandoned by Acts of Parliament in the mid-1950s, severing the northern access to 42 miles of the Birmingham canal navigations, from which British Waterways could usefully increase its income. Closure of the Lichfield canal as a through route has put increasing pressure on passage through Fradley junction, just north of Lichfield, and also in my beautiful constituency. It has been the centre of the grand cross of England's canal system for more than 200 years. Visiting boaters in the busy tourist season can wait for many hours to go through the locks, when a short distance to the south there is a viable alternative route that is under restoration, but only through piecemeal efforts by hard-working volunteers.

I pay tribute this day to those volunteers from the Lichfield and Hatherton Canals Restoration Trust and from the Inland Waterways Association. I am a member of both organisations. I also praise Lichfield city council, which has granted a lease of land in the centre of Lichfield to enable the restoration work to continue, and Lichfield district council. There can be no doubt that opening the Lichfield and Hatherton canals would solve some of the network's acute bottlenecks and open up a whole new area for boaters and everyone else to enjoy, yet all that is now being put in jeopardy.

Mr. James Gray (North Wiltshire) (Con): My hon. Friend is right to say that one of the most important things that is put at risk because of the cuts is the links between existing canals, such as the link between the Kennet and Avon canal and the Cotswold canals, just outside my constituency, through the vital Wilts and

Berks canal. Does he agree that those links have to be put in place if boating is to carry on developing as it has done in recent years?

Michael Fabricant: We are having quite a tour of the English and Welsh canal system, but my hon. Friend is absolutely right to make that point.

British Waterways itself, in evidence to the Select Committee this year, spoke of the potential of the Hatherton canal, which is the canal that links to the Lichfield canal. The route of the Lichfield canal passes close to the centre of the cathedral city of Lichfield. The canal's restoration would not only bring colourful narrow boats, but provide a leisure amenity for residents and visitors who enjoy the relaxing waterway ambience away from unhealthy and noisy roads. Evidence of that can be seen in Daventry's decision to have a new canal cut into the very heart of the town to create a focal point for the area. Towns do not make such a decision lightly. They do so because they understand the attraction and potential of both new and old canals.

Early research to justify restoration of the Lichfield and Hatherton canals shows that there could be a boost of £6 million a year for the midlands economy. I urge British Waterways to recalculate the cost of reopening the 7-mile Lichfield canal to the extensive midlands canal network. Once complete, the restoration will deliver huge benefits to British Waterways' northern Birmingham canals by facilitating access via the Staffordshire and Worcestershire and the Coventry canals. Spin-off benefits from sympathetic modern waterway management as seen elsewhere in the country would enhance the poor post-industrial image still lingering in the midlands. We have only to look at the improved economy along the route of the restored Edinburgh to Glasgow canal system to see just that.

Mr. Richard Benyon (Newbury) (Con): Does my hon. Friend agree that the loss of the public money that has gone into these canals in recent years is also a problem? The Kennet and Avon canal had more than £20 million of lottery money, and public money has been spent through organisations such as British Waterways. A further issue is the hours and hours of volunteer time that have gone into the work. That will all go to waste if the canal has to close, as the Kennet and Avon Canal Trust is saying, because some of the lock gates are unsafe. The situation will be disastrous for so much of the economy in so many constituencies in this country.

Michael Fabricant: My hon. Friend is right. A golden opportunity is waiting to be maximised with that canal and many others, but I fear that all that is in jeopardy because of the incompetence of DEFRA Ministers, who have caused the cuts. Already, the Grantham canal is to be closed as a direct consequence of the cuts. Which canal will be next?

The ineptitude displayed by Ministers and in particular by the Minister present here today, who is responsible for waterways, is mind numbing. Our canals need proper stewardship and interest from Government. Until recently, that has been the case and the Government have invested in our canals. That is to their credit. However, the events of the past few months are swiftly unravelling that previous good work.

I am well aware that the Minister will seek to demonstrate, as he tried to do last Monday to the Environment, Food and Rural Affairs Committee, that thanks to the efficient work of British Waterways the net effects of the cuts are minimal, but that simply will not wash. A 200-year-old structure is not something that can be left to its own devices. It needs constant care and maintenance and we currently have a multi-million pound backlog requiring attention. The safety backlog has been dealt with for the time being, but there comes a time when poor maintenance leads to safety issues. We heard earlier in an intervention of a canal's banks being broken and water ingress, which, if a narrow boat had been passing through at the time, could have caused great loss of life.

Last winter saw unexpected breaches and failures leading to bills running into millions of pounds. British Waterways is expected somehow to absorb those unexpected costs, plan for the future and engage in expanding the system, yet there is no clarity from DEFRA about what the grant in aid will be in future years. That will not do.

It is time that Ministers woke up to the responsibility and reality of caring for our national treasure. If DEFRA is not prepared or able to take on that responsibility, it should be handed to a more competent Department that can provide that care—perhaps the Department for Transport. Originally, of course, canals and inland waterways were part of our transport system, and in some ways they still are. Or waterways could go to the Department for Education and Skills, as they are an invaluable tool for telling the story of our nation's history and development. Or they could go to the Department for Culture, Media and Sport, with its responsibility for tourism, sport and the heritage of our nation. Or we could even move waterways to the Department for Communities and Local Government, with its important role of regeneration. As it is, waterways are stuck with the leaden hand of DEFRA.

I hope that in his reply the Minister will dispense with the usual excuses and not bother to repeat what he said to the Sub-Committee and blame British Waterways, and that instead he will clearly state what funding will be available for British Waterways over the next five years from the Government. I and others await his reply with interest. I hope that it will be a serious reply, delivered seriously. The Minister's excuse that the success of British Waterways in its commercial ventures somehow absolves the Minister and his Department of gross incompetence will be believed by no one.

The editor of "Canal & Riverboat" magazine, in an editorial this year, said to the Minister: "For God's sake go". Today, I provide an opportunity for the Minister to redeem himself, but I am not optimistic.

Several hon. Members *rose—*

Frank Cook (in the Chair): Order. I remind hon. Members that we have 41 minutes to accommodate five Members who are seeking to catch my eye. Hon. Members should bear that in mind when making contributions and particularly, given the number of Members present, when accepting and responding to interventions.

9.49 am

Ian Stewart (Eccles) (Lab): I am pleased to have the opportunity to speak in this important debate and I congratulate the hon. Member for Lichfield (Michael Fabricant) on securing it. I was unable to attend the well attended debate on 6 December, and I should like to talk today about the waterways in the Eccles, Salford and Greater Manchester city region.

I have had dozens of written representations from constituents and friends, as well as face-to-face meetings with them, about the British Waterways budget cuts. I wrote to the Secretary of State for Environment, Food and Rural Affairs to express my opposition to the cuts proposed in October 2006 and my concern about the future of the proposed restoration of the Manchester, Bolton and Bury canal. I also supported and spoke at the "Save our Waterways" campaign protest at Castlefields in Manchester on 25 November, and I was pleased to join constituents and friends who are members of the Worsley and Eccles cruising clubs in Salford.

As hon. Members will know, waterways played a significant role in the development of Greater Manchester in the 19th and early 20th centuries. After decades of decay, the waterways, like other parts of the UK, began to blossom again after Labour came to power in 1997, and we have big plans in my area to develop them. British Waterways originally announced proposals to restore the Manchester, Bolton and Bury canal to navigable status in about 2001. The canal runs through the Salford, Bury and Bolton local authority areas to Manchester. Those three authorities immediately agreed to work in partnership with British Waterways and the Manchester, Bolton and Bury Canal Society to help to secure the resources necessary to restore the canal.

Waterside regeneration is seen as a fundamental aspect of the regeneration work in Salford. Salford city council has achieved significant successes in that respect, with the highly acclaimed redevelopment of Salford quays, which is now the home of famous landmark buildings such as the Lowry and the Imperial War museum, together with significant retail, leisure, commercial and residential properties. Planned developments at the quays continue to demonstrate the demand for waterside locations, with major new developments planned on all sites adjacent to the quays and the banks of the Manchester ship canal. Such developments include the relocation of the BBC to the heart of Salford and the visionary Salford MediaCity project.

Salford city council therefore welcomed the restoration plans for the MBB canal as a real opportunity to add several miles of waterside development potential to land in the area. Much of that land is currently scarred by industrial decline and lies derelict, neglected and underused. Restoration of the canal would bring major improvements and much needed social, environmental and economic benefits to some of the poorest wards in the country, stimulating new, redesigned sustainable communities and neighbourhoods.

Aspirations for the MBB canal have been raised in Salford, where the canal is seen as a fundamental asset in a number of existing regeneration projects. It runs through the heart of the new deal for communities area and is potentially a key component of the Chapel Street regeneration project, the urban regeneration company's plans for central Salford, the Newlands programme in the Lower Irwell valley and the regional park proposals for the Croal Irwell valley. Unlocking the canal corridor's potential is recognised as crucial to major regeneration in the area. It has been estimated that restoring the canal alone would create 6,000 jobs, lever in more than £200 million in additional investment, provide major recreation and tourist opportunities and link the urban core with the rural fringe, securing two-way benefits for all.

Even before the proposed cutbacks, British Waterways had limited funding to contribute to the proposed restoration. The main asset that it brings to the table is a highly skilled staffing resource, which can co-ordinate the programme to restore the canal, bid for match funding, design and implement engineering works and so on. However, the cutbacks could have an immediate impact on that resource. British Waterways announced about 150 job losses. Those posts have now been lost, and there is the prospect of more job losses to follow. Salford city council is very disappointed at that outcome.

There are at least three narrow boat builders in my constituency, who are naturally concerned about the impact on their businesses and employees of a reduction in funding. If people have reduced opportunities to use their boats, they are less likely to buy new or refurbished ones. Some months ago, I wrote to the Financial Secretary to the Treasury on behalf of constituents who were alarmed by the prospect of a significant increase in the cost of fuel for pleasure craft—so-called red diesel—under EU harmonisation plans. The Minister has kept me regularly updated on the Government's negotiations with the European Commission to renew our derogation from the relevant EU directive so that private pleasure craft can continue to use rebated gas oil. Sadly, the Commission did not see things as clearly as the Government, and although we fought the good fight, we lost the argument.

It has become almost trite to talk about joined-up government, but joined-up government does not always happen. If it does, however, it leads to better decision making. I therefore urge the Minister to recognise the significant role that investment in canals and waterways can play in urban regeneration and to take early action to reverse or to reduce the impact of the cuts. My local boating community has suggested that the Government consider making available to British Waterways over the next three years a small sum of £5 million to £10 million from capital rather than revenue resources to cushion the impact of revenue grant reductions. I urge the Minister to look at all the options, and I hope that British Waterways and the Government will work closely together to address the major challenges facing our waterways and to ensure that Salford's exciting development proposals can be realised.

Several hon. Members *rose—*

Frank Cook (in the Chair): There are 33 minutes remaining, and four Members bidding.

9.57 am

Dr. Richard Taylor (Wyre Forest) (Ind): I shall be brief because I have just a few points.

First, I have a good news story. It is appropriate that the hon. Member for Lichfield (Michael Fabricant) introduced the debate, because Stourport-on-Severn, which is one of the few dock towns in the country and the place where the Staffordshire and Worcestershire canal goes into the huge River Severn, has just received £3.2 million for the rejuvenation and re-flooding of the Lichfield basins. There is now water in the Lichfield basins, which, as the hon. Gentleman said, is a huge catalyst for the regeneration of the town. The money was raised from the Heritage Lottery Fund, British Waterways, Advantage West Midlands and various local, county and district councils. That is a huge benefit. The message, therefore, is that it is relatively easy to raise money for one-off, exciting regenerations.

Of course, funding must be regular because of the maintenance that is needed. A small group of officers from the all-party group on flood prevention went to see a Treasury Minister a few months ago to plead for DEFRA, the Environment Agency and all the bodies that they support to have more money. We met, of course, with completely deaf ears.

Mr. Gray: It is perhaps not surprising that those people met with deaf ears. Did the hon. Gentleman know that, at the British Waterways annual general meeting in October, Robert Lowson, who was representing DEFRA, said:

"David Miliband took the political decision not to ask the Treasury to fund the shortfall"?

Given that DEFRA did not ask the Treasury to fund the shortfall, it is hardly surprising that the all-party group was met with deaf ears.

Dr. Taylor: I thank the hon. Gentleman. I find that interesting.

To return to funding, income generation must obviously be maximised, but it is impossible to ask walkers and cyclists to pay. Should a cyclist have a licence clamped on his cycle to allow him to go along the path? We cannot do that. Obviously, any income that can be generated is a plus, but this is—I shall be extremely brief, for your pleasure, Mr. Cook—a major political issue.

Everyone knows that there is not enough money in the system to do everything. I believe that everyone supports money going to the NHS, education and the police. They agree that those are priorities. However, if half the population living within five miles of a canal were to be asked whether they would rather have regular money for its maintenance, or Trident, I think that we know what they would choose.

10 am

Sir Peter Soulsby (Leicester, South) (Lab): I congratulate the hon. Member for Lichfield (Michael Fabricant) on obtaining the third debate on this issue in Westminster Hall. I suspect that it may not be the last before the campaign is finished, but I congratulate him none the less on bringing us back here to debate this most vital issue. Hon. Members may know that I am probably not the most impartial Member when it comes to discussing matters relating to British Waterways, having formerly been its vice-chairman. However, I shall be as impartial as I can in my remarks today.

Earlier in the week, I attended, as a member, the meeting of the Environment, Food and Rural Affairs Sub-Committee to which the hon. Member for Lichfield referred. I have looked back to refresh my memory at the uncorrected evidence that the Minister gave at that Committee sitting. Of course it is on the record and hon. Members can read it, but I was and am astonished at the Minister's extraordinary attack on an organisation for which he and his Department are responsible. He slated British Waterways, he said, for not being transparent, and he repeated that accusation several times in his evidence. In effect he was saying that British Waterways had not been open and honest with him or us about its financial situation. When hon. Members examine the evidence they will see that he went into considerable detail, at some length, about the matter and his accusations.

With my background I shall not attempt to defend British Waterways here today. Frankly, I have not got a clue what it was asked for by the Minister, and what it provided him with. I am sure that it can look after itself and adequately defend itself. Nor have I the slightest interest in a spat between the Minister and an organisation for which he is responsible. I want to concentrate on what his attack signifies. From what he said and from the papers that he provided to the Committee, which included letters and notes that British Waterways had provided to other organisations, it seems clear to me—although he can clarify the matter when he replies—that he has the impression that British Waterways is somehow campaigning on the issues in question, and is campaigning on duff information.

I suggest that in attacking British Waterways the Minister appears to fail to understand the issues that we are debating. There is no need for British Waterways to organise a campaign. The reason hon. Members are here today is not that British Waterways has wound us up—it certainly has not in my case, and I am sure that that applies to other hon. Members too. We do not need British Waterways to wind us up on this issue, and nor do the thousands of people who have demonstrated on the issues and expressed their deep concerns about the future of our waterways network. They have demonstrated not because of figures or other information issued by British Waterways, but because of their fear for the future of the network. They have been protesting, as we have, because of the fundamental importance of the waterways network in our history; because the network was saved by campaigning—the work of individuals, groups and the Inland Waterways Association; and because of the importance of the network in our heritage, education and recreation today. They are concerned about its history and its potential for the future.

There is not a lot of point in the Minister's repeating to us how much money the Government have put into the waterways. He did that in response to the debate in Westminster Hall on 27 March. Focusing on the figures again entirely misses the point. No one, as the hon. Member for Lichfield generously reminded us today, is suggesting that the Government have not been generous in their support to the waterways in the past decade: they have. Nor is anyone suggesting that British Waterways has not been successful with its

[Sir Peter Soulsby]

commercial activities: it has. Nor, I respectfully suggest, is anyone saying that British Waterways did not need to revise its plan of five years ago and bring it up to date, in light of the Government's generous support. The concern is not about the figures, whether they are given by British Waterways or anyone else; the concern is about confidence in the future of the waterways. I hope that the Minister will focus on that in his reply.

We do not need a defence detailing precisely what proportion of the financial problem of the Department for Environment, Food and Rural Affairs is due to the Rural Payments Agency. We need no further explanation of the proportion that is due to other aspects of DEFRA's mismanagement of its budget. We need to know from the Minister what he will do to engage with those of us who care about the waterways, and to reassure us that the inland waterways are safe in his and DEFRA's hands. We need to know from him what he and his ministerial colleagues are doing and how they are working to find solutions and restore confidence in the future, rather than going into the minutiae of the figures that have led to the present situation and the lack of confidence.

Like the hon. Member for Lichfield, I hope that the Minister will avoid the temptation to blame others and to muddy the waters with futile disputes over figures. I hope that this time he will give us a clear indication that he understands the issues and will engage with them, not avoid them; and that he will give us a clear answer about what he is doing to respond to our concerns. We need clear answers from him about how he will restore confidence in the future of the vital inland waterways network.

10.7 am

David Tredinnick (Bosworth) (Con): I am grateful to catch your eye, Mr. Cook, and to have the chance to speak soon after the passionate speech of my hon. Friend the Member for Lichfield (Michael Fabricant). It is unusual for us to see him here in the Chamber wearing, as it were, a boater—perhaps holding one of those lovely flowered watering cans that they have on narrow boats. We usually think of him as someone who analyses polls—most recently as someone who found that in a Brown-Cameron contest the Conservative majority would be 133 and the Liberal Democrats would be down to 15, but I must not tempt you, Mr. Cook, by straying there. If, of course, we were having this debate 20 years ago, when I had the honour to enter this House, there would have been a few jokes about wets and dries. I cannot really see my hon. Friend the Member for Congleton (Ann Winterton) as anything other than a dry, but she might be described as a wet for speaking in this debate.

I shall take a leaf from the book of the hon. Member for Wyre Forest (Dr. Taylor) and make a few short points. First, DEFRA has become a byword for incompetence. We have been presented with yet another example of money that it has lost—money that has gone down the plughole. We have already had the fiasco of farmers coming to our surgeries and pleading for help with the grant that DEFRA managed to lose, and now we have problems with the canals.

Secondly, this is not all to do with tourism and unnecessary development. Real safety issues are involved. I was struck by the remarks about safety of the hon. Member for Brecon and Radnorshire (Mr. Williams). There is a major safety issue in my constituency—the Shenton embankment. Extensive repairs are required on that very important aqueduct, and if they are not done, there could be a breach, in which case the village and surrounding areas would flood. I think that my hon. Friend the Member for Lichfield referred to the possibility of a narrow boat going over the side. Those are real issues. The people who work the canals know about them, and I ask the Minister please to take note.

My third point is about the importance of the Ashby-de-la-Zouch canal, which runs through my constituency. It runs from Hinckley through Market Bosworth and up as far as Shackerstone, which is a fantastically beautiful village. There has been very important development there. The Trinity marina is a good example of the importance of waterways to tourism and development generally. There are narrow boat companies functioning there. I nearly stayed on a narrow boat for a general election—I told my wife about my idea, but we later decided that we had better stay with the chairman instead. However, opportunities exist to stay on narrow boats.

My final point is that there has been massive investment in Leicestershire, beyond my constituency, in north-west Leicestershire. Obviously, the hon. Member for North-West Leicestershire (David Taylor) could not attend today, but perhaps I can allow myself to speak for him. Some £3.5 million of county council money has been spent between Donisthorpe and Moira on a very successful development. The next stage is to connect Snarestone to Measham, which is the bit near Shackerstone up to the bit that the county council has developed. Those projects are important, but I fear that the way in which DEFRA has addressed the hole in the funding has very serious implications.

I return to my overriding point: there is a safety issue here. When the Minister rises, will he tell me what I should say to the villagers in my constituency who are looking up at a crumbling aqueduct?

Frank Cook (in the Chair): There are now 19 minutes left, and two new names enter the fray. I call Charlotte Atkins.

10.11 am

Charlotte Atkins (Staffordshire, Moorlands) (Lab): Thank you, Mr. Cook. I congratulate the hon. Member for Lichfield (Michael Fabricant) on securing the debate, which is timely because the Minister gave some very dramatic evidence to the Select Committee on Environment, Food and Rural Affairs on Monday about British Waterways. I hope that the debate will give us all a chance to clarify matters and put the record straight. I assure the Minister that I speak today not as a pawn in British Waterways' campaign to maintain its funding, but as someone who genuinely fears the impact of the cuts in its funding on my local canals—the Caldon and the Trent and Mersey.

In the debate on inland waterways in the west midlands that I secured last month, I pointed out what a success story the Government's policy towards British Waterways has been. In my constituency, I have seen regeneration funding and the matching volunteer input directed at a

project called "Destination Froghall", through which the first lock and basin of the Uttoxeter canal at Froghall have been restored. That area is now an enhanced visitor destination with access for all and walking paths, which are particularly popular because the Caldon canal runs side-by-side with the heritage steam railway through the Churnet valley. The Churnet valley railway is not only a tourist attraction—only last Saturday, I enjoyed a leisurely meal on the train with friends. The canal and the railway enhance the life of the community and the local economy.

A unique feature of the Caldon canal is the Beatrice Charity's trip boat, which takes children with special needs and wheelchair users into the Staffordshire moorlands countryside to places that they would never otherwise have the opportunity to experience. It is a wonderful charity that widens the horizons of our most vulnerable children, and it would be devastating if it had to close because of problems on the canal.

The British Waterways' funding cuts are short-sighted given that there is still so much more potential for investment in our canal network. British Waterways already has a much expanded network to look after because of the excellent restoration work. In Leek, the Caldon canal corridor feasibility study has set out the potential for the restoration, extension and development of the Leek arm of the canal into the edge of the town. There are also plans to bring the Uttoxeter canal back to life by opening a 13-mile stretch from Froghall in my constituency to the wharf in Uttoxeter. Leek, Froghall and Uttoxeter would all benefit hugely from such a development, as would the whole of the moorlands.

Rural areas, like urban areas, need such regeneration to boost their local economies. However, all that requires real partnership, which the Government wholly support, involving heritage organisations, councils, British Waterways, the Environment Agency and bands of enthusiastic local volunteers. Such volunteers kept the canals alive during the dark days before the Government's generous funding. The Caldon was reopened in 1974 only because of the dedication and hard work of local volunteers. We do not want to go back to those days of dereliction—I am sure that we will not do so—but it is vital that the Minister is not complacent about the current situation.

Last month, I gave just two examples of where urgent action is required to maintain waterways structures where money has not been forthcoming, and we have heard more on that today. The examples that I gave were the Netherton tunnel near Dudley, where two towpaths were closed, and the Tividale aqueduct, which is a grade II listed, double-span aqueduct whose stone arch parapets are falling down. Those examples are in addition to the essential, but delayed, local repairs on the Hazelhurst aqueduct and its embankment, and on the Long Butts bridge on the Caldon between Baddeley Green and Norton Green. Will the Minister give me an update on all that? I raised those issues last month, but, sadly, although the Minister sensibly diverted from his prepared speech, he did not have time to address them. I hope that he will do so today. I also raised some more general and fundamental points, and I hope that he is now, nearly one month on, in a position to answer them.

The 2004 DEFRA review of British Waterways recommended a contract between the Government and British Waterways to ensure that it would be able to predict its funding and therefore to plan the efficient—I emphasise the word "efficient"—use of its money. A contract would ensure that in-year cuts were not imposed and would allow British Waterways to plan with certainty. Surely that should be a basic requirement of any proper partnership between the Government and British Waterways if we are to get the best possible outcome for our local communities. What has happened to that contract? Will the Government be making a contract in the near future?

I am very concerned that British Waterways' central freight unit has been disbanded, given that water freight could help the Government to achieve their key environmental objectives by cutting carbon emissions. With the responsibility for freight now passing to hard-pressed British Waterways regional offices, it will not be as high a priority. When did the Minister last meet his Department of Trade and Industry colleagues to discuss the carriage of water-borne freight, what conclusions did they reach and what action will they now take?

With the comprehensive spending review coming in the autumn, has the Minister had the opportunity to talk to the Treasury about waterways funding? We have heard that no application was made to the Treasury for additional funding. Has he discussed British Waterways' long-term funding with it? I was disturbed to hear that the Minister said on Monday that British Waterways had not been entirely transparent about its funding. If that is the case, will the Minister assure me that he will do all in his power to provide the EFRA Committee with all the information that it needs to get to the bottom of the figures? Will he fully co-operate with the Committee and provide a full audit trail of all the available information on British Waterways' funding and the projections for the future?

I have full confidence in the Select Committee inquiry into waterways that is being chaired by my hon. Friend the Member for Stroud (Mr. Drew). I am sure that the Committee will get to the bottom of the issues that have been raised in the debate, if all parties are fully involved and transparent in their evidence. I urge the Minister and British Waterways to do all they can to assist the Committee.

Frank Cook (in the Chair): There are 11 minutes remaining and two bidders left. I call James Gray.

10.19 am

Mr. James Gray (North Wiltshire) (Con): Thank you, Mr. Cook. I shall speak very briefly, given the short time that is left. I am glad to have the opportunity to take part in what has been a good cross-party debate. It is interesting that not one Labour Member so far has spoken in favour of what the Government have done. We are all in opposition today with the single exception of the Minister.

Charlotte Atkins: Will the hon. Gentleman give way?

Mr. Gray: If I have wrongly quoted the hon. Lady, she will forgive me, I know.

Charlotte Atkins: I praised the Government for their extensive investment in British Waterways, which has created a renaissance of a whole network.

Mr. Gray: I am grateful to the hon. Lady for having told me the interesting fact that she is strongly in favour of what the Government are doing. They are making cuts of about £60 million in DEFRA's funding for the waterways, which will result in the closure of canals.

Charlotte Atkins: Will the hon. Gentleman give way?

Mr. Gray: No, I am afraid that I shall not.

I do not speak as a member of the Environment, Food and Rural Affairs Committee, but I shall carefully examine what the Minister said to its Sub-Committee Chairman, the hon. Member for Stroud (Mr. Drew), when matters return to the main Committee, as the debate will be interesting. Nor do I necessarily speak in favour of the Wilts and Berks canal, although it is close to my heart as it runs through my constituency. We seek matching funding with regard to the Cricklade country park, which is a vital constituency issue that will come up shortly.

I am more concerned about a general policy matter that has been brought to my attention; is British Waterways or are the Government to blame for this situation? I again draw the attention of hon. Members to a matter that I raised in an intervention. It has been reported to me that last October, at the British Waterways board's annual general meeting, Robert Lowson, who I understand was representing DEFRA at the meeting, said:

"David Miliband took the political decision not to ask the Treasury to fund the shortfall".

He was talking about the shortfall that came about as a result of the downfall of the Rural Payments Agency.

If the Minister is to answer this debate properly, rather than giving us a lot of stuff about how marvellous the Government have been in respect of the waterways, he must answer the central charge: did DEFRA ask the Treasury for special funding to cover the shortfall in the RPA? That is what we did at the time of the bovine spongiform encephalopathy crisis—we got contingency funding from the Treasury, which paid extra money because of the cost of BSE. We need to know just one thing from the Minister—he may want to reply to this in a moment, because I am keen to let others take part in the debate. Did the £62.5 million shortfall in waterways funding and the catastrophic results that we face, which we have all discussed, come about because the Secretary of State took the political decision—the DEFRA spokesman whom I mentioned used the expression "political decision"—not to ask the Treasury for extra funding?

The Parliamentary Under-Secretary of State for Environment, Food and Rural Affairs (Barry Gardiner): I am happy to try to answer the hon. Gentleman—I have given this answer in previous debates, as he would have known had he cared to read the record. Of the total of £200 million in-year pressures that DEFRA was facing, the amount relating to the RPA was £23 million, which represents slightly more than 11 per cent. of the total. The comparison that he just made about calling on the Treasury reserve was inappropriate. Ministers in the Department rightly took the decision that the situation should be managed within the Department's own budget and that an approach to the Treasury should not be made. I stress to the hon. Gentleman that of the £200 million pressure on the Department, only 11 per cent. related to the RPA.

Mr. Gray: I am most grateful to the Minister for his clarification, because we now have it in straightforward *Hansard* terms: DEFRA and its Secretary of State took the view that they would not ask the Treasury for emergency funding. The Secretary of State decided to take the hit himself within DEFRA. That is now plain, so we know that the cuts in British Waterways' funding do not result from action taken by Her Majesty's Government, the Prime Minister or the Chancellor; they result from a particular personal decision taken by the Secretary of State, who is represented in this Chamber by his Minister.

When the Minister stands up, he must answer the accusation that he and his Department, rather than the Government, British Waterways or anyone else, took the decisions that will lead to the terrible cuts that we have been hearing about this morning. I look forward to hearing him try to defend his position.

Frank Cook (in the Chair): There are now seven minutes remaining.

10.23 am

Mr. Martyn Jones (Clwyd, South) (Lab): I congratulate the hon. Member for Lichfield (Michael Fabricant) on raising this subject, because many of my constituents are concerned about it. The Llangollen canal runs through my constituency, and I suspect that he might have been on it—I am sure that he has been over the Pontcysyllte aqueduct, which is like flying over the Dee valley.

I want to make two points. As I am sure the hon. Gentleman is aware, the aqueduct is up for UNESCO consideration for world heritage status. I am concerned that cuts in the funding of British Waterways will have an effect on the bid, because it might appear as if the Government are not concerned about it. That would be a grave mistake.

Secondly, and possibly more importantly for the tourism potential in my area and for the tourism revenue that we are obtaining at the moment, should two breaches in the canals in Wales occur within a short time of each other, miles of canals might be put out of commission for a long time. That is a grave concern for the users of the canal in my area. I hope that the Minister takes both those points on board.

10.25 am

Lorely Burt (Solihull) (LD): I congratulate the hon. Member for Lichfield (Michael Fabricant) on securing the debate. As fellow west midlands Members of Parliament, we share an admiration for the way in which enthusiasts have played such a vital part in regenerating our inland waterways and in all the regeneration and tourism benefits that that has produced. That is particularly true in the west midlands. Today feels like groundhog day because on 27 March the hon. Member for Staffordshire, Moorlands (Charlotte Atkins) rightly secured a similar debate. I am delighted that we again have the opportunity to discuss this important

issue. The hon. Member for Lichfield has brought out some salient points, to which I hope to make reference.

The exact size of the cuts has been debated. I understand that they are in the region of £7.5 million this year, and up to £60 million over the next five years. Hon. Members have also discussed the incompetence of the Department for Environment, Food and Rural Affairs and the £200 million fine resulting from the mishandling of grants to farmers. That has been attributed to overspend on preparations for avian flu and to Treasury changes to the accounting rules, although I do not think that it matters what caused the problems. We must work together to ensure that the impact is kept to a minimum.

It is important to pay tribute to other organisations. Several hon. Members have referred to British Waterways, heritage funds and lottery funds. In the west midlands, Advantage West Midlands has rowed in—I hope that I may use that expression—with a £400,000 grant to increase access to and awareness of the waterways, and to enhance visitor moorings and amenities.

Everyone is working together to try to minimise the blow, but the situation is worrying because the Environment Agency has lost £25 million this year alone and the jobs of 180 British Waterways workers have been lost. All that pales into insignificance when one considers the effect that the situation will have had on all the volunteers. The staff are vital, but they could never begin to cover the amount of work that needs to be done to maintain our waterways were it not for the wonderful and sterling work done by enthusiasts. They do the less exciting jobs day in, day out and year in, year out.

The effects of the cuts are disproportionate to the amount involved. My hon. Friend the Member for Montgomeryshire (Lembit Öpik) remarked that the cuts are a false economy because rubbish and weeds are clogging up the canals, making them not only less attractive but less popular and, most importantly, less safe. There is a £119 million maintenance backlog, and many fear that a number of canals are in danger of closing.

Our waterways are such an important asset. People can use them for green holidays—that at a time when we are being encouraged to reduce our carbon footprint. I cannot think of a greener way to spend a holiday other than to take a cycling holiday, and even cycling holidays can be carried out using our waterways. Three hundred million people a year visit our waterways, not only boaters, but people who like to walk and cyclists, and that gives rise to regeneration in pubs, hotels and so on.

We should not forget that canals also carry water. In fact, half of Bristol's water supply is carried along the canal network, so it is important. In addition, an important meeting was held recently on the opportunities of exploiting freight.

The Minister will probably quote the document, "Unlocking the Potential—a New Future for British Waterways", which the Government published in 1999 and which refers to £70 million of investment in waterways. It would be churlish not to acknowledge that the Government have poured a large amount of investment into the waterways. However, there is an underspend. Arguments about whether that is due to Government incompetence, changes to Treasury accounting rules or other factors are irrelevant. We need to work out how to deal with the problem now.

Will the Minister comment on something that I read when preparing for this debate: that DEFRA has underspent its budget by £747 million since it was formed five years ago? I quote that figure because it puts the cuts into perspective. In a spirit of helpfulness, I suggest that it would be possible to fund the immediate shortfall out of a contingencies budget and allow British Waterways to plan for future cuts. The hon. Members for Staffordshire, Moorlands and for Lichfield alluded to in-year cuts, and that is perhaps the unkindest cut of all because British Waterways has not been given the opportunity to plan for it. Will the Minister discuss with his colleagues a way to row back on the decision and give British Waterways and the canal trusts, which care so much about our inland waterways, the chance to minimise the blow and to plan for the future?

10.33 am

Bill Wiggin (Leominster) (Con): It is a pleasure to have you counting us down this morning, Mr. Cook.

This is the third debate on British Waterways in Westminster Hall since the in-year cuts were announced last autumn, and I warmly congratulate my hon. Friend the Member for Lichfield (Michael Fabricant) on securing it. He is a member of the Inland Waterways Association and has a long track record of supporting canals in his constituency and beyond. Like many hon. Members, he has been out there campaigning to save the waterways and their user value, which the Minister has left in jeopardy. My hon. Friend has been especially active in campaigning along the Lichfield canal and at Fradley junction.

Yet again, the strength of feeling among hon. Members today is of concern for the future of our waterways, and we have heard excellent speeches from both sides of the House, particularly from my hon. Friends. In the last debate, the Minister displayed a reluctance to deal with some of the important points that were raised and focused instead on British Waterways' projected income and how it might have been more than it expected in 2002. His performance on Monday in the Environment, Food and Rural Affairs Sub-Committee on British Waterways was something else. The Minister claimed that he had been given a series of important figures relating to British Waterways' finances only on Friday night, and had been applying "greater and greater stridency" in his approach to obtain them. If it turns out that his Department had previously been made aware of the figures by British Waterways, will he apologise?

The Minister has known about the problems facing British Waterways for many months, especially as they have been highlighted by hon. Members so prominently in debates here in Westminster Hall since the in-year cut was announced. It seems to be a rather convenient coincidence that one working day before he had to give evidence to the Sub-Committee the figures magically appeared, especially when British Waterways had been in close contact with the Minister and his officials for many months. In fact, the Minister did not

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confirm that the organisation had been in daily contact by telephone, but we know that he has met British Waterways representatives once a month for the past six months—six times in the past six months. It is extraordinary that the figures could be produced only the day before he was due to appear before the Sub-Committee.

The Minister made it clear in the Sub-Committee that he thought that there were problems with the current long-term plans and financial arrangements. In the 27 March debate, he said that DEFRA was awaiting proposals from British Waterways for a regulatory reform order to this effect. Can he provide a progress report on that reform order?

To the Sub-Committee the Minister stated that he was now aware that British Waterways has altered its arrears elimination target, but on 16 April he made no mention of the change from the December 2012 target. Why did that information come to light only last week? What is the correct figure for British Waterways' maintenance backlog? Is it the £97 million claimed by the chief executive, or the £107 million claimed by the chairman, or does the Minister have a different figure now that he has studied the figures? He told the Sub-Committee,

"well, here you have to decide whether you are going to believe the Chairman or the Chief Executive",

and then quoted those figures. When he made the in-year cut, why did he not engage in the rigorous examination of British Waterways' financial situation, business plan and modelling, which he now claims he is doing, and why was that not done before, when the accounts were signed off?

In a written answer the Minister stated:

"As a matter of good financial management, DEFRA keeps its budgets and spending under regular review and challenge".—[*Official Report*, 7 November 2006; Vol. 451, c. 1068W.]

Given the difficulties he claimed to have had in obtaining figures from British Waterways, does he think that DEFRA's previous reviews and challenges of British Waterways were not sufficient? It is no good him saying that it is about British Waterways having more money than it expected in 2002.

Why did it take the Minister so long to get the figures that he needed? He seemed to imply that British Waterways was being obstructive, but in the past few months there have been two Westminster Hall debates and he has also answered a number of oral and written questions. He has had plenty of opportunities to get the answers he was after.

In the Sub-Committee, the Minister was very critical of British Waterways' financial modelling and the use of its predictions of a financial settlement from DEFRA over the next five years of RPI minus five. He described that as the worst possible scenario. That modelling gives British Waterways a £55 million reduction over the next five years. Can the Minister confirm whether that will be the case; and if he cannot, can he let us know when the decision will be made, and whether the comprehensive spending review is still on track to be concluded this summer, as he has previously asserted?

Sir Nicholas Winterton (Macclesfield) (Con): I apologise for not being present for the first part of the debate. I was attending a private Bill Committee upstairs.

The Macclesfield canal, which is part of the Cheshire ring, is an important facility in my constituency. I am picking up the point that my hon. Friend has just made. A member of the Macclesfield Canal Society has indicated that the cutbacks affecting British Waterways could well undermine the massive amount of voluntary help that is available to it because that help needs some top-up from British Waterways, although the sum involved is fairly modest. Is my hon. Friend concerned about that?

Bill Wiggin: My hon. Friend always makes excellent points, and that one is no exception. Many hon. Members here today have mentioned the importance and value of the contribution that those kind and generous people make to British Waterways because they love the canals. I shall say a little more about that in my closing comments.

My hon. Friend is absolutely right, and what is more alarming is finding out the facts behind the stories that we have heard from the Government so far. In the Sub-Committee's evidence session, the Minister referred to a letter, which I think he said would take 20 minutes to read out. I just wonder whether he has given that letter to the Sub-Committee and whether it is in the public domain. I am sure that he has given it to the Sub-Committee, as he nodded helpfully. However, I do not know whether it is in the public domain; I have not been able to see it. I asked British Waterways if it would let me have a copy, but perhaps to protect its Minister, it would not pass one on to me, thus showing a degree of loyalty for which he should perhaps be grateful.

Was the Minister aware that British Waterways had already informed his Department when he accused the chairman and chief executive of deceiving him about BW's plans? If he had the information, or if he was really suspicious about being deceived, why did he not take any action against those two people? He can do so. Alternatively, is it true that his Department had the information but he was simply not aware of it? I am sure that if that were the case he would not have made such strong accusations against British Waterways. He said:

"I slate them for not being transparent and saying when they found out they got it wrong."

If he knew that the information was in his Department, will he apologise? It may turn out that he got it wrong. Is it true that he does not know what is going on in either his agency or his Department, and that as a Minister he does not have the control that he should have?

The Minister's hon. Friends have suggested that he has lost control of his office, so will he apologise and get a grip? Does he recognise that the public, boat owners, canal users and taxpayers expect the Labour Government to run their Departments properly, and that when he goes to a Committee and admits that he does not know how public money is being spent, they have every right to be angry about his failure?

I must be careful not to push the Minister too far. It is far easier if my opponent is a Minister who publicly

admits that he has lost control of his job and then gives evidence to a Committee to prove it. I suspect that that is why people will vote Conservative on 3 May.

10.42 am

The Parliamentary Under-Secretary of State for Environment, Food and Rural Affairs (Barry Gardiner): I congratulate the hon. Member for Lichfield (Michael Fabricant) on securing the debate. I am aware of his long-standing interest in our waterways, and of the particular importance of the Lichfield and Hatherton canal that runs through his constituency.

I welcome the opportunity to restate in a more accessible form my responses to the Sub-Committee of the Select Committee on Environment, Food and Rural Affairs on Monday evening. In fairness, this morning's cries of outrage from the Conservative Benches were wholly absent during the 20 years when successive Tory Administrations refused to invest in the network, turning it into a dilapidated shambles, in stark contrast with the £542 million that this Government have invested during the past decade.

However, I pay tribute to many Members for their remarks, and in particular to my hon. Friend the Member for Leicester, South (Sir Peter Soulsby), whose knowledge of the waterways network is extensive and comprehensive, and to my hon. Friend the Member for Staffordshire, Moorlands (Charlotte Atkins).

My hon. Friend the Member for Leicester, South said that it does not need BW to organise a campaign to protect the waterways, which is absolutely right. People demonstrated because they care about the future of the waterways. My hon. Friend focused us, saying that the concern is about people's confidence in the future of the waterways. That is precisely why I was not prepared to sign up to a long-term settlement with BW, as I was urged to do, until I could see clearly the way in which such a settlement would bring the network to a gradual, timetabled conclusion in steady state.

My hon. Friend the Member for Staffordshire, Moorlands asked us to conclude a long-term contract. Let me make it absolutely clear that I wish to do so, but on a clear and transparent basis where we know the required estimates of the network's remediation and maintenance programme. Unless the estimates are clearly and properly articulated, it is neither possible nor right to conclude such a long-term contract.

I recognise that my evidence to the Sub-Committee came as a surprise to many hon. Members, who now seek further information. I do not intend to prejudge the Sub-Committee's findings, but I am happy to set out my position more clearly. I put on record that the British Waterways management of our canal system has been a tremendous success. It has the ability and vision to continue to deliver public benefits, including leisure, recreation, tourism and—of paramount importance—regeneration, as many Members have said this morning. BW's record speaks for itself: its canals and rivers are in better shape than they have been for 30 or 40 years.

Following 20 long years of under-investment, BW has in the past decade turned around the fortunes of the waterways. It has a strong track record in managing the waterways and its associated assets, and it has fostered excellent relationships with local authorities and private sector partners. I want to see BW continue to build on that, using its property portfolio to increase its income in order to reduce its dependency on grants. I am confident that we have the right board, management, chairman and chief executive to do so. I had an insight into BW's effectiveness and ability to engage in partnerships when I met a range of its development partners earlier this year.

It is clear from the weight of correspondence, parliamentary questions and debates just how much concern and interest there is in the fortunes of the waterways, and I wish to ensure that BW has sufficient resources to fulfil its statutory duties. To that end, I sought greater clarity on the strategy and financial projections that BW uses to work up its maintenance programme, notably its target of 2012 to clear its statutory maintenance backlog. Any well run organisation should set itself challenging targets, but they must be realistic.

I was surprised and not a little annoyed that, despite repeated requests, I did not receive the full information until last Friday evening in the form of a letter from the chairman and a spreadsheet setting out BW's projections in 2002 against its actuals to date and its business plan for 2007-08 and 2010-11.

Sir Peter Soulsby: Will the Minister give way?

Barry Gardiner: I shall do so in a minute.

The information includes grant and commercial income, and both documents have been made available to the Sub-Committee. The table showed that by 31 March, Government grant in aid to BW was £8.8 million more than the projection in BW's 2002 plan. It also showed that despite BW's assumptions—some might say, pessimistic assumptions—about future grant levels starting next year, which it calculated on the basis of RPI minus 5 per cent. to show a £48 million loss of grant by 2012, commercial income over the same period was due to rise by some £78 million more than it forecast. That leaves a net increase in BW's projected total available income by 2012 of £30.1 million—that is, £30.1 million more than it projected in its original plan. Despite that, BW no longer believes that steady state for the network can be achieved by 2012 and has revised its maintenance assumptions.

I should in passing pay tribute to the hon. Member for Leominster (Bill Wiggin), who set out clearly some of the critical questions that need to be answered. He did not make an unreasonable speech, but here is the critical point that I should like to make in response. What we discovered on Friday evening—in fact, what I received on Monday morning, as I was on ministerial business over the weekend—was that the revised maintenance assumptions now show that 15 per cent. of the assets will still be in classes D and E by 2016, instead of only 10 per cent. of the assets being in classes D and E by 2012, as we had previously been led to believe.

In his letter, the chairman advised that a number of factors other than grant would cause the target for the elimination of the backlog by 2012 to be achieved later than anticipated. Among those was the fact that no account had been taken of the wider population of BW's assets that needed maintenance. Among those

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assets are what the chairman referred to in his letter, which I have made available to the Select Committee, as the non-principal assets. He confirmed that BW's calculations of the maintenance programme took account of the principal assets that needed maintenance, but not of the non-principal assets.

Sir Peter Soulsby: Will the Minister give way?

Bill Wiggin: Will the Minister give way?

Barry Gardiner: There is time, and I shall give way shortly.

A number of assumptions were made, not all of which have been borne out. They have meant that in BW's view the 2012 target cannot now be achieved. It gave me no joy to receive that letter, although it clearly and unequivocally set out the information that I had requested for so long. However, the letter clarified that BW had underestimated the true cost of the maintenance and upkeep of the waterways in its original projections.

The fact that BW's assumptions were wrong, however, is not the issue for me. We are talking about a highly technical, 200-year-old network and it is understandable that assumptions about the costs of maintenance can change over time. What caused me concern was that I had waited for the information for as long as I had. It should have been made available earlier, both to me and to stakeholders.

Sir Peter Soulsby: I thank the Minister for giving way, but we are again experiencing a muddying of the waters, with confusing figures that do not answer the concerns that we have expressed here and that others have expressed outside about what he is going to do to restore confidence in the future of the inland waterways. He has told us that he was surprised and annoyed that BW did not provide him with the information before last Friday, but how many times over the past six months has he met the chairman and chief executive of British Waterways to demand those figures?

Barry Gardiner: I have met the chairman and the chief executive, I have had telephone conversations and there has been correspondence between our offices. I cannot tell my hon. Friend how many times I have asked for those figures, but I assure him that on many occasions I have specifically requested the timetable and the assumptions upon which BW could move to steady state.

Sir Peter Soulsby: Will the Minister give way?

Barry Gardiner: I shall of course give way in a moment.

As my hon. Friend will appreciate, the important thing is that we have clarity about an end point, when all of us can be satisfied. I wish to move further in my remarks and to address the points that he made about what is going to happen, because that is the important issue. However, I have on many occasions asked for clarity on the timetable and on the assumptions on which steady state could be achieved. I had not, before now, received the information that 15 per cent. of the assets would still be in classes D and E by 2016.

Sir Peter Soulsby: Hon. Members will have noted that the Minister did not answer my question about how many times he had met the chairman and chief executive of British Waterways over the past six months. If the Minister's assertion that he was surprised and annoyed when he finally received the figures is to have credibility, he needs to demonstrate to us that he made some serious attempts to get those figures from British Waterways. Crucial among the actions that we might expect him to have taken would be to have met the chairman and chief executive to demand those figures.

Frank Cook (in the Chair): Briefly.

Sir Peter Soulsby: The Minister can correct me if I am wrong, but is it not the case that over the past two years he has met the chairman and chief executive on precisely two occasions?

Barry Gardiner: I am absolutely confident that I can correct my hon. Friend on that score, because I have met the chairman and chief executive on more than two occasions. However, as I have already promised the Select Committee, I shall make available a full audit trail of the requests by my Department to British Waterways, as the hon. Member for Leominster requested, so that the Sub-Committee can see for itself the requests that have been made on the matter and my insistence that there should be clarity about how the network can move to steady state.

To be clear, I have not sought to evade my hon. Friend's question at all. I have met the chief executive and the chairman of British Waterways on many occasions over the past year—not the past two years; I have not been in this post for that long—and my Department has been in correspondence with them to seek precisely the clarification that I have outlined to the Chamber today.

Bill Wiggin: Will the Minister give way?

David Tredinnick: Will the Minister give way?

Barry Gardiner: I shall press on, but I shall try to give way before the end.

Now that we have more transparency over the true cost of the upkeep, I am confident that BW and I can work together to agree a way forward that will manage the waterways in a sustainable manner, which will include gaining greater self-sufficiency. I look forward to sitting down with the chairman in the coming days to discuss the issue further, which my office has already been arranging with his. Let both sides stop belabouring the problems of the network that divide us and explore the single problem that unites us: how to construct a viable and vibrant future for this national asset.

BW has been a success story over the past 10 years. My discussions with Robin Evans and Tony Hales over past months have given me an insight into the tremendous contribution that British Waterways makes to the public good. That must now be our focus, in order to ensure that the success story that BW has been over the past 10 years continues.

David Tredinnick: My concern is about safety at Shenton, which I raised. Notwithstanding the cuts, I wonder whether the Minister might not make provision for special operations where safety is affected.

Barry Gardiner: The hon. Gentleman and others asked about specific problems in their constituencies. I am happy to write to all those who have raised specific concerns, whether they be those that my hon. Friend the Member for Staffordshire, Moorlands raised about Caldon and Netherton or those that the hon. Gentleman raised. The hon. Member for Lichfield spoke about the Grantham canal, which he said had been closed as a result of cuts. The Grantham canal is in fact a remainder waterway, part restored, but there is an active partnership to continue developing it with BW. However, I should be happy to write to him and to pursue such matters, although they are of course issues for BW's programming, and it is appropriate for BW to make priorities within the network.

Bill Wiggin: The Minister told us that 15 per cent. of assets were in classes D and E and would remain there until 2016, instead of 10 per cent. being in classes D and E by 2012. What will be the bill to shift those assets, how many of them were principal assets and is RPI minus 5 per cent. still—

Frank Cook (in the Chair): Order. We must proceed to the next topic for our consideration.

Iran (UK Policy)

11 am

Andrew Mackinlay (Thurrock) (Lab): I welcome for several reasons the opportunity to raise the issue of policy options in respect of the United Kingdom's relationship with Iran. In my view, the United Kingdom is not demonstrating a coherent strategy in our bilateral relations with Iran. Nor is it doing what I think would be appropriate—mobilising European Union opinion to deal with the issues in a way that neither appeases nor falls the other way into the danger of making a bad situation much worse. It is, after all, a dangerous world and I am talking about a dangerous region.

I am being generous in saying that at the very best the United Kingdom Government have been sending mixed messages. I am worried about that. Furthermore, I was disappointed at the official Opposition on 16 April when the Defence Secretary made his statement about the seizure of royal naval personnel in the waterways and their subsequent release. I thought that there should have been greater probing and I want to ask more questions about those events, particularly in view of the news in the past 24 hours that—I think that the phrase is "low level"—some of the inspections and boardings are being reinstated as of today.

I say that there have been mixed messages because the record shows that the Prime Minister has been pretty robust in criticising the Iranian regime as being made up of people who provide ordnance, arms and ammunition to insurgents in Iraq and elsewhere around the world. The regime is clearly exporting terror and encouraging suicide bombers in some of the terrible, tragic hotspots in its region. The Prime Minister has been fairly consistent. For example, one of his most recent utterances on the issue was made this month:

"the general picture, as I have said before, is that there are elements of the Iranian regime that are backing, financing, arming and supporting terrorism in Iraq."

My view is that with the full knowledge and consent of the Iranian regime, armaments, support and encouragement are coming from Iran to the insurgents, bringing tragedy and mayhem to the people of Iraq and elsewhere. Furthermore, our British service personnel are the victims of such weaponry.

On this matter I agree with the Prime Minister, yet some other Ministers such as the current Foreign Secretary and her predecessor, my right hon. Friend the Member for Blackburn (Mr. Straw), say different things. They did not use quite the terms used by the Prime Minister. There is great danger in that. If the United Kingdom Government are going to accuse people, that needs to be forced, reinforced and emphasised right across that Government, but we are not doing that.

I also feel that we in the United Kingdom send mixed messages—to some extent, Parliament is to blame—when we afford dignities to the so-called President of Iran and the Parliament of Iran. It never ceases to amaze me how some of my colleagues in this House who rightly go on about gender issues cannot see that half the Iranian nation were prevented from standing for the office of President on grounds of gender. Never mind their politics—they were not allowed to stand for office because they were women. This House sends delegations

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to the so-called Majlis, the Parliament of Iran, and receives Iranian delegations.

That sends all the wrong messages. It is rather hypocritical, is it not? We do not, for example, send delegations to Belarus and we do not receive delegations from that country. We do not extend any honour or dignity to President Lukashenko, but somehow we extend them when it comes to Iran. That is because, as I recognise, Iran is a bigger player and certainly provides external threats. However, if we behave in such a way to bullying, powerful people, we are, in essence, appeasing. That is happening in respect of Iran and our response to it.

Mr. John Leech (Manchester, Withington) (LD): Will the hon. Gentleman give way?

Andrew Mackinlay: I will, but only briefly. I would be grateful if hon. Members gave me a bit of scope to develop my points. I imagine that one or two others will want to catch your eye and intervene, Mr. Cook.

Mr. Leech: I thank the hon. Gentleman for giving way at this point. My only point about what he just said is that surely a show of strength against such a regime is what is needed rather than appeasement. Appeasement just gives the Iranian regime encouragement to try it on even more.

Andrew Mackinlay: The hon. Gentleman makes the point more candidly and coherently than I. I totally agree that that is the problem. Furthermore, although our Foreign Office spends a great deal of time and energy every year producing a very good report on human rights abuses, it is not strong on the extensive human rights abuses in Iran. Through our silence and inactivity, we are to some extent acquiescing in those abuses, in contrast to our response to other bad countries in which human rights abuses are extensive. Sometimes we are more heavy on those countries, simply because they are not as big a player as Iran.

Those mixed messages concern me. However, the most serious point, which concerns hon. Members with an interest in Iran from right across the political spectrum, is the fact that the United Kingdom Government, who have encouraged the European Union on this matter, try to trade with the Tehran regime. They say, "If you do not go down the road of uranium enrichment and developing an atomic weapons programme, we will continue to proscribe and ipso facto persecute"—albeit at a fairly low level—"those people in exile who try to draw attention to the human rights abuses in Iran, want to bring democracy to it and are in exile around the world."

I refer in particular to the People's Mujaheddin of Iran, or the PMOI, which was proscribed at the insistence of the British Government in their attempt to trade good will with the Tehran regime. To its credit, the PMOI took the British Government to the European Court of First Instance, I think, in December. The court found in favour of the applicants, the PMOI. When the referee blows the whistle, a person normally leaves the pitch, but the British Government are playing cat and mouse. After the court had made a judgment that the proscription of the PMOI as a terrorist organisation was wrong, the British Government persuaded the Council of Ministers to reinstate that proscription, without any basis whatever.

The court made it clear that the PMOI has never been furnished with the information on why it is still regarded as a terrorist organisation; the PMOI might otherwise have had the opportunity to rebut it. I suspect that it has not been furnished because it does not exist. That is the first thing. Secondly, when the PMOI asserted to the court that it was not engaged in terrorism, the defendants—namely the Council of Ministers, at the instigation of the British Government—again refused to rebut the claim of innocence. That state of affairs is very unsatisfactory and grossly unfair and it sends the wrong signals to Tehran.

Mr. Roger Gale (North Thanet) (Con): Is it not a fact that while seeking to appease the regime that was responsible for the abduction of British servicemen and women, Her Majesty's Government continue to proscribe the People's Mujaheddin of Iran, which is effectively the opposition to that pernicious regime? Is it not a fact that the Home Secretary and the Prime Minister have both said that the PMOI is a terrorist organisation? Will the hon. Gentleman—my hon. Friend, in this case—ask the Minister to state clearly on the record what shred of evidence the Government have to suggest that the PMOI is a terrorist organisation?

Andrew Mackinlay: Indeed. I will go further. First, I want to know what is different now from when we were in opposition, when we used to welcome the PMOI to our Labour party conference. I suspect that it went to the Conservative party conference. Secondly, we have it in black and white that the EU3 stated in November 2004 that "If Iran complies"—with the demands of the EU for it to abate and to pull back from its pursuit of developing nuclear weapons—

"we would continue to regard the MEK"—

that is, the PMOI—

"as a terrorist organisation."

That is quite shameful and disgraceful.

I hope that the Minister will reflect on that each time that his car goes to the Foreign and Commonwealth Office and he sees those people who demonstrate day after day, in vigil, joined by Members of Parliament such as me and others who are in the Chamber today, to draw attention to the fact that the British Government are behaving disgracefully by not being candid or upfront and by not adhering to the views of the European Court of First Instance.

I will buttress that argument before I move on. It is not merely those in the Chamber today who take that view, but distinguished parliamentarians across the political spectrum, including Lord Archer of Sandwell, a former Solicitor-General of a Labour Government who the Prime Minister has appointed to carry out some inquiries—so he is held in high regard, unlike me, by the Prime Minister. He is one of the Prime Minister's men, but he takes that view. So does Lord David Waddington, who was a Home Secretary under Margaret Thatcher and knows all about security, internal and external. So does Lord Fraser, a Scottish

Law Officer, and many others, including Lord Slynn, an independent but a former High Court justice. They think that the British Government are wrong in terms of justice, and in persisting in the pretence that the PMOI is a terrorist organisation.

Mr. David Amess (Southend, West) (Con): Although I agree with everything that the hon. Gentleman has said, could he share with the Chamber his view about why, given that all political parties in both Houses have supported a change in the British Government's view of the PMOI, we have all failed? Does he have any suggestion of who might possibly influence the Government to change their view?

Andrew Mackinlay: Of course, we have not heard from the Minister yet. Never mind what he might say working off the brief, we will have to read between the lines. I hope and suspect that he might be mindful of the fact that he—I do not want to embarrass him—has spoken to those people at various meetings and conferences. He is a courteous Minister, and he has done that. However, there needs to be at least a dialogue. Hon. Members should be able to take along some representatives to the Foreign Office to ask the Minister, or other Ministers, what is wrong, and what Ministers want those representatives to do to satisfy them that the PMOI is no longer a terrorist organisation, if—we are not conceding this—it ever was.

Mr. Brian Binley (Northampton, South) (Con): I congratulate the hon. Gentleman on his work in this area. It is well known, and we appreciate it. He has described the process by which the British Government have not only ignored a decision of the European Court of First Instance but actively led the fight against it. Is that purely due to ministerial incompetence, or is there more to the matter than meets the eye?

Andrew Mackinlay: There are too many Carlton-Brownes in the FO still, and too many Sir Humphreys. I look to the Ministers who will say to those folk, "I hear what you say. Now, this is what we are going to do. We are going to listen to our parliamentary colleagues."

I am anxious to move on to two points before I conclude. The first concerns events in the Shatt al-Arab waterway. In my view, on 16 April, the Defence Secretary did not satisfactorily—and the Opposition let him get away with it—answer one point. We were told that it was imperative in the interests of Iraq, the coalition and good enforcement of law that there should be boardings and inspections of craft in the location where our royal naval personnel were seized. That process stopped when they were seized. Today, we are told that it will be reinstated. I read the Defence Secretary's statement carefully, and he implied that others—presumably other coalition partners—were filling the void. I want to know to what extent that happened, on how many occasions, with what frequency and whether it was in the same location as where our royal naval personnel were seized. Has that work been going on and which country has carried it out? We were told that the Iraqis do not have a navy that has been developed to that extent, so who else has been doing that in the interim?

My second point is that we have been told in the press releases today that the inspections will be reinstated today, starting at "a low level". What does that mean? When will we be carrying them out to the same robustness and extent and in the same location as before the royal naval personnel were seized?

Patrick Mercer (Newark) (Con): Does the hon. Gentleman agree that the suspension of such operations is a signal of appalling weakness by the Government and that it aids and abets our enemies, particularly as it is a question not of suspending all operations but of asking other, apparently stronger, naval nations than us to do the job for us?

Andrew Mackinlay: I agree. I wish the official Opposition had pressed that point on 16 April. We have to provide both the Government and the Opposition in this Parliament, it would seem, and I am trying to do that this morning.

The Defence Secretary referred to operational issues in his statement and said that he would be guided by Permanent Joint Headquarters. Of course, that is right. I am not insensitive to the need for operational considerations, but there are foreign policy ramifications, one of which is that if there was a period when there were no inspections or inadequate or low-level inspections, the contraband—the stuff we are trying to stop—would have been getting through. That endangers Iraq and our personnel, and that is not satisfactory. Tehran has been emboldened, too, by its success in preventing such actions.

Mark Hunter (Cheadle) (LD): The hon. Gentleman has been very generous with his time. We are rightly concerned in this debate with UK policy options on Iran, but does he share my concern over the implicit threat of military intervention by the United States, particularly in the context of remarks by Condoleezza Rice? Does he agree that any such military intervention is likely to be entirely counterproductive and to lead only to an escalation of conflict in the middle east?

Andrew Mackinlay: I wholeheartedly agree, and I am pleased that the hon. Gentleman has prompted me on that point. Those in the Iranian resistance in exile, with whom many Members in this Chamber meet and are pleased to be associated, emphasise as good, proud, patriotic Iranians that they do not want appeasement, but they certainly do not want their country to be invaded. They believe, as I do, that there is a third way, which is to send the right signals to the Iranian regime and to have robust engagement rather than appeasement. That is precisely what we have not been doing, for the reasons that I have tried to articulate this morning—the sending of mixed messages, the failure in respect of the inspections and boarding, and so on.

No doubt the Minister will say that he does not have a lot of time, but there is one thing that he might tell us. We have been told in the past 24 hours that the Council of Ministers met yesterday and was going to increase the European sanctions against individuals, freeze additional assets and enforce a total ban on arms. Who are the additional people who will face travel bans? What additional assets will be frozen? Can we be sure that no armaments from the EU or British

[Andrew Mackinlay]

Government will go to Tehran, including chemicals such as zirconium silicate, which was diligently held up by Bulgaria on the borders? It had been exported from the United Kingdom some months ago, but was allowed to go through at the prompting of the UK.

It seems to me, and I shall leave the Minister with this thought, that it would be stark, staring bonkers to have these new sanctions—as I say, I hope that he will tell us precisely what they are and how they will be enforced—and still to send parliamentary delegations to Iran. Presumably—I ask the question—that will stop.

11.19 am

The Minister for Trade (Mr. Ian McCartney): First of all, I shall do my duty and congratulate my hon. Friend the Member for Thurrock (Andrew Mackinlay) on securing today's debate. I was genuinely hoping that we could have a serious discussion about the intricate issues involved in Iran's relationships with us and its multilateral and unilateral relationships. In his usual style, my hon. Friend has missed an opportunity to have that discussion. I will write to him on the specific questions that he asked, as I had no notice of them. As he rightly said, issues have arisen in the past few hours, and I do not want to mislead him or any other Member here. I will place a copy of the letter in the Library so that all Members can read it.

I reject totally my hon. Friend's assertions that there is no coherent strategy and that we are failing to mobilise European and wider international opinion. Nor are we sending mixed messages. I agree with him and with other hon. Members—although their comments, sadly, have been somewhat politically partisan—that we need a coherent relationship with Iran. We support those in Iran who want a democratic, accountable country that operates to international norms and does not engage internally or externally in the abuse of human rights or the encouragement of terrorism through support, financing or the provision of hardware. We want to resolve peacefully issues of the use of nuclear power for military rather than civilian purposes.

We also want to see Iran play its part effectively in the international community. It is an important country and its people are important people. It must be seen to be embraced openly by the international community. It is therefore important, despite the difficulties, that we should have a bilateral relationship with Iran and work multilaterally with the international community to deal with many of those issues, some of which my hon. Friend mentioned in his speech and some of which I shall touch on generally.

I have only a few minutes to respond to the debate. I am not using that as an excuse not to cover the waterfront of Iran, but that would be impossible do to in a few minutes. If at the end of my reply I have not covered all aspects of the debate, I shall write my hon. Friend a detailed note and, again, put a copy in the Library for hon. Members.

Iran can play a more constructive role, particularly in relation to Iraq, about which it faces increased isolation, including among its colleagues in the region. It can take action to meet human rights commitments. Although it has signed up to them, it still imprisons its own people for demanding those rights. All those issues will determine the future shape of our relationship with Iran. We are committed to diplomacy and dialogue in our engagement with Iran, but that does not prevent us and the international community from maintaining pressure about legitimate concerns.

Let me put the question of military action to bed. On 6 February this year, our Prime Minister said:

> "Nobody is preparing for military action and nobody wants military action."

On 2 February this year, US Defence Secretary Robert Gates said:

> "The President has made clear, the Secretary of State has made clear, I've made clear…we are not planning for a war with Iran."

That was followed by a statement from the Israeli Foreign Minister saying that Israel would prefer issues with Iran to be resolved through diplomatic channels. It is not helpful to continue this story. It is a red herring. It does not help our multilateral or unilateral relationships. Neither we nor the international community are preparing for war with Iran.

During the past few years, international concerns have arisen about Iran's nuclear programme. Iran's uranium enrichment and reprocessing activities were secretly developed for 20 years, and questions put for the past four years by the International Atomic Energy Agency remain unanswered. Why is Iran's military involved in a civilian programme? Why will it not explain its dealings with A.Q. Khan's network, which helped North Korea and Libya with their secret nuclear weapons programmes? Why did it experiment with polonium-210, which has no use in electricity generation but can set off nuclear explosions?

As I said, we remain committed to taking the diplomatic route in relation to Iran's nuclear ambitions. Last summer's generous proposals would give Iran everything that it needs to develop a modern civil nuclear power industry. This is where I take issue with my hon. Friend. The proposals were among a range of measures in which Britain has played its part multilaterally to promote engagement between Iran and the international community. We presented proposals that Iran could accept to resolve the issue effectively and sustain its own independent civil nuclear power industry, but it has chosen to reject that multilateral approach. We still need to work with Iran to gain active support for building, for example, new light-water power reactors, which would benefit Iran, not only technologically, but by moving it away from using nuclear power for military purposes.

On regional issues, many countries in the middle east feel threatened by Iran's increasingly malign role in Iraq, Lebanon and Palestine. They wonder how much worse it would be if the President had a nuclear arsenal. If we sit by while Iran acquires a nuclear bomb, how many other countries will try to follow suit?

It is important to recognise that the Iranian Government, uniquely, opposes a two-state solution to the Israel-Palestine conflict—a two-state solution that this Government have worked in the heart of international diplomacy to promote, develop and secure, despite difficult circumstances. Iran's President still queries the existence of the holocaust, in which 6 million lives were lost during the second world war.

Iran remains a key source of funds and arms for Lebanese Hezbollah and Palestinian Islamic Jihad, using Iranian taxpayers' money that would be better spent on providing housing, education and jobs closer to home. It is an ignominious regime that, while needing to provide 800,000 jobs each year to the talented young population from which it must secure support, spends and diverts that money to the promotion of terrorist activities. Iran is arming and funding extremists who are undermining security and stability not only in Iraq but throughout the region as a whole, and that should be ended.

I turn to human rights, which was raised by my hon. Friend in relation to the MEK or PMOI. My hon. Friend suggested that I had been meeting that organisation. I have no recollection of doing so, either as a Minister or as an individual member of the Labour party; I want to put that on the record. That does not mean that I never met somebody who belonged to it—people come up to me in their hundreds at party conferences, so I may well have done so. But I want to put on record the fact that I have never had discussions with that organisation about its activities.

Andrew Mackinlay: I am certainly not suggesting that the Minister has had meetings with PMOI members as a Minister—I do not want to cause him any unfair embarrassment. However, I think that he has met them informally, as many people have. We will look to see whether there is advice on the matter for him, but I do not want to cause him embarrassment now.

Mr. McCartney: It does not cause me embarrassment. Why should it? I just wanted to place on the record that I have not met that organisation in my professional capacity. As for whether, like many people, its members have come up to me at a party conference, that may well be the case. I do not know, but my point is that even that situation would not be meeting with them, nor have I had discussions with them.

Patrick Mercer: I am grateful to the Minister. Briefly, in the time that he has left, could he address the curious decision to suspend boarding operations and then reimpose them?

Mr. McCartney: The statement made yesterday by my right hon. Friend the Secretary of State for Defence was quite clear. It was the second occasion of setting out the processes and procedures. My hon. Friend the Member for Thurrock asked me about the operations. That was extremely unfair, although not to me.

Patrick Mercer: Why?

Mr. McCartney: First, because the Secretary of State gave an absolute commitment that an inquiry would take place and the findings would come before the House; and secondly, because he has instigated a second inquiry—the Hall inquiry—into other matters relating to the incident. We should wait for those reports, which will be available in May. Apart from that, it is critical, whether in the Gulf or any other theatre of operation, that we should be allowed the maximum ability not inadvertently to provide information to people who might want to trespass on our military operations. The military operation in the Gulf is under the direction of the United Nations as a multinational force, as hon. Members know, and nothing happening in relation to the inquiry has prevented, stopped or undermined that operation. It continues and will continue, today and beyond.

As for the lessons to be learned, my hon. Friend the Secretary of State's report will be submitted some time in May, and will be debated in the House. The Select Committees on Foreign Affairs and on Defence might want to discuss it further, and that will be a matter of their choice, but let us be absolutely clear—

11.30 am

Sitting suspended until half-past Two o'clock.

Concessionary Bus Fares

2.30 pm

Graham Stringer (Manchester, Blackley) (Lab): I am pleased to bring the issue of concessionary bus fares before hon. Members today. I believe that the proposals for free bus fares for elderly and disabled people have almost universal support. The Government are to be commended for introducing local free fares in 2006 and for extending the scheme nationwide from 2008. Someone given a pass in Newcastle will be able to use it on holiday in St. Ives. A pass that is given out anywhere in England will be valid anywhere in England, and I hope that at some future time the scheme will be extended to anywhere in the United Kingdom.

Mr. Alan Beith (Berwick-upon-Tweed) (LD): I thank the hon. Gentleman for giving way at this early point. Is there any good reason why other parts of the United Kingdom, particularly border areas, should have to wait until after 2008 for this valuable scheme?

Graham Stringer: I can think of no good reason in principle. I suspect that as I go through the details of my speech, practical problems that any Government would face in introducing such a scheme will be raised. What I really wanted to say is that the scheme is a good idea that everybody supports.

I want to use the debate to ask the Government some questions and to air some issues, so that we do not have another example of the law of unintended consequences whereby good ideas result in bad and poorly thought through outcomes. I shall not go through all the examples, but I think of the money that has gone into GP services, which has resulted in a huge increase in the number of people attending accident and emergency units at weekends. The Government did not intend that, but the initiative has resulted in extra costs at both ends and a poorer service for many of my constituents. We want to avoid another situation like that.

I hope that my hon. Friend the Minister will provide answers to some of my questions, either in her summation at the end of the debate or in writing. Her responses will help when we consider the Concessionary Bus Travel Bill on Second Reading on 14 May.

I have three areas of concern. The first is about how the Government intend to disburse the money to the 291 local authorities that will administer the scheme, because that will be difficult to do fairly under the current rules. Secondly, I have concerns about the appeals system and some of the perverse incentives in the scheme for bus companies to put up fares and increase the public subsidy. Thirdly, I have concerns about the implementation of the scheme and how it will work in detail, and I would like to ask some practical questions about whether pensioners will have the passes in their hands by 1 April 2008.

Under the 2006 scheme, which is now in operation, the Government used the normal local authority grant system to hand out support. I am sure that my hon. Friend the Member for Tyne Bridge (Mr. Clelland) will refer to the consequences in his constituency of using that formula—there were £3.5 million of cuts because the Government underestimated the number of people in the north-east who had concessionary passes. It is not very important, but there are also anomalies such as the Scilly Isles getting part of the grant even though they do not have a bus service. Furthermore, of very pound spent on the scheme a percentage goes to Scotland and Wales, so that when the Government properly say that £250 million will go into the scheme in 2008, in fact England will probably get some £212 million after the disbursements to Scotland and Wales. However, that is part of the wider debate on the Barnett formula.

What does all that mean? As I said, when the national scheme comes into effect in 2008, someone from Newcastle will be able to use their pass in St. Ives. If at that time the money is paid out under the grant scheme, things may work very well in areas where few tourists go. However, there will be much larger consequences for councils such as Blackpool, which has millions of visitors every year, as visitors from England will be able to use their passes on the local buses. The problem will affect virtually all passenger transport authority areas that have cities with shopping and tourist centres. Quite simply, the way in which the local government grant is disbursed is not subtle enough to cope with such variations. There will be winners and losers.

I have three questions on this aspect for my hon. Friend the Minister. Can she give an assurance that the subsidy for the scheme will follow the passengers and that no local authority or passenger transport executive will be underfunded? A much better principle is for the money to follow the passengers rather than be distributed to local authorities on an historical basis. Secondly, can she provide an assurance that concessionary fare schemes for children and young people will not have to be cut because of Government underfunding to local authorities or passenger transport executives for the national concessionary fares scheme for pensioners? Thirdly, can she give assurances that the introduction of the new national free scheme will not lead to withdrawal of local authority-supported bus services, thereby undermining the value of the scheme to its users? People want reassurance on those three important questions.

The second area of difficulty is appeals by operators. I know more about PTA areas than I do about other areas. When the 2006 scheme came in, there was a huge number of appeals by bus companies saying, in effect, that they were not getting the right level of subsidy, even though local concessionary fare schemes had been accepted by both sides for many years. If I understand it properly, the point of difference was that the bus companies wanted 100 per cent. repayment for every fare, whereas the PTAs and local authorities quite reasonably said that some elderly people would pay anyway, so that the bus companies' claims did not represent their real loss or the real subsidy that was required. The adjudicators seem to have taken a purist view of the matter. They awarded the bus companies in Greater Manchester £3.4 million more than was expected, and the consequence was a 70p increase in the fare for schoolchildren. I am sure that that is not what the Government wanted, but it was inevitable once the scheme had started.

That brings me to perverse incentives. If the Government are giving 100 per cent. subsidy in respect of pensioners and disabled people, there is an incentive

for a bus company to put up fares and to attract more and more pensioners on to the buses at the expense of the fare-paying public, who would be much more likely to find another way to get to their leisure activity or work if the fares went up. They might buy a car or go with a friend; however, they could also lose their job if they could not afford the fare

The easiest way in which I can illustrate that point is to ask hon. Members to imagine a virtual bus that is travelling down a radial route with 100 passengers on it—buses do not normally have that many passengers on them, but this is only an illustration. Let us imagine that half of those passengers receive concessionary fares paid by the local authority and half pay a £2 fare. If the bus company doubles the fare, it is likely to have more pensioners and fewer fare-paying passengers on the bus, which makes it easier for the bus company to make a profit.

We have monitored the decline in bus patronage since the second world war. Patronage increased when buses were deregulated, but since then it has declined. There has been an improvement in patronage in London, and in other parts of the country there has recently been improvement, but that has been caused mainly by elderly passengers and other concessionary fare users. In future, to compare like with like, how will the Government compare statistics on fare-paying passengers with the statistics that we have from the second world war? It would indeed be perverse of the Government to claim an increase of 2 or 3 per cent. a year in passengers if that was masking a real decline in fare-paying passengers and it was only pensioners and disabled people who were using public transport. We all want them to use public transport, but not at the expense of people going to work or to the shops.

The real solution is quality contracts, which I will not discuss in detail because we have had a number of debates on the subject and the Government are to introduce another Bill on it later in the year. If we had quality contracts, we could specify the concessionary fare and all fares at a particular time. That would remove the problem of perverse incentives and of appeals being decided outside the system.

I will start the next part of my speech with a series of questions because they illustrate how difficult it will be in practice to make the system work. Will the Minister guarantee that the national scheme will be secure? What measures will the Department for Transport take to minimise the dangers of fraudulent passes and applications? Will the Minister provide an assurance that pensioners will have a new nationally valid pass in their hands by 1 April 2008? That will involve the administration of more than 9 million passes by 291 authorities—a tall task. Will the Minister provide an assurance that the scheme will continue to be locally administered, so that local authorities and passenger transport executives can offer a more generous scheme if they wish? For example, they might wish to extend the hours to before half-past 9 or to extend the scheme to other categories of people.

I would like assurances on those questions because the Government have been late in providing guidance on the scheme to passenger transport authorities and local authorities. I understand that it has been issued only in the last week. I also understand that it is too late to move straight to a smartcard scheme. However, it is important that we have a consistent and coherent scheme that can be administered locally, and that local authorities understand the scheme so that they can distribute the passes to those who have been awarded one.

I will conclude with a number of questions and points. Some £250 million—less the amount that will go to Scotland—is being put aside for the scheme in 2008. I shall be grateful if the Minister explains where that figure has come from and assures us that the amount will be adequate. Judging by what I have seen in Manchester and heard from colleagues, there has been a terrific take-up of passes and a real increase in bus usage following the start of the local free pass scheme. I can only see take-up increasing by large amounts.

I know that the Minister has heard me say this on a number of occasions, but the scheme is open to abuse by bus companies. I have made the case that there are perverse incentives in the scheme, but what action can she take to stop bus companies exploiting the scheme? Their business plans relate not to obtaining extra passengers and improving public transport, but to maximising the public grant. I have previously given examples of that to the House. First Group is the main operator in my constituency—it runs a virtual monopoly. When First Group drives a bus out of the depot, half the basic costs of that bus have already been paid for by the taxpayer, which is extraordinary. First Group is withdrawing from less profitable routes and putting more pressure on the public purse for subsidised routes. Now, it is putting more pressure on fares and on the public purse. The result is higher fares and fewer passengers. Evidence to support that scenario can be found in Wales, where a national scheme is in operation. In Wales bus companies' profits and fares have gone up by more than in England, where there is not a national scheme. They have increased by 12 per cent.

How will my hon. Friend stop avaricious multinational bus companies from effectively ripping off the public sector? The profits of bus companies are increasing and so are subsidies from the public sector. In addition, deep in the statistics there is a decline in the networks of bus routes and in the number of fare-paying passengers.

Mark Hunter (Cheadle) (LD): The hon. Gentleman makes a good point about perverse incentives. Does he share my concern that one consequence of perverse incentives is that the bus companies are no longer doing enough to promote their services, timetables and concessionary fares and to provide the other aspects of a good service? In the conurbation that he and I share as Members of Parliament, there certainly seems to be a marked lack of such promotional activities.

Graham Stringer: The hon. Gentleman raises the point that I am making in a different way. The main target for bus companies in their business plans is how to increase their grant. That is the most effective way for them to get money to their bottom line. They are not looking to provide a good public service and that worries me. I am concerned that we will end up in the

[Graham Stringer]

same situation as we had with the railway companies six or seven years ago, when public expenditure on the railways was completely out of control. To deal with that situation, the Government introduced the Railways Act 2005, which got rid of the Strategic Rail Authority and provided some control over public expenditure.

I am asking for a fair grant distribution system that allows the money to go where it will be used. That is best done by having a safety net and money held back that can be paid to Blackpool, Manchester, York or wherever there are extra traveller journeys. We also need to guard public sector interests. I look forward to my hon. Friend's response to the points that I have made, whether it is given in this debate, in writing or on Second Reading of the Concessionary Bus Travel Bill. The drive behind the Bill is good and it has good ideas, so I do not want to see it ruined by a bus industry that wants to make huge profits at the expense of the public purse.

Several hon. Members *rose—*

Frank Cook (in the Chair): Order. There are 41 minutes left—40 by the time I have finished this announcement—before I call the first of the three Front Benchers. Will hon. Members please bear that in mind when making their contribution and when accepting and responding to interventions?

2.50 pm

Mr. Alan Beith (Berwick-upon-Tweed) (LD): I am glad that the hon. Member for Manchester, Blackley (Graham Stringer) has raised this subject today. He is right in commending the Government for what will be a much appreciated scheme. He is also right, however, to mention that there are some important questions about it. He has raised some of them previously and they are significant, so I hope that the Minister will give attention to them.

I want to concentrate on a particular aspect of the scheme. Virtually all my constituents have to travel out of the local authority area to get to a major shopping centre or a district hospital. Many of them also have to travel out of their area to visit their nearest local shopping centre or supermarket. Some of them even have to travel out of the local authority area to visit their GP. They will benefit greatly from the introduction of the scheme.

Many of my constituents have to change buses, which means that they immediately forfeit even discretionary help on the rest of their journey, because they have completed the journey that started in their local authority area of origin, and they board a bus in a different such area. It is a nightmare for pensioners to get help under the current system, which relies heavily on discretionary arrangements whereby one local authority agrees to provide free travel for pensioners who travel in another local authority's area. Such arrangements are limited and complicated.

For many of my pensioners, therefore, 2008 will be a delight, because all that will be swept away and they will have a national bus pass. However, that applies to only half of them. Unless the Minister acts, the other half will find April or May of next year an extremely disappointing time, because they will not benefit at all. The reason is that, when they visit their nearest city, district hospital, supermarket or in some cases their GP, they have to travel into Scotland. They will not get help unless there is interchangeability between the Scottish and English schemes. To the limited extent that they receive help at the moment it is because Berwick-upon-Tweed borough council gives some discretionary assistance for a limited number of journeys to Scotland, but not those on which one has to change buses.

If some of the financial problems described by the hon. Member for Manchester, Blackley come to pass, local authorities might find that they are unable in any way to supplement the provision of the national bus pass with discretionary arrangements. The financing of the scheme does not assume that local authorities will have to make further discretionary arrangements, but those in border areas would have to do so merely to keep the support that people have now, and they might not have the money to do that. What is needed is interchangeability between the English and Scottish bus passes—that stands out a mile.

The comments that I have made about my own constituents apply also in reverse: all those in Scotland whose nearest GP, supermarket or indeed shop is in Berwick need to be able to travel the opposite way and need to be able to benefit from the scheme. If their national card runs out, they will not be able to do so.

Tourism is a relevant issue as well. The hon. Member for Manchester, Blackley mentioned that, although in a negative sense, saying that the bus pass situation could be a problem for tourist areas. My own area is a tourist area, although not on the scale of Blackpool, where there are all those people wanting to use the trams for free. Nevertheless, there will be a problem. If tourists can travel around on the bus, in particular those who want to use the bus to go on walks, it is an attraction to our area. Many pensioners walk—let us not assume that they are all restricted in their movements. Many are keen walkers and ramblers, and would be delighted to use the scheme to arrive at one place and walk to another—down the coast, for example. A similar situation must exist in the Welsh borders as well.

Unusually among Ministers, but commendably, those dealing with the scheme have foreseen the problem—they have included powers in the legislation to enable interchangeability. However, all the replies that I have received from them have lacked any sense of urgency on the negotiation of interchangeability, and no commitment to achieve it by the time of the introduction of the national bus pass. It is vital that the national bus pass is interchangeable from the day on which it is introduced—otherwise half my constituents will say, "What use is this to us? It is not getting us to the GP, the hospital, the shopping centre, or the city." They will be extremely angry and there will be a pensioners' backlash in border areas—not just in my constituency but in the Carlisle area and in all the areas along the Welsh border. The local authorities in those areas, which provide for a certain amount of cross-border travel, will not have spare money to continue

provision if the scheme financing presents the sort of difficulties that have been referred to in the debate.

I have one simple request of the Minister, therefore, which is that I hope that she will respond today by saying, "Yes, as soon as the Bill is on the statute book and the Scottish elections are over I shall be negotiating with my Scottish and Welsh colleagues to ensure that there are interchangeable national bus passes from the date of introduction of the national bus pass scheme."

2.55 pm

Mr. Clive Betts (Sheffield, Attercliffe) (Lab): I congratulate my hon. Friend the Member for Manchester, Blackley (Graham Stringer) on securing the debate. It is timely that we recognise a successful and important Government policy initiative, although we should highlight certain potential and existing problems. I shall reinforce some of the comments made by hon. Friend, and perhaps elaborate on one or two.

I welcome the Government initiative of having local free fares for pensioners and the proposal to extend that to a national scheme next year—they are among the benefits of a Labour Government with a policy of tackling disadvantage and social exclusion. Furthermore, the scheme can be paid for because we have a Labour Government who have created a successful economy. That has produced the financial wherewithal to ensure resourcing of the scheme.

On the subject of the existing scheme, not only are there local arrangements of the type that the Government have funded in South Yorkshire, but a Labour-controlled passenger transport authority means that there is also an extended scheme operating over a greater time. Pensioners can use their free passes from 9 am—the same situation as that which applied under the old concessionary reduced fare scheme. The free fares apply to the trams as well as to the buses—that has also been agreed at local level. Furthermore, cross-border agreements with West Yorkshire mean that pensioners can travel between South Yorkshire and West Yorkshire on the free fare scheme, and on the same basis certain routes into Derbyshire can also be accessed, which is important for my constituents as my constituency abuts the border, so there is a certain amount of cross-travel.

Those are all welcome and important local extensions of the existing scheme, and I seek reassurance from the Minister that, on the move to the national scheme, the ability to have local scheme additions will remain available to local PTAs—particularly the earlier start and the extension to the tram. When the Government initially proposed the new scheme and indicated that it would apply only to buses, rather than to trams as well, I received enormous numbers of letters from constituents saying, "What are you going to do about us? We like the tram and we use it, and we want to make sure that we are not disadvantaged." That has certainly been achievable at local level in Sheffield and South Yorkshire.

I have certain worries about the scheme funding, particularly the subsidy element, and I want to emphasise the points made on that by my hon. Friend the Member for Manchester, Blackley. It cannot be a coincidence that, around the time that the Chancellor made his announcement of funded free fares for pensioners at local level a couple of years ago, First Group, the major bus company that provides services in my constituency and throughout Sheffield, managed to have three fare increases in a 12-month period.

The basis for funding and subsidising operators for the concessionary scheme is that they should be neither better nor worse off commercially as a result of the scheme. However, it just so happens that whether they are better or worse off depends on the comparison with off-peak fares, and who sets off-peak fares but the bus companies themselves? In certain circumstances, we have almost given operators the ability to write their own numbers on a cheque.

Again, it cannot be a surprise that when First comes to look at its fare increases this year, some of my constituents face double-digit increases—increases far in excess of inflation or any reasonable increases in costs that operators have. Some people have to pay those fares: they have no choice but to ride on a bus and will pay the fare anyway. Pensioners riding on the bus at times when free fares are available will not really be concerned about what the level of off-peak fare is and how much money that will cost the passenger transport executive to pay over to the operators. They will simply get on the bus because it is free, and the operators will get extra money for them, having put fares up that people do not have to pay anyway. There is something slightly wrong about that system.

Let me explain my real concern. The PTE's budget was, understandably, £18.3 million in the last financial year to pay for concessionary fares for pensioners. There was a more than 100 per cent. increase on the previous year, and we understand why—because the fares were free, rather than 40p, as they previously were. This year, however, there is a further increase of 5.66 per cent., which, given that the overall PTE budget is not expanding by the same amount, means that to fund the increase in fares that the operators are putting on at off-peak periods, which gives them an increased subsidy for the concessions for pensioners, other aspects of the PTE budget are starting to be squeezed and the ability to deliver other concessions to other groups that are in need of concessions will be affected, or the ability to fund tendered services will be squeezed out. The price of tendered services is already rising because there really is not competition for those, either.

I have supported in the past, and my hon. Friend the Minister will not be surprised to hear me again extol the benefits of, a move to quality contracts and to a franchise system for local bus services, because that is the right thing to do in order to be able to regulate the service and to deliver a real public service. It is not that I want to go back to where we were before the free-for-all was brought in by the Conservative Government. Rather, I would like to bring an element of real competition into the delivery of concessionary services.

At present, the bus operators, by being able to determine fare levels themselves, while recognising that many people who have to pay for them will have no choice but to use the buses and that no one will be put off getting on a bus if they have to pay nothing for that anyway, can almost name the increase in subsidy that they want each year, by putting off-peak fares up.

It is no surprise, either, that the price of single off-peak fares in my constituency has on average gone up more than that of weekly tickets, which are often

[Mr. Clive Betts]

bought by people who make a decision to pay for a local bus service and to get on it. That is because the local weekly ticket and the cost of it do not relate back to the subsidy for the concessions that the bus operators get. They put up those fares that will directly ensure that they have an increased subsidy at the end of the process, to compensate them for the concessionary passengers they carry.

However, as my hon. Friend the Member for Manchester, Blackley mentioned, if we moved on to a franchising basis and there were a competition for the franchises between different operators, that would cover the delivery of service not only to fare-paying passengers—people who hand money over weekly, monthly or on the bus as they undertake individual journeys. It would also be a tender and a competition to deliver the concessionary travel at the same time.

Under the arrangements in London, we do not have all this business of operators and PTEs having to sit down and argue with one another about what the real value of the concessionary travel is—what is the point at which the operator does not make a gain and does not make a loss from concessions? We do not have the issue of appeals going through and the decision being taken out of the hands of locally elected councillors or their appointed officials in the PTEs. The matter is determined by the tender that is put in for the franchise by the operators. They tender for a package of services.

I am arguing strongly that we must retain the concessionary scheme and bring in the national scheme and we must have the ability to retain, even when the national scheme is introduced, additions at local level such as we have in South Yorkshire, but we must also consider the business of how operators can be properly compensated, not overcompensated, as I believe many are at present.

When we move to transport authorities and transport executives being able at local level to decide what the best way is to run bus services in their locality, if they choose to go to quality contracts, that will mean that we have a proper element of competition in the entirety of local bus services—we do not have much now, because in most parts of Sheffield, one operator runs the services full stop. There will also be competition for the concessionary element of those services. It will stop the nonsense of operators simply putting up fares to get an increased subsidy for the concessions. It will stop all the nonsense of trying to arbitrate between the views of PTEs and of operators about what the actual and proper subsidy is. That will be a much better arrangement for the future.

I welcome what the Government have done so far. I welcome the extensions. Clearly, I would like to hear the Minister's answer to some of the problems with the national scheme in relation to the introduction of smart cards and cross-border travel that my hon. Friend the Member for Manchester, Blackley has already put to her. I also hope that we move as quickly as possible to allowing a choice in favour of quality contracts and franchising at local level, because that will mean that there is a much fairer way of reimbursing operators for the cost of the subsidy, and ensure that we get proper value for public money, which I am not sure that we are totally getting under the current arrangements.

3.6 pm

Mr. David Clelland (Tyne Bridge) (Lab): I, too, congratulate my hon. Friend the Member for Manchester, Blackley (Graham Stringer) on securing this important debate. I join my hon. Friend the Member for Sheffield, Attercliffe (Mr. Betts) in praising the Labour Government for introducing the free transport scheme for elderly and disabled people and for rolling it out nationally next year. That is not something new for many metropolitan areas and certainly not for Tyne and Wear, where we introduced a free travel scheme in the late 1970s for pensioners and disabled people. Charges had to be introduced in 1979, when the Tory Government came in, and I certainly objected to that at the time. I felt that the free scheme ought to have been protected at all costs, but unfortunately that was not done, and fares have increased ever since, so I welcome the new scheme; indeed, it has been widely welcomed in Tyne and Wear.

As has been pointed out, however, there have been unintended consequences because of the way in which the funding for the scheme has been distributed. There must be a rethink on the distribution of funds when the new national scheme comes in. It is crazy that the Isles of Scilly received a share of the money when they have no bus services at all, that Scotland and Wales received a share of the money through the Barnett formula when they have their own funded schemes anyway, and that some local authorities received more than they needed to run the scheme in their areas and others received less.

As my hon. Friend the Member for Manchester, Blackley pointed out, that cost Tyne and Wear dearly. I am referring not to the £3.5 million to which he referred, although we did have to make £3.4 million-worth of cuts. Some £2 million also had to be taken from balances, so the total cost to Tyne and Wear of introducing the scheme in the last financial year was £5.4 million. As I have said, £3.4 million of that related to cuts. There was a 25 per cent. rise in child concessionary fares to 40p, a 50 per cent. rise in the cost of teen travel tickets for 16 to 18-year-olds in further education, and the scrapping of 11 subsidised bus routes providing services where no other public transport could be provided. Those were the consequences of introducing the scheme under the formula that applied.

If the national concessionary travel scheme will be funded in the same way as it has been up to now—on the basis of population, not journeys—Nexus, which is the Tyne and Wear passenger transport executive, faces the certainty of further cuts in years ahead. It is also certain that urban Tyne and Wear will be a hotspot area in attracting greater numbers of journeys than the net journeys made by its own citizens. That is because the Metro shopping centre and the Newcastle and Gateshead cultural and other leisure attractions, which bring people into the area. In 2008, local authorities and PTEs will have to cover the costs of all concessionary journeys that start in their areas, including those of non-residents, so we will be severely disadvantaged. We would therefore like the Government to reserve funds from the national concessionary travel budget to compensate hotspot areas as they emerge.

If possible—this is a serious request to the Minister—we would also like Tyne and Wear to receive

some compensation, if not 100 per cent. compensation, for the £5.4 million that it lost last year. If we do not get it, we will start next year not on a level playing field with other PTE areas, but with a severe disadvantage, as we have to get back, if we ever can, to where we started from.

Will the Minister therefore give an assurance that the subsidy for the scheme will follow the passengers and that no local authority or PTE will be left underfunded? Will she provide an assurance that concessionary fares schemes for children and young people will not have to be cut because local authorities or PTEs have received insufficient funds for the Government's national concessionary fares scheme for pensioners? And will she reassure me that the introduction of the new national free scheme will not lead to the withdrawal of local authority-supported bus services, which would undermine the scheme's value to its users?

There is also the question of appeals by operators. PTEs and local authorities currently reimburse operators for the cost of providing free travel by means of local formulas, which are broadly based on a proportion of the off-peak fare. Operators have appealed against such reimbursement arrangements, and appeals in PTE areas alone gained operators additional revenue of about £12 million in 2006. That resulted in some PTEs having to raise fares for other groups, and fares for children in Greater Manchester had to be increased from 50p to 70p to cover the cost of appeals. A further 40 appeals are already in the pipeline for 2007.

There is a further problem. As the number of fare-paying bus passengers continues to decline, while the number of state-subsidised non-fare payers increases, there is a perverse incentive for operators to raise off-peak fares. As my hon. Friends the Members for Manchester, Blackley and for Sheffield, Attercliffe have said, the answer is the introduction of quality contracts or a franchising system, under which local authorities can have some control over fares and bus services in their areas. That would simplify the arrangements for concessionary fares and eliminate the perverse incentive to increase off-peak fares. The provision of a concessionary fares scheme would be part of the quality contract, and operators would have to build that into their overall tender price. Fare levels could also be regulated as part of the contract.

Finally, there is the question of attempting to prevent fraud when the national scheme is introduced. The Department for Transport has been slow to produce a strategy setting out how the national scheme will work, and it is already too late to have a working national smart card scheme in place for April 2008. Will the Minister guarantee that the national scheme will be secure? What measures will the Department take to minimise the dangers of fraudulent passes and applications? Will she provide an assurance that pensioners will have a new nationally valid pass in their hands by April 2008? Finally, will she provide an assurance that the scheme will continue to be locally administered so that local authorities and PTEs can offer a more generous scheme if they wish to?

3.13 pm

Mark Hunter (Cheadle) (LD): I shall be brief, Mr. Cook. I congratulate the hon. Member for Manchester, Blackley (Graham Stringer) on securing the debate, and he contributed thoughtfully on a subject that has caused considerable concern on all sides. I speak as a former member of the Greater Manchester passenger transport authority and a keen supporter of public transport, whether bus, light rail or the railway system.

As the hon. Gentleman has said, there is all-party support for free travel for pensioners after 9.30 am, and it has been a considerable success. However, he will be aware, as will the Minister, that many of us remain gravely concerned about the unintended consequences of the proposed move. I refer, of course, to the decision by bus operators in Greater Manchester, which has been mentioned, to rack up concessionary fares for children by 40 per cent., from 50p to 70p. I shall not go as far as one member of the Greater Manchester PTA, who referred to the operators as "robber barons", but I certainly understand where that comment came from. Whether or not the problem is down to the Government seriously underestimating the take-up of free fares among older people, we are certainly all aware that the situation is serious, and I look forward to the Minister perhaps giving us some idea of what the Government intend to do, or might be able to do, about it.

When the Minister responds, I encourage her to touch on the way in which the money is distributed to transport authorities. I am referring, of course, to the fact that it goes via local authorities, and we have heard of the problems that that has caused—it was certainly clear who the winners and losers were in Greater Manchester. I have no problem with Manchester, as the regional capital of the north-west, benefiting most from the proposals, but I certainly do have a problem with the fact that my borough of Stockport, as well as those of Trafford and Bolton, received nothing very much as a result of the funding formula. With those few comments, I would be grateful to hear the Minister's response to the debate.

Frank Cook (in the Chair): There are 44 minutes remaining, and I appeal to both Opposition Front-Bench speakers to take no more than a third of that time.

3.16 pm

Mr. John Leech (Manchester, Withington) (LD): I assure you that I shall take up no more than my allocated time, Mr. Cook. I, too, congratulate the hon. Member for Manchester, Blackley (Graham Stringer) on securing a debate on this important subject. As he rightly said, the measures have almost universal support across political parties and the general public.

The hon. Members for Sheffield, Attercliffe (Mr. Betts) and for Tyne Bridge (Mr. Clelland) and my hon. Friend the Member for Cheadle (Mark Hunter) all mentioned the serious issue of the potential shortfall in funding, and I shall concentrate my remarks on that. However, I also urge the Minister to respond to the concerns of my right hon. Friend the Member for Berwick-upon-Tweed (Mr. Beith) about cross-border arrangements, which are clearly important for Members with constituencies near the borders with Scotland and Wales.

In his 2006 Budget speech, the Chancellor announced that, from 1 April 2008, 11 million over-60s

[Mr. John Leech]

and disabled people in England would be entitled to free off-peak local bus travel in every area of the country, and the Concessionary Bus Travel Bill will legislate for those changes. Free bus travel will be available to those who are eligible from 9.30 in the morning until 11 at night on week days and all day at weekends and bank holidays across the whole of England. Local authorities will still be able to offer residents additional benefits, such as travel before 9.30 am, concessions on other modes of transport such as trams and tokens for use on taxis and community transport.

The Liberal Democrats welcome the proposed extension of the national fares concession, but we are concerned that the Bill as it stands simply contains enabling provisions, rather than details of how the funding mechanism will work. Questions remain over whether councils and passenger transport authorities will face any financial risk in administering the programme.

The issue is as much about how funding is distributed as it is about the total amount of funding. For example, under the earlier scheme for local free travel, which came into force on 1 April, a number of councils, including in Tyne and Wear, experienced severe financial impacts as a result of the administration of the funding distribution regime, and those problems have still not been fully resolved. The hon. Member for Tyne Bridge noted that his local PTA is about £5 million down, and any PTA or local authority would have serious problems with the cuts to services to which that might lead. The worry is that problems remain unresolved from the first time round, and the more complicated national scheme may bring even more. Council tax payers should not have to pick up the tab for a poorly managed and administered national scheme.

The present scheme is funded through the local authority block grant system, which is very crude and bears no relation to the numbers of concessionary fare bus travellers. That is why the Liberal Democrats support the inclusion in the Bill of the opportunity to introduce a smart card system, along the lines of what has been introduced in Scotland. That system would provide not only a method of buying tickets, but, more importantly, a measure of bus use. It would therefore facilitate a much better method of distributing money to operators by ensuring an accurate link to the number of passengers carried. Some local authority areas are already introducing smart cards, so it is vital that all adhere to a national standard that will make integrated ticketing and funding possible.

Unfortunately, there are potential problems with the current proposals. In areas with large numbers of visitors aged over 60, there will be additional pressures, as current funding arrangements do not take into account journeys made by visitors—only those taken by residents. Where there are high numbers of visitors, the level of bus use by the over-60s will be higher than average. If the funding formula does not reflect that, local taxpayers may pay for holidaymakers aged over 60 to use buses free. The problem is that no one really knows how many additional journeys will be created, or where.

There is a notable lack of research or data held by the Government on visitor numbers and, consequently, on the likely impact on bus use in areas more likely to be visited by the elderly. Figures on the age of visitors and on the likelihood that elderly visitors will use local bus services are not readily available. However, the raw figures on visitor numbers are a useful pointer to the areas that might experience significant increases in bus travel. For instance, London is clearly at the top of the table, but interestingly Blackpool is second and my own authority, Manchester, is in third place. It is not only seaside resorts that will feel the impact. Research needs to be done to find out the number of visitors, by age, in each local authority, their current bus use and the likelihood that those people will use bus services once they are free.

There should also be provision in the Bill for an eligible journey to be extended on to another mode of transport, where that is considered appropriate. My Liberal Democrat colleagues in the House of Lords have raised the matter of Croydon Tramlink, which for part of its journey from New Addington to Croydon is a substitute for a bus service that was withdrawn. That substitution will prove to have been very unfair, if the journeys are not included in the free scheme. Similarly, on Merseyside a number of journeys from Birkenhead to Liverpool will include a ferry journey, but at the moment such journeys will not be included in the scheme.

The original 2006 scheme received £350 million of funding, but the distribution system to councils, through the revenue support grants, has not covered costs, and some councils have lost out. Those councils have had to cut subsidised bus services, increase children's bus fares, use reserves or increase council tax to fill the funding gap between the Government grant and the actual cost of free bus travel. Serious annual shortfalls have affected, for example, Tyne and Wear, Devon county council and Bath and North East Somerset council. The extended scheme for 2008 will receive an additional £250 million in Government funding, but the Government again propose to distribute that by a revenue support grant formula.

Recently, in January, the Local Government Association regeneration and transport board discussed that serious issue of funding. It has argued for a more transparent system of distributing funds, preferably by way of a direct ring-fenced grant to local authorities that are transport authorities. It has also suggested a safety net of money top-sliced from the Government's £250 million to prevent local authorities from incurring unintended deficits and extending the fares-free concession to tram and light rail, local heavy rail, local ferry services and community transport. Unfortunately, the Government rejected all those proposals in the House of Lords Grand Committee debate.

There is a danger that unless a system is devised to ensure that each journey is paid for, some local authorities and passenger transport authorities will be short-changed. No one really knows what impact the national extension of the concessionary scheme will have on the take-up of free journeys. We do not really know how many people will decide to go on a day trip

from Manchester to Blackpool by bus, which is why it is vital that resources are directed to the areas where journeys are created. The sensible solution is a smart card system that will log every journey and allow direct payment to be made to the bus operators, ensuring that no local authority will be left out of pocket and have to make up a shortfall.

Frank Cook (in the Chair): There are 34 minutes remaining.

3.26 pm

Stephen Hammond (Wimbledon) (Con): I shall try to take well under half of that time, Mr. Cook, to give the Minister time to reply to some of the issues that have been raised today.

I confess to some surprise at this debate today, given that in less than three weeks, on 14 May, the Concessionary Bus Travel Bill will have its Second Reading. The Bill was introduced in the Lords last November and had its Third Reading there on 5 February. Everyone knows that it will guarantee concessionary off-peak travel for people aged 60 and over and disabled people on all local buses in England from 2008. It will also allow future mutual recognition of national concessionary bus passes. Like other hon. Members, I would like the Minister to tell us when that mutual recognition of passes across border areas is likely to happen. The Bill will also effectively give the Secretary of State reserve powers to alter the scheme.

All hon. Members who have spoken in the debate have pointed out that the concept of concessionary travel is supported by all parties. The key intention of the Bill, the introduction of national concessionary bus travel, certainly enjoys our support. Clearly the clauses will require fairly detailed scrutiny. As I have said, Second Reading is on 14 May, so one might wonder why this debate should be happening today. I initially thought that it might be an appeal to humour: you wait for a while and then several come along at once.

Mr. Leech: I am sorry to ruin the hon. Gentleman's joke—

Stephen Hammond: So am I—it is the only one I have got.

Mr. Leech: Nevertheless, the debate is timely, because it may give the Minister the opportunity to change her mind.

Stephen Hammond: I thank the hon. Gentleman for his contribution, but the Minister has been extremely generous in preparing for the Bill by inviting Opposition spokesmen to help to iron out several issues before it comes to the House. She has been able to answer several of the questions on which the Liberal Democrat spokesman and I sought reassurance—although that does not, as I am sure she can imagine, mean that we shall not give the Bill extensive scrutiny in Committee.

We have heard the usual comments today about bus companies. Some such comments are undoubtedly true, but there is no balance. One of the problems with the deregulated markets at the moment is that bus companies are becoming increasingly frustrated by what they see as local authorities' failings, and local authorities are increasingly frustrated by what they see as bus companies' failure to invest or to be responsive. The operators have freedom to decide where and when to run buses, but they are banned from co-ordinating with other operators. Local authorities can offer subsidised and non-commercial schemes, but there are restrictions on deals and on what they can negotiate on service levels. Of course, local authorities can invest in quality bus corridors and bus improvement schemes—I have been to see several of those. The private sector benefits from them, but several local authorities feel that they do not make a greater contribution to the public purse. However, those are not necessarily good arguments for the reintroduction of older schemes or for making the tests on quality contracts easier.

There is a lot of talk about the schemes that quality contracts might enact if the test were made easier. The schemes would be similar to those on the London bus network, but that is not the paragon of virtue that many people who live outside London's precincts believe it to be. The Government believe that the current test for quality contracts is far too exacting and that the public interest clause should be redefined to state exact circumstances. Although it is clear that voluntary partnerships continue to work and can be made to work, it is not clear, even with the revision to the test that the Minister proposes in "Putting Passengers First", whether quality contracts can ever work. They seem to take us back to the pre-1985 solution. The Minister talks about the Bill and "Putting Passengers First", but rather than trying to make quality contracts work, we want her to make voluntary and quality partnerships work.

Mr. Betts: The essence of the Government's proposals is that it should be up to transport authorities to decide locally the best way to run bus services in their areas. Surely the hon. Gentleman would not want to rule out the possibility of quality contracts being the right way in which to run services in certain areas and the passenger transport authorities in those areas having that choice.

Stephen Hammond: I merely remind the hon. Gentleman that the proposed change to quality contracts will re-enact the status quo ante. It was a former Secretary of State for Transport who said that there should be no going back to that era.

Graham Stringer: Will the hon. Gentleman give way?

Stephen Hammond: No, I have given way twice and I am mindful of your strictures, Mr. Cook. We could rehearse our Second Reading speeches and raise questions of cost, definition and reimbursement, but I intend to save much of that for Second Reading and Committee stage of the Concessionary Bus Travel Bill.

It is clear that concessionary schemes are not simply a subsidy to bus operators. As the Government have said, and as the evidence from a number of passenger

[Stephen Hepburn]

transport strategy and the transport plan, and consequently it might be worth while for us to look at the way in which inevitably among the schemes is required to meet local needs. The level of reimbursement that is offered can be impacted by local authorities on the ultimate power of veto of reimbursement rates with local authorities.

The funding of local government and of bus local concessionary travel was a matter of great concern to the Select Committee on Transport, Local Government and the Regions, and I had the honour to be a member of it. The Committee published a report on the matter, and the Government's response to it, which was published in March 2002, is relevant to the debate. Several witnesses from the bus industry, for the record, the RAC, the Local Government Association and the Passenger Transport Executive Group, have raised concerns about the fact that the Government's scheme has resulted in many of those not receiving the appropriate level of reimbursement for carrying passengers who travel free, or for the investment required to introduce new vehicles or increased frequencies as a direct result of that concessionary travel being offered.

Equally, many local authorities have complained that the mechanism for allocating Government resources to cover the cost of local concessionary bus pass travel has resulted in a likely shortfall in their local transport plans. Many have been left with difficult choices to make about how to reduce other local services in order to balance their budgets. Some local authorities, for example, Cambridgeshire county council, have even had to consider withdrawing the Government's free bus pass scheme altogether. Others have had to consider withdrawing the Government's free bus pass scheme altogether. Others have had to consider withdrawing the Government's free bus pass scheme altogether. Others have

authorities had concerns about the funding that they received from the formula grant. An extra £350 million was distributed—the figure is increasing to £367.5 million for this year—and that reflects local government's wish to have freedom and flexibility in how it spends its funding. That Government policy is generally welcomed. As I have said before, we recognise the concerns expressed about the distribution of existing and future funding, especially in respect of visitor hotspots.

I shall refer to some of the points made by hon. Members. Some of my hon. Friends, who are tremendous advocates for bus passengers in both their local areas and up and down the country, have made several points. I was asked about funding following the passenger. Funding will certainly follow where the trip originates, and it is in all our interests to ensure that funding reflects usage.

Clarification has been requested on the administration of the national concession. We have announced that, in order to give some stability, from April 2008 the national concession will be administered by local authorities and passenger transport executives, as it is at present. I also confirm that the Bill will allow local decision making to continue. Local enhancements to the national scheme may continue, and I look forward to that.

An inquiry was made as to whether the funding level is sufficient. I am confident that it is, and it includes a large contingency due to uncertainties about take-up. The positive concern is that success will put pressure on the scheme, but, as always, I would rather deal with the consequences of success, and the extra funding from this Government allows for that. It is important to state that local authorities were consulted on how we calculated the extra money, and we included them all along the way.

I move on to the card that will be used. What will people have in their hands in April 2008? That question is still subject to consultation. I assure hon. Members that we are working with local authorities and are in the process of holding a series of workshops around the country this month and next month, whereby local authorities can give their input and find out more. We are discussing all aspects of the pass design with our stakeholders, including bus operators and local authorities, and the proposals will go out for consultation before a final decision is made. We intend to negotiate framework agreements with suppliers, which authorities will be able to use, should they wish. We also recognise that issuing passes represents a new burden, and we have proposed to pay an additional grant to cover the issuing costs. We are doing everything possible to assist local authorities in delivery, and we will continue to offer advice and support beyond April 2008.

Subject to consultation, the card will be a credit-card-sized photo pass. It will bear the national logo to ensure recognition by bus drivers throughout England, and it will have space for local customisation, such as a logo, to show eligibility for local concessions. In London, the freedom pass will have a national sticker put on it as a temporary measure, because it is not practical or cost-effective to introduce a national pass there in April 2008.

Concerns about cuts in other services have been raised. Sufficient funding is going to local areas for the statutory scheme, but it is for local authorities to

[Gillian Merron]

implement affordable schemes that meet their statutory obligations. After that, they must assess local need and their overall financial priorities, and exercise freedom, flexibility and responsibility in deciding how they spend their funding.

Mr. Clelland: I hear what my hon. Friend has said about local discretion, but local discretion in Tyne and Wear before the free bus pass system was introduced was that an extra £3.4 million should be spent on local services because of the introduction of the free pass.

Gillian Merron: Perhaps it will be helpful if I turn to Tyne and Wear. I was pleased recently to have the chance to go to Newcastle for continuing discussions with Nexus about its good work to develop bus services in the area.

On Tyne and Wear, the Government accept that in such schemes there will be winners and losers. However, that is not specific to the issue of concessionary fares. Indeed, local authorities have long argued in favour of unhypothecated funding. The issue is not unique to concessionary fares. The Department for Communities and Local Government continues to talk to concerned local authorities, such as Tyne and Wear. It is in all our interests to ensure that local authorities are adequately funded to provide the statutory concession.

Mention has been made of the Isles of Scilly, particularly by my hon. Friend. I have no brief to speak specifically for the Isles of Scilly, but their eligible residents will be entitled to the national concession on the mainland, so they will need to administer passes for their residents.

On reimbursement and appeals, which a number of hon. Members have mentioned, we have acknowledged that there are some problems with the current arrangements for reimbursing operators, which are rather complex and open to too much interpretation. Appeals are time-consuming, costly and in no one's best interests. We are working closely with operators and local authorities to put in place revised and rather more efficient arrangements for the new 2008 concession. We aim to issue new guidance on reimbursement in the autumn, and I hope that hon. Members will take an interest in them.

On the general issue of appeals, it is right that bus operators should have a right to appeal. They should be reimbursed on a not-better-off, not-worse-off basis, and the Secretary of State has appointed an external, independent decision maker to determine appeals on his behalf.

On the allegations of operators putting up fares, it is worth reminding hon. Members that "Putting Passengers First" will give local authorities a role in the determination of maximum fares as and where appropriate. It is also worth reminding ourselves that the majority of bus passengers are not in receipt of concessionary fares. Bus operators must take account of the fact that putting up fares will be a deterrent to fare-paying passengers. Operators receive not the full fare charged, but an average fare, taking into account the whole range of tickets, including discounted tickets.

My hon. Friend the Member for Sheffield, Attercliffe asked specifically whether local scheme additions will remain available. The answer is yes, absolutely, and the Bill makes that provision.

On fraud prevention and the delivery of passes, smart cards contain a chip that can record data, which will be immensely helpful. They have many benefits, including the potential to reduce fraud, precise targeting of concessions, and allowing ease of travel, which is very much in line with our integrated approach and our encouragement to get people on to buses. We are actively exploring the possibility of the passes being smart cards. We propose that they should be used as smart cards in areas that have the necessary readers, but will be flashed up in areas where there are no readers. Again, in our discussions with bus operators and local authorities, the need to be pragmatic about what is possible by April 2008, with an eye to beyond, is paramount.

The right hon. Member for Berwick-upon-Tweed (Mr. Beith) mentioned the mutual recognition of concessionary passes throughout the UK, and that was raised with me when I had the pleasure of being the guest of my hon. Friend the Member for Carlisle (Mr. Martlew). I understand the point, but it is the nature of devolved Administrations to take devolved decisions. Concessionary travel on buses is indeed a devolved policy area, but I assure the right hon. Gentleman that the Bill contains the powers it does because we hope that in future—we have had initial discussions with the devolved Administrations—it will be possible to travel on eligible local bus services throughout the entire country. However, I want to make two points. First, it is our absolute priority to get a workable national concession in England in April 2008. That must be the No. 1 priority. Secondly, local authorities across borders can make their own arrangements, if they fund them. That option will always be available under the Bill.

The hon. Member for Manchester, Withington called for a range of extensions to the Bill, but it extends geographical scope only. I shall give some figures, which the Liberal Democrats might want to consider their commitment to. If the scheme were extended statutorily to the under-18s, it would cost an extra £500 million a year, and if it were extended to community transport, it would cost an extra £25 million a year. Those are rough estimates, because the figures would be affected by take-up, and we do not know about the switch from other transport or the additional capacity required. I understand the point, but cost is clearly not the only concern—the Government have already made a substantial commitment of £1 billion a year—and we must consider fair and robust definitions for eligibility, demand, and whether community transport, which is largely a voluntary sector, would be able to cope without full and proper consideration, so I urge caution.

The hon. Member for Wimbledon (Stephen Hammond) extended his support to the legislation, for which I am grateful, but I am disappointed today, as on previous occasions, by the paucity of interest from his hon. Friends. His party has given no commitment to our sustained investment in transport.

There have been references to quality contracts, and the proposals in "Putting Passengers First" will make them a realistic option, while ensuring that the

legitimate interests of operators are safeguarded. Quality contracts are about not only cutting social exclusion and reducing traffic congestion, but the radical rearrangement of bus services, and it is important to ensure that that benefits local people.

The concessionary fares scheme is the right policy for this Government, and it is in all our interests to ensure that we get it right. I record my thanks to all those who continue to give us support, and I am pleased and proud to be involved with this important scheme.

Romanian and Bulgarian Workers

4 pm

Mr. Greg Hands (Hammersmith and Fulham) (Con): I am delighted to have secured this debate, and I shall use it to seek to change Government policy on the restrictions that are placed on Romanian and Bulgarian nationals in this country. The restrictions are flawed in four ways. First, they are unfairly discriminatory: Romanians and Bulgarians are treated as second-class people, especially when compared with other European Union citizens, including those from recent accession countries. Secondly, the restrictions are counter-productive: they encourage people to work illegally or they force them into the hands of criminals or people traffickers, and they probably cost us in lost tax revenue. Thirdly, the restrictions are ineffective: there are many legal ways around them. Finally, they are costly: the system costs the UK Government a great deal of money, especially when we consider the relatively small number of people involved.

For those reasons, it would be better to abandon the specific restrictions and allow Bulgarians and Romanians the same access to the UK labour market as A8 nationals—people from countries that were admitted to the EU in May 2004. I strongly favour equal access to the UK labour market for all citizens of EU countries—a view that is already on the record from a previous debate of mine in this Chamber on local authority funding and the impact of A8 immigration. It has been my position since well before my election to the House; indeed, I can trace it back to 1989. I do not approach the debate with a general view that the UK should loosen its immigration controls, but the restrictions on Bulgarians and Romanians are wrong, counter-productive, expensive and chaotically administered.

I have been to Romania and Bulgaria on many occasions, but I have not been since I became an MP. I spoke at various stages of the European Union (Accessions) Bill in 2005, and I count myself as a friend of both countries. Indeed, I was in Bucharest during the Romanian revolution of 1989-90. For those reasons and others, it is wrong that the two countries have effectively been demoted to second-class citizens in the EU. However, that is what the Government have done.

Last week I chaired an open, public meeting in Hammersmith for London's Romanian community. It was organised with a presence from the Romanian embassy, the Joint Council for the Welfare of Immigrants and the Immigration Advisory Service. The meeting was held at the Irish centre, ironically, as it seems that eastern Europeans have already overtaken the Irish as the biggest set of immigrants in Hammersmith and Fulham, although nobody is clear about the precise numbers.

Hammersmith and Fulham hosts not only the Irish centre, but the national Polish cultural centre, POSK. It is one of the—if not the—top UK destinations for eastern European nationals. I cannot say so with certainty, because the Government seem incapable of producing satisfactory numbers on any of those points. Generally, A8 immigration to my part of London has been very positive, with only a few negative side-effects, such as homelessness and handling people whose trip to the UK has not worked out.

[Mr. Greg Hands]

I also consider myself to be relatively knowledgeable about UK in migration regulations. Somewhat surprisingly, the Home Office produces a league table of which MPs produce the most immigration casework. It normally includes me and other inner-London MPs in the top 10. However, at the open meeting that I called, even I was surprised by the amount of confusion about the Bulgarian and Romanian regulations. I have since spent a considerable amount of time researching the issue, and the more time I spend, the more confused I become. The Immigration Advisory Service argues that the Government's extremely complex set of rules relating to A2 nationals may be deliberate. It says:

"It is almost as though the Government has made it deliberately difficult for them and for their potential employers to understand their position."

Part of the problem arises from the immigrants' unusual status. They are allowed free entry into and free movement within the UK as other EU citizens, but they are not allowed the same rights to the labour market as them. Like French or German nationals, a Bulgarian or Romanian national who stays here for a long period—normally more than five years—may eventually also gain the right to permanent residence. Students have the same rights as any other EU nationals, and the self-employed—an important group—also have the same rights. The only differences are for people acting or wishing to act as employees.

Unfortunately, there is no time today to describe the regulations in detail. I have the official version, and from the JCWI, an even more lengthy guide to them. Roughly speaking, there are 11 different areas of employment—a real pot pourri of trades—in which an A2 national might obtain an accession worker card. The areas include airport ground staff, but only of foreign airlines, ministers of religion, private servants in diplomatic households and so on.

There is just enough time, however, to consider a few cases that have come before me, showing the perverse effect of some of the regulations. Many of the Bulgarian and Romanian complaints will be familiar to Members who regularly deal with such places as Lunar House: no one picks up the phone, inquirers are left on hold for 30 minutes or more, they never receive an answer to written requests and so on. Those situations arise only after people have applied for registration or some other form of certification, because for those people—Bulgarians and Romanians included—who make initial inquiries, there is no helpline at all. They are given a phone number only after refusal has occurred.

However, many complaints are unique to Bulgarians and Romanians. They are the only nationalities who are not allowed to apply in person to the Home Office. Other EU and non-EU citizens can go to Lunar House in Croydon or another Home Office building, but not A2 nationals—at least that is what I am told. When Romanians get in touch with the Home Office, it is startling how often they are given conflicting advice. I urge Home Office officials to look at the online forum for Romanians in London. I shall happily forward them the website address, so that they can read about some of the Romanians' experiences.

Returning to my open meeting, I was told by Romanians working in London—generally well educated, professional people—that the regulations are "manufacturing exploitation"; that people are being ripped off by others offering to help them to move from Romania to London; that many are

"paying for documents that are free of charge";

that the "biggest problem" they face in London is neither housing costs nor the other problems that my other constituents are familiar with, but simply "government regulations". There have been quite a few cases of Romanians being fined and paying up, even though they have been working legally with a self-employed status.

At the same time, it can be expensive to obtain good information. Self-styled advisers charge between £250 and £600 to assist in claiming self-employed status. One such adviser whom I have heard about sees nothing wrong with the situation: he says that "business is business". Another adviser—again, I shall not name him—has been shown to have spent some £25,000, which is a great deal of money in Romania, on advertising his services in Romania this year alone. It must be a lucrative business if that is simply one's advertising bill.

The Romanian press in London carries classified advertisements from advisers offering basic information for £150, and £450 costs for helping with worker registration forms. The point is that overly complex rules drive expensive advisers, and the Minister should really consider changing the situation.

The Bulgarian embassy reports similar problems with overly costly advisers. Agencies in Bulgaria, which UK nationals frequently own or operate, will arrange for a client a period of work that is often as short as two weeks. The embassy has seen some of the contracts, and many state that the agency cannot guarantee further placements. In that sense, the Bulgarians have been forewarned, but few seem to understand the situation. After the worker's two weeks, the agency simply abandons them and they are left to fend for themselves. The worker cannot be sent home or claim benefits, and they will not get another job unless they become self-employed or a bogus student.

A Romanian has e-mailed me, ironically, with details of how a few individuals have fraudulently gained registration as students. In the public interest, I shall not put on the record the way in which the scheme operates, but the over-complex regulation is driving evasion. Evasion probably extends to tax and national insurance, so it costs us all money.

Ironically, owing to the fact that there are probably so few A2 nationals compared with A8 nationals, most employers do not bother to check the regulations behind A2s. They know that the regulations are different, but employers do not see any good reason to check out the rules; they simply play it safe and do not hire the Bulgarian or Romanian person. That is especially the case for self-employed builders in London. Employers are scared by the threat of fines. It seems that there is not too drastic a shortage of labour, and employers simply do not take the risk. If we as Members of Parliament do not understand the regulations, what hope is there for a small employer or, indeed, the Romanian national?

Let me take the case of Mr. A, a construction worker. He arrived in Britain in February 2007 and applied to Her Majesty's Revenue and Customs for registration as a self-employed tradesman, in order to qualify for the construction industry scheme card. The card should have arrived later in February, but it did not, despite repeated promises by HMRC. In March, Mr. A was told that he could not have a CIS card after all, because the scheme was about to change. The contractor for whom Mr. A had undertaken to work abruptly considered supporting him to be not worth the risk, declared him to be working illegally and made him leave the site. Administrative delay and changing procedures cost Mr. A his livelihood. It is that sort of unfortunate experience that has made working on the black market become all too common, as it is regrettably far easier. Indeed, I hear that more than 20 Mr. As have been affected by the change in the construction industry scheme.

Others unscrupulously take advantage of the fact that Romanians and Bulgarians are known to have a different status and difficulties. Such people charge more for other services, such as private sector rents, which have nothing to do with the worker status of Romanians and Bulgarians in the UK, and simply exploit the fact that it is known that those two countries are treated differently.

There are cases where the rules for Bulgarians and Romanians are stricter than those for non-EU or non-European economic area nationals. For example, if one member of a couple is self-employed and given permission to work in the UK, the other generally has an unrestricted right to work in the UK as well, and that is valid in respect of non-EU countries, too. However, it does not seem to be the case for Bulgarians and Romanians. I am told that wives and husbands are frequently informed that they need to send a written job offer to the Home Office with a BR4 form and then wait for two to three weeks for permission. It would be helpful to know of any other information that the Minister has about that.

There are also fears that the rules are helping trafficking. Those involved are unlikely to come to an open public meeting or contact an MP by e-mail. However, their concerns that the rules are "manufacturing exploitation" have been raised on their behalf at such meetings by others in the community. Some regulations are simply crazy. For example, anyone graduating from a Scottish university does not require prior authorisation before coming from an A2 country to work in the UK, but they do require it if they have graduated from an English or Welsh university.

I cannot find a single Bulgarian or Romanian with words of praise for the Home Office. Interestingly, by contrast I hear a lot of praise for the police and the Met in particular. The head of the Romanian Orthodox Church in this country has echoed that favourable view of the police, who are reaching out to the community, but has also said that there is a lack of interest from the Home Office. Because Romanians and Bulgarians have free movement, but do not have free access to work or recourse to public funds, there is a small but growing number of cases putting a strain on church and charitable resources as a result. The head of the Church has told me that the police are "highly commended". However, the Home Office did not contact him in the run-up to accession and has not done so since, and has not made any information available to the Church. I hope that the Minister will guarantee to change that.

I shall give a flavour of the comments that have been made to me by Romanian and Bulgarian nationals in the UK about the issue. One said:

"In our community, the feeling of discrimination is very strong. It seems like we have become the scapegoat for all the immigration problems in the UK, and we feel like the current government is trying to cover up for its mistakes...with ridiculous and draconian rules against EU PARTNERS!"

Another said:

"Doesn't the Home Secretary realise that he is getting adult, healthy young workers for free? People in which the UK has not invested 1 penny to raise them and educate them, or care for their health? Romanians are coming here wanting to become tax payers from day one, with zero investment on the UK's part",

yet they are told that they are no good. Another person said:

"The majority of us have worked incredibly hard, managed to integrate well into British life and contributed back to the British society and economy. I would say be fair with the fair ones and be merciless with the bad ones."

Another said:

"The only option for us is to become self-employed. A work permit is almost impossible to get because of the conditions and the limitations they're asking".

Let us consider what happens when one does become self-employed. One of my constituents, a Bulgarian working for an international bank, has been asked in a letter to produce within 28 days a set of 16 different documents to demonstrate her self-employed status. Let us contrast that with another Hammersmith and Fulham resident, who is not Bulgarian or Romanian. His letter from the Home Office actually apologised to him for all the delays that have been caused. The letter said:

"I am sorry it has taken so long to process the ILR application",

but it went on to say that the reason the process had taken so long was that Mr. X

"appears on the United Nations listing for individuals belonging to or associated with the Al-Qaida organisation".

Why is the Home office apologising to al-Qaeda members, but putting huge obstacles in the way of fellow EU citizens who are simply trying to work here?

The problems do not exist just in London. The National Farmers Union has also been in touch with me. It is concerned with some of the bizarre regulations in place, specifically the strange decision to restrict the seasonal agricultural workers scheme, or SAWS, to Bulgarians and Romanians from next year. The NFU says that that will deny British agriculture a pool of skilled reliable labour from other countries, ironically mainly from non-EU eastern Europe. Because of their general rights as EU citizens, Bulgarians and Romanians are not obliged to return to their own countries at the end of their time on SAWS. Equally, however, if they stay here, they are not allowed to do other work unless they become self-employed or a student, both of which seem somewhat unlikely for agricultural labourers. The NFU has rightly pointed out that the system appears to be designed to create a potential black market in labour.

[Mr. Greg Hands]

The Minister told the Select Committee on Home Affairs and the European Scrutiny Committee on 7 December that

"we were aware that the restrictions that we imposed may be too draconian",

but that

"what we wanted to do is commit and commit publicly to an early review in case we have got the decision wrong."

I urge him to conduct that review now. The scheme set up specifically for the A2 nationals was estimated to cost £1.6 million. About £450,600 of that was for the scheme's estimated annual running costs. I suspect that the actual cost is rather more than that, but I would be interested to hear his views on whether the costs of the separate scheme for the A2s are justified at all, given the smaller numbers involved.

The Home Secretary has called A8 immigration "a success", and I for one agree with him. In announcing the new measures for Bulgarian and Romanian nationals on 24 October, he said, ironically, with reference to the A8 nationals:

"Studies have found no evidence that they have taken jobs away from British workers or undercut wages. Employers and customers alike have welcomed their skills."

So why should the A2 nations be any different? It is a curious world when something branded a success leads one to introduce measures to prevent further success.

I have five specific questions for the Minister. First, how many Romanian and Bulgarian nationals have come to the UK to work since 1 January 2007, what proportion of the total number of visitors from those countries does that figure represent, and how many have already exited? Secondly, why does he not simply apply the same rules for A8 nationals to those from the A2 nations? Although the A8 system has its problems, it is massively easier than the system that applies to Bulgarians and Romanians. Thirdly, when does he believe that he will have enough information to give serious consideration to lifting the restrictions?

Fourthly, what discussions has the Minister had with his EU counterparts on an EU-wide relaxation of restrictions? As he knows, various countries have relaxed restrictions on A8 nationals since May 2004. I urge him to work with his counterparts to make Britain part of a more welcoming regime overall. That would also be likely to reduce any risk—albeit small—of a sharp upturn in A2 numbers. Fifthly, this debate is about A2 nationals rather than A8 nationals, but I should also like to ask the Minister whether the Government make a profit out of the A8 registration scheme, as the £75 fee seems inordinately high.

In conclusion, most Romanians and Bulgarians to whom I have spoken or who have e-mailed me in the past few weeks have stories to tell. Obviously, most immigrants would. I myself was once a migrant worker, working in McDonalds in west Berlin in the 1980s. Nothing is very easy as a migrant worker. The bureaucracy can be intense and the hostility shown on occasion is unnerving. However, all that is at least partly offset by the overall experience and, potentially, the financial rewards. The point is that, unfortunately, the stays of most Romanians and Bulgarians in this country are made far more complex, difficult and subject to downright obstruction than they should be. It is high time that the Government took action to change that.

Frank Cook (in the Chair): I call Keith Vaz—briefly, please.

4.20 pm

Keith Vaz (Leicester, East) (Lab): Mr. Cook, I shall be very brief because we want to hear from the Minister. I support everything that the hon. Member for Hammersmith and Fulham (Mr. Hands) has said. In 1999, I was at the European summit meeting in Helsinki with the Prime Minister when he made the pledge and plea for Romania and Bulgaria to join. I was also aware of the speech that he made to the Romanian Parliament.

All the statistics mentioned by the hon. Gentleman bear scrutiny and are correct. I hope that the Minister will accept the arguments that have been put forward and make the changes necessary for there to be fairness to the people from Romania and Bulgaria.

4.21 pm

The Minister for Immigration, Citizenship and Nationality (Mr. Liam Byrne): I do not believe that I have served under your chairmanship before, Mr. Cook, and it is a privilege to do so this afternoon.

I congratulate the hon. Member for Hammersmith and Fulham (Mr. Hands) on securing this important debate. It appears that we have one thing in common: we both began our illustrious careers in McDonald's, although I did not have the chance to work anywhere as glamorous as West Berlin, so my experience has not been quite as wide as his. I genuinely welcome the Conservatives back to the debate on immigration. They have been quieter during the past 12 months. I had not realised that the hon. Gentleman was a revolutionary; I hope that in the not-too-distant future he will bring a bit of that experience to his Front Bench.

I should like to start with two points of context before trying to answer some of the hon. Gentleman's specific questions. My first point is that last July, my right hon. Friend the Home Secretary launched the immigration service on the biggest and most radical shake-up in its history. On 2 April this year, the border and immigration agency started work as an arm's length organisation. Subject to parliamentary approval of the UK Borders Bill, in the months to come we shall have a more powerful inspectorate to cast some transparency on an organisation that has been too dark and hard to see into. New regions will provide a much closer interface with local communities and their immigration priorities.

The issue is not all about immigration policing. There will be communities that say to us, "Look, we need a bit of help with changing the kind of migrants that are working in our economy." I visited Newcastle at the end of last year and was struck when Liberal Democrat local authority leaders and others told me that they wanted to grow the population of Newcastle by 8 per cent. in the next few years and that they could not do that by encouraging the good citizens of that city to breed faster. They need migrants to help fill some of the skills gaps in their economy. I hope that in

future years, the border and immigration agency will be able to work much more closely with local communities to plan for such changes.

We are also undertaking a number of important reforms to how immigration policing is effected in this country. We have set out plans to establish a second offshore border control, and we are harnessing new technologies, some of which the Conservatives have not yet signed up to. I was struck by the hon. Gentleman's story about the woman asked to produce 16 or 17 different documents—I am not sure whether she was his constituent. When we introduce biometric ID cards, that process will get slightly easier.

We had to consider a decision about the work rights of Bulgaria and Romania against that general reform of the immigration system. Of course, we considered the experience of A8 migration. The hon. Gentleman is absolutely right; in 2004, when 10 countries joined the European Union, we gave their people access to our labour market. Our evidence is that the decision was absolutely right. There have been calculations of the considerable impact and contribution that those migrants have made to our economy and society. Research by the Department for Work and Pensions found that there was no evidence that jobs had been taken away from British workers.

The hon. Gentleman's second question was important—he asked why we were not simply rolling forward the rules that we put in place for the A8 so that they apply to people from Bulgaria and Romania. The answer is simple—I thought that we set out our rationale and logic clearly at the time—and I shall repeat it. In some parts of the country, there was still evidence of transitional impacts caused by changing levels of migration. The hon. Member for Peterborough (Mr. Jackson), who is with us in the Chamber, has talked about that in the main Chamber and in the Committee considering the UK Borders Bill.

Last week, I talked about some of the changes that I had seen in schools in my constituency, and other hon. Members have discussed changes and pressures that they have seen in the health service. Against that background, we are witnessing evidence of admittedly isolated impacts on public services. It was sensible for us to wait a little longer to understand the overall impact. Our determination to put things on a more rational basis is best expressed in our recent decision to put immigration decisions as a whole on a far more open and transparent basis. That is why just before Easter, I said that we would set up a migration advisory committee to advise on where in the economy the UK needs migration and where it does not. Alongside that, I added that we would set up a migrations impact forum to ensure that the Government as a whole were taking into account the wider social impacts of migration in making decisions.

Mr. Hands: I do not think that the Minister's answer to my question makes sense. On the one hand, he says that it is important to continue assessing the impact of the A8 migration, which started three years ago, yet on the other, the Home Secretary has declared it an unqualified success. Surely one cannot continue assessing something while declaring it a success. Will the Minister say how he thinks Bulgarian and Romanian nationals feel, given that the A8 migration has been declared a success but the jury is still out on them?

Mr. Byrne: The success that we have seen from A8 migration has largely been centred in the economy. However, there is evidence of specific, isolated pressures on public services. My argument has been that some such pressures have been experienced in some of the poorer communities in this country and that it is incumbent on a Government who believe in social progress and in strengthening and raising the safety net to understand those pressures before we take any more big steps in migration policy.

The hon. Gentleman asked for data on the number of A2 migrants coming to this country, and they will be available on 22 May, when they will be published alongside Office for National Statistics data on a range of other migration matters. That will be the starting point for a debate that we should have in this House and elsewhere. As the hon. Gentleman has said, we have committed to undertake a review of the decision within 12 months of its coming into effect. I confirm that although, under the derogation to the accession treaty, we have the right to maintain restrictions until the end of 2011, we will undertake that review within those 12 months. I hope that we will be helped in that debate by the migration advisory committee. It is important that this country finds a way of having a rational, logical, open and transparent debate about what has historically been a very sensitive area. If we were able to establish that independent committee with the legitimacy and expertise that I am hoping for, that will make a considerable contribution to getting the right answer when the review is undertaken.

We are in constant discussion with our EU partners about the restrictions that they are imposing. I want to take issue with one point that the hon. Gentleman made. He said that somehow the decision was unilaterally taken by the UK. That was, of course, not the case. France, Germany, Spain and Austria—a number of what are sometimes called old European economies—took exactly the same kind of decision as we did, and many of them rolled forward the restrictions imposed on the A8. I do not think that the Bulgarians and Romanians are feeling bad because of decisions that we took. Actually, our decisions were very much in line with those of the rest of Europe.

Mr. Hands: Countries such as Germany and Austria realised their mistake and changed their minds quickly after 1 May 2004, precisely because they could see that the system, as it was introduced, made no sense. Surely it is time for this Government to change their mind.

Mr. Byrne: I do not accept that. When we consider the decisions that other great European economies made on A2, we see that their decisions were very much in line with our own.

I am about to run out of time and I believe that you are about to call me to order, Mr. Cook, so I shall undertake to write to the hon. Gentleman to answer his particular points about information. The decision was a measured one and, I think, the right one.

Mr. Cook (in the Chair): Order. That brings us to the final topic for consideration.

Mr. John Braithwaite

4.30 pm

Dr. Phyllis Starkey (Milton Keynes, South-West) (Lab): The debate centres on a case involving my constituent, Mr. John Braithwaite, but it also raises some general issues about private security companies that provide services in Iraq. The company in this case is ArmorGroup. My concern is the absence of any effective regulatory regime for such companies.

I shall start with the case of my constituent. John Braithwaite was a serving police officer with Thames Valley police when in early 2006 he responded to an advertisement, specifically aimed at police officers, offering vacancies to provide short training courses for Iraqi police recruits in southern Iraq. The advert said that the scheme augmented a UK Government-sponsored programme in Basra. It was placed by ArmorGroup and stated clearly that the contracts on offer varied in length.

Mr. Braithwaite applied and was in due course offered by e-mail a posting for 12 months, although it was renewable. He assessed his future options, which included satisfying himself that he could take up to two years out from the police pension scheme and then rejoin it. On that basis, he accepted the offer, resigned from Thames Valley police and, after having the requisite immunisations and making other preparations, presented himself in London for deployment on 2 May 2006.

Only at that point, after he had resigned from his employment and was ready to leave for Iraq, was Mr. Braithwaite allowed to see a copy of his contract. It became clear that he was being offered only a six-month contract. He questioned that but was given to understand that company practice had changed and that no 12-month contracts were now on offer, but that there was a good chance of renewal. No clear information was available about the client details, which contravened company policy, but Mr. Braithwaite was given to understand that the Japanese and Dutch Governments were partly funding the project. In those circumstances, he felt that he had little choice but to go ahead and fly to Iraq.

He arrived at his final destination in Iraq after passing through three different staging posts and started work, but 24 days later he was handed his redundancy notice and flew home. He was subsequently told by ArmorGroup that his redundancy was a result of changes with the Japanese contract. Mr. Braithwaite was obviously extremely angry about his treatment by ArmorGroup. He had accepted an appointment to work in a conflict zone, using his considerable experience to help to train Iraqi police recruits. He had left a secure post with Thames Valley police expecting to be away for 12 months at least and possibly 24. Instead, he had been employed for only one month.

He was relatively fortunate in that he was able to find employment again with Thames Valley police, but he was unemployed for three months, his career progression at Thames Valley police was set back by two years and he had to rejoin the pension scheme on less favourable terms than before, because its terms changed while he was away.

Unsurprisingly, Mr. Braithwaite tried to take legal action against ArmorGroup over his redundancy on a number of grounds, including the fact that the redundancy decision, which affected others employed by ArmorGroup, seemed to be made arbitrarily and was not based on experience or other objective criteria. He then discovered that ArmorGroup is incorporated in Jersey, and so any application would have to be dealt with under Jersey law and through a Jersey employment tribunal. The tribunal rejected his application, because Jersey law does not apply to employment outside Jersey.

Mr. Braithwaite then attempted to complain directly to ArmorGroup and to clarify why he had been employed on a six-month contract that was terminated so quickly. None of the information that he has received, none of that which I have received from the Foreign and Commonwealth Office through ministerial letters and written parliamentary questions and none of that which he has received from freedom of information requests to the FCO has made the situation any clearer—if anything, it has been made more opaque.

It appears from those sources that ArmorGroup had a contract with the FCO for police mentors that started on 4 June 2004 and was due to expire in June 2007. The contract was initially for five months, and was reviewed and renewed five times—in November 2004, January 2005, September 2005, April 2006 and finally in October 2006. As of January 2007—this information was given in answer to a written parliamentary question—the contract specified 71 police mentors, although to ensure that there were 71 mentors on the ground at all times, extra personnel were employed up to a maximum of 91. In August 2005, the contract with the FCO was extended to include an additional 17 mentors. That extension was funded in full by the Dutch Government and lasted until February 2006. There had also been a contract funded by the Japanese Government, but that was for six months and ended on 18 May 2006. When the Minister responds, I would be grateful if he were to confirm whether the information I have summarised is correct and whether there were other related contracts involving ArmorGroup that I have not cited.

To summarise, Mr. Braithwaite was employed by ArmorGroup for six months, on a renewable basis, on 2 May 2006, when the FCO contract had just been renewed and was due to run until June 2007, the Dutch contract had finished two months previously and the Japanese contract had only two weeks left. Given that ArmorGroup had already been making people redundant because of the end of the Dutch contract and approaching end date of the Japanese contract, it is difficult to understand its reasons for hiring Mr. Braithwaite and then terminating his employment so abruptly.

My understanding of the way in which the main UK contract operates is that ArmorGroup contracts to ensure that the full complement of training posts is operative at all times. That means that it has to employ staff over and above the 71 mentors stipulated to provide cover, and the cost agreed with the FCO takes that into account. It is therefore most profitable for ArmorGroup to employ sufficient extra personnel to ensure that it can always meet its contractual requirements, but to keep the number of staff to a minimum in order to reduce costs and maximise profit. I can only surmise that Mr. Braithwaite was hired to fill

a temporary gap in cover and that once that immediate problem was over he was made redundant.

It appears that ArmorGroup, by taking on extra staff—including Mr. Braithwaite—and quickly making some redundant, is essentially transferring the risk inherent in such contract work to its employees while making fat profits for itself. It can do so because it is registered in Jersey, so overseas employees are given little or no employment protection.

I have recently been contacted by another former employee of ArmorGroup in Iraq, who is not my constituent, and it appears that ArmorGroup's hiring and firing policies are persistent and well known.

Mr. Jeffrey M. Donaldson (Lagan Valley) (DUP): I congratulate the hon. Lady on securing this debate. I believe the individual to whom she has referred to be a constituent from Northern Ireland who has been in contact with me. Will she keep me advised of any further contact on the issue? It appears that the problems apply not just to one individual, but to others.

Dr. Starkey: I thank the hon. Gentleman for his intervention. I will certainly keep him informed. After this debate, it may be that other hon. Members contact me about their constituents, and I should be more than happy to co-ordinate with them.

I want to make it clear that as far as I can tell, the company has done nothing illegal, but I believe that it has acted with a total lack of consideration for the effect of its policies on its employees. Being incorporated in Jersey, it is not subject to UK employment law. Will the Minister clarify whether Jersey is obliged to conform with EU employment law? Because Jersey law does not extend to extraterritorial employment, the company appears to be able to hire and fire as it pleases. In respect of my constituent, it appears even to have ignored its own company policy in a number of instances: it did not make the contract available before deployment; it changed the terms of engagement after the offer had been accepted; and the selection of individuals for redundancy was arbitrary and based on no objective criteria, as was admitted at the time by ArmorGroup personnel in Iraq.

The case also raises the general issue of private security companies and the implications of their increasing involvement in conflict and post-conflict situations. I am grateful to a paper produced by Sarah Percy of the International Institute for Strategic Studies, of which I am a member, entitled "Regulating the Private Security Industry". I have used it to inform myself on the issue.

Since the Foreign Affairs Committee report on the Sierra Leone arms investigation in 1998, most of the attention has focused on private security companies at the front end in conflict situations. The ambiguous legal position of mercenary forces and the absence of effective regulation was the subject of a Green Paper in 2002 and a further Foreign Affairs Committee report, but has not, as far as I am aware, led to UK legislation, as yet.

The issues raised by the case of my constituent and that of the hon. Member for Lagan Valley (Mr. Donaldson) are, of course, much less serious than the legal vacuum that appears to allow foreign mercenaries to commit human rights abuses and breach international law with an impunity that, quite rightly, does not apply to military personnel in the same situation. However, it is our Government who are commissioning and funding post-conflict reconstruction projects in Iraq. If that work is being done on the Government's behalf by employees of a private security company, the Government should take some responsibility for ensuring that those employees are protected against the exploitative employment practices to which my constituent and others appear to have been subjected by ArmorGroup.

The FCO has admitted in a parliamentary answer that the contracts include no stipulation requiring conformity with UK employment law, and I should like the Minister to explain why not. In response to my first letter to the Foreign Office on 24 October, the Minister for the Middle East said that ArmorGroup had undertaken an internal inquiry reporting on 10 November and had assured the Foreign Office that all proper procedures were followed in Mr Braithwaite's recruitment, employment and redundancy. I am tempted to say, "They would say that, wouldn't they?" I certainly do not think that the Foreign Office should have been satisfied with that response. Essentially, the firm was allowed to be its own judge and jury.

The IISS article states that Christopher Beese, ArmorGroup's chief administrative officer, has suggested that with the demise of Sandline and now that no UK firm is involved in providing front-line fighting personnel:

"the need for regulation is less pressing."

Given his company's cavalier employment practices, I can see exactly why he is not keen on regulation, but the British Government owe it to people such as my constituent, who actually do the work in Iraq that the Government are paying for, either to introduce better regulation of private security companies or to include in their contracts better protection for employees.

As I have pointed out, my constituent has been relatively fortunate in being able to return to employment with Thames valley police after only three months out of work, but I do not believe that it is acceptable for firms such as ArmorGroup to continue to operate in a way that exploits their employees, particularly when their major customer is the British Government and therefore the British taxpayer.

There is very little evidence about the cost-effectiveness of using private security companies in post-conflict situations. Costs are simply not available publicly, and so few firms are involved that there is little effective competition. The Foreign Office has commissioned independent reviews of the policing programme to assess its effectiveness, such as the security sector development advisory team's review in May 2005, Sir Ronnie Flanagan's assessment in January 2006 and Chief Constable Paul Kernaghan's progress assessment visit on 4 to 7 October 2006. However, it is not clear whether any of those reports considered cost-effectiveness or employment practices, and there has not been an opportunity for parliamentary scrutiny.

I ask the Foreign Office seriously to re-examine its use of private security companies, independently to assess their cost-effectiveness to the taxpayer and

[Dr. Starkey]

institute proper controls in contracts to protect employees. Will it ensure that those reviews are available to Parliament and drawn to the attention of the relevant Select Committee? No one else employed by ArmorGroup on a British Government-funded contract should be subject to the same experience as my constituent, Mr. Braithwaite.

4.47 pm

The Minister for Trade (Mr. Ian McCartney): I congratulate my hon. Friend the Member for Milton Keynes, South-West (Dr. Starkey) on securing the debate. I am genuinely pleased to have the opportunity to respond to her concerns and the contribution of the hon. Member for Lagan Valley (Mr. Donaldson). I commend the commitment and bravery of John Braithwaite and the many individuals like him working for a range of organisations who put themselves forward to work on the ground in difficult environments in Iraq, Afghanistan and other parts of the world.

The security situation in Iraq remains a matter of great concern. Key to its resolution is building the capability of the Iraqi security forces, including the Iraqi police service, so that they can assume control. The Iraqi Government will take increasing responsibility for security in all provinces in 2007. The UK is heavily involved, and we have much to offer. Our work in the south of Iraq has been laying the foundations for security transition there, and the transfer of security responsibility has now been achieved in the provinces of al-Muthanna, Dhi Qar and Maysan.

Much of the progress in building civilian security capacity has been achieved through the work of the UK civilian policing mission to Iraq. Civilian police trainers and mentors, including those employed by ArmorGroup, have made a vital contribution through their work to build the capacity of the Iraqi police service. The UK has had a policing assistance mission in Iraq since 2003, working to train and mentor Iraqi police in the three southern provinces of al-Muthanna, Maysan and Basra, as well as providing specialist input into police development and reform in Baghdad. In the southern provinces of Iraq, police trainers have worked alongside the Iraqi police service on projects to increase the capacity of local police stations, to support investigations into allegations of serious corruption in the police and to build the command and control capabilities of the provincial police leadership.

Helping democratically elected Governments to develop an accountable and effective police service to enforce the rule of law is a critical part of the UK's work overseas, not only in Iraq but in many countries and regions, including Afghanistan and the Caribbean. External organisations have a valuable role to play in ensuring that we can respond to local needs quickly and flexibly by providing individuals with the necessary skills and experience to make a difference on the ground.

The civilian police advisers and mentors who use their skills to carry out that essential work on the ground in Iraq are recruited in two ways. Many, including the chief police adviser, are recruited on secondment from their police forces and then continue as serving or retired British police officers. Others such as Mr. John Braithwaite are recruited through a contract with ArmorGroup Services Ltd, a company registered in the UK and elsewhere, including Jersey. Since June 2004, the Foreign and Commonwealth Office has had a contract with ArmorGroup to provide police trainers and mentors to assist the Iraqi police service in southern Iraq and Baghdad. A similar contract for Afghanistan has been in place with ArmorGroup since late 2006.

The information that my hon. Friend the Member for Milton Keynes, South-West gave about the FCO's contract with ArmorGroup in Iraq is accurate. I would only point out that in May 2006 the company's contract with the FCO in respect of Iraq was due to run to September 2006, and that the company formerly held a separate contract with the FCO to guard embassy premises in Iraq.

As a provider of security services, ArmorGroup works with several national Governments, international peace and security agencies and private sector organisations. It was formed through the acquisition of Defence Systems Ltd by Armor Holdings Inc., a New York stock exchange listed company, and a subsequent management buy-out by ArmorGroup. In 2005, the company had a turnover of $233 million, and it has been listed on the London stock exchange since 2004. It is led by chief executive officer Mr. David Seaton, and the company's non-executive chairman is the right hon. and learned Member for Kensington and Chelsea (Sir Malcolm Rifkind) who, as my hon. Friend will be aware, served as Foreign Secretary from 1995 until 1997. He became non-executive chairman of the group in 2004.

There is a role to be played by the private sector in the provision of security services in third countries. The FCO recognises that and in line with certain other Government Departments uses private military and security companies to provide security to staff working in difficult locations overseas, including Iraq and Afghanistan, or, as in this case, to provide expert advice to local agencies.

Possible options for regulation were explored in the Green Paper on private military companies, which was published in February 2002. Since then, the industry has expanded considerably. In late 2004, the then Foreign Secretary, my right hon. Friend the Member for Blackburn (Mr. Straw), therefore requested a further review of the options for regulation of the private military and security company industry. It was completed in mid-2005 and its findings are currently being discussed by Ministers and officials. If it is agreed that regulation is appropriate, the Government will introduce proposals for public and parliamentary consultation. I will ensure that the details of that debate and the correspondence that my hon. Friend the Member for Milton Keynes, South-West has sent to the Department on the matter are made available to the Ministers who are involved in the review.

I make a point of historical fact. In opposition as a shadow Minister and in government as a Minister, I worked on ensuring that legislation was introduced to regulate the private security industry in Britain, so I am very much aware of the points that my hon. Friend made.

There are already several tools available to counter potentially illegal or unethical activity. They include export controls, legislation on arms brokering, UN and EU arms embargoes and the national law of the countries in which companies operate. We work with the British Association of Private Security Companies, private military and security company representatives and the Security Industry Authority to encourage best practice and adherence to standards.

My Department has been in regular contact with my hon. Friend regarding Mr. Braithwaite's case, including through parliamentary questions and written correspondence. I understand that following the end of his employment with ArmorGroup, Mr. Braithwaite has sought compensation from the company and pursued his case through relevant channels. For our part, we raised Mr. Braithwaite's concerns about his contract directly with ArmorGroup and asked questions to which the company responded.

I have read the correspondence—that is to say the correspondence that we have been given; there will be other correspondence that we have not seen. It appears from the correspondence that has been revealed to the FCO through letters and e-mails between Mr. Braithwaite and ArmorGroup that there are several potential discrepancies and issues that clearly need to be resolved. The first is the extent to which ArmorGroup does or does not practise a duty of care in employing its employees, wherever they may be based. The second, more specific issue is the inconsistency between the accounts given by Mr. Braithwaite and ArmorGroup regarding the offer of a 12-month contract, which was set out in an e-mail to Mr. Braithwaite from Lucy Bampoe-Parry on behalf of the group on 23 March 2006. The third matter is the need for the FCO to protect its reputation by ensuring that those through whom it procures services operate consistently with best practice.

I have read the correspondence that Mr. Braithwaite sent to the non-executive chairman of the group, the right hon. and learned Member for Kensington and Chelsea, which was passed to ArmorGroup's chief administrator Christopher Beese for reply. My hon. Friend the Member for Milton Keynes, South-West may wish to seek a meeting with the chairman to raise her concerns with him, given his responsibility as chairman of the organisation.

We would like to discuss with my hon. Friend what more we may be able to do to satisfy her and her constituent Mr. Braithwaite that the Government have done their utmost to ensure that any legitimate concerns have been addressed by the company in an appropriate way. I would be happy to offer my hon. Friend a ministerial meeting at the FCO at a convenient time to discuss the matter further, and the hon. Member for Lagan Valley may come to that meeting as well, if he wishes.

In cases where individuals are employed by companies overseas, it is for the relevant courts rather than the contracting authority to determine on a case-by-case basis whether either UK or EU employment law applies. As my hon. Friend knows, the branch of ArmorGroup with which Mr. Braithwaite signed a contract is registered in Jersey. Although I am not aware of the particular circumstances in which the case was dismissed, I can give a response to her question on the applicability of EU employment law in Jersey.

Jersey's employment laws are not exactly the same as the UK's laws, but there is a significant degree of commonality in the level of protection available to employees, including the right to a minimum wage, the right to a minimum period of paid leave, the right not to be unfairly dismissed and the right to a minimum period of notice. In that regard, one of the interesting factors in this case is that the job was advertised and then offered as a job with a UK company based in the UK, but on departure Mr. Braithwaite learned that he had actually been employed by a company based in Jersey. The point that my hon. Friend made about that was well made.

The FCO expects its contractors to meet high standards in their employment relations practices. We very much hope that Mr. Braithwaite and ArmorGroup will be able to reach a satisfactory conclusion to the matter, and I hope that the company takes seriously the comments made by my hon. Friend and by me after having reviewed the papers. I thank hon. Members for listening to my response.

Question put and agreed to.

Adjourned accordingly at four minutes to Five o'clock.

Westminster Hall

Thursday 26 April 2007

[MR. MARTYN JONES *in the Chair*]

Rail Fares

[Relevant documents: Sixth Report from the Transport Committee, Session 2005-06, HC 700, and the Government's response thereto, HC 1640.]

Motion made, and Question proposed, That the sitting be now adjourned.—*[Mr. Alan Campbell.]*

2.30pm

Mrs. Gwyneth Dunwoody (Crewe and Nantwich) (Lab): It is always a delight to see you in the Chair, Mr. Jones, particularly when we are discussing a subject such as this, which is of such great concern to everyone.

It is extraordinary that the House of Commons sometimes seems to be remarkably ambivalent, even about its own programmes. For example, I think we all agree that in the interests of the environment it would be sensible if more people travelled by train, and that we should modernise the system, some of which is 120 years old. Yet when it comes to the means by which we encourage people to take the train—the prices that we charge for that service—we get ourselves into an interesting and esoteric argument, which is, frankly, not entirely supportable, about taxpayers already paying so much for the railway system that we must ensure that the fare box is responsible for the cost.

In theory, that is right, but the reality is that people will not travel by train in large numbers if fares consistently rise beyond the rate of inflation or the sum that they believe is acceptable, not least because at a certain point they begin to think that almost any other way of getting to work is cheaper than using the railway system.

The Transport Committee decided that it should investigate train fares. We wanted to know how fair the fare system is, and whether it is acceptable that the price of train travel per mile varies enormously in this country, depending on route and train operator, whereas in many similar countries, not just in Europe, estimates are made on a totally different basis.

The travelling public are not entirely convinced by the argument that cheaper rail fares are available. It is true that in theory computer whiz kids with a lot of time available who are prepared to spend it surfing the websites of various companies may be able to find a fare that is cheaper than those that British Rail charged—not cheaper than all its fares, but cheaper than some. However, there is clear evidence that, unlike other sections of the transport industry, the railways are not too anxious that their websites clearly and simply enable people not only to know where the cheap fares are, but how to book them. The railway companies assure me that they will do something energetic about that, and that the fact that they have not done so so far is not to be taken as an estimate of the way in which they regard their customers.

Susan Kramer (Richmond Park) (LD): I thank the hon. Lady for the important things she is saying. Does she agree that simplicity sometimes becomes a cover for increasing fares? For example, in my constituency, South West Trains has changed to a zonal system. For someone travelling to central London from Kingston, virtually every fare went up 35 per cent. in 2007, and fares to most other stations have gone up similarly, on the grounds that the new system provides simplicity.

Mrs. Dunwoody: If the hon. Lady catches your eye, Mr. Jones, I am sure that she will be able to make those points.

The reality is that as a nation we have begun, over more than 10 years, to recreate and stabilise the railway system. A great deal of money has been poured into it, and we now have modernised lines. The west coast line is not only efficient, but comfortable and speedy. However, the difference in fares that passengers are required to pay is considerable. The last time I bought a first-class British Rail ticket from London to Crewe it cost £88 return; it is now nearly £287. I realise that there has been an increase in prices since then, but even I think that such a price rise constitutes a problem for passengers.

The trouble is that the travelling public are not convinced that there are now cheaper fares or that they are good value for money. The most recent data from the national passenger survey show that more than 43 per cent. of passengers overall and 55 per cent. of passengers on long-distance routes are satisfied with those fares, but only 38 per cent. of passengers in London and the south-east are. Those figures have not changed since the original two-year assessment, and in 2005 there was hardly any change.

Those poor levels of passenger satisfaction are important because passengers will begin to avoid rail travel if they believe it is poor value. The Government's response was that passenger satisfaction with rail travel's value for money has been consistently lower than all other indicators. They argue that although they find that disappointing it

"should not necessarily drive fares policy."

If passengers' perception of rail travel's value for money does not drive fares policy, perhaps someone would like to tell me what should.

The Committee took evidence and made it clear that rail travel is becoming significantly more expensive than coach or car travel, and in many instances even than cheap air flights. Given that many passengers are unable to buy the cheapest fares, either because only a handful are available or because they are unable to plan their trips sufficiently far ahead, is it not slightly disingenuous of Her Majesty's Government to quote the cheapest fares in their response to our report? Are not the cheap, advance purchase fares effectively a decoy to distract attention from the fares that most people actually pay?

If someone wants to buy a cheap flight, they can obtain the information easily and rapidly, and book the ticket online. If they want to buy a cheap train ticket, they will find that, first, the web pages are not easy to navigate, secondly, very few enable people to book easily, and thirdly, there are very few cheap tickets. That is a pretty bad deal.

[Mrs. Dunwoody]

The Committee talked about the number of unregulated fares, because we believe that the reason why so many passengers are dissatisfied is that they do not believe the increase in unregulated fares to be just. It is greater than they believe is acceptable. Virgin's west coast and Midland Mainline's fares went up by 6.6 per cent. and 5.9 per cent. respectively, although the average increase in unregulated fares on 1 January 2007 was 4.7 per cent. Average price increases are masking significant variations between different types of ticket. The price of some fares, particularly open fares, has increased significantly more than others. Year on year, new year's day brings an above-inflation rise in most rail fares. We do not believe that that trend should be allowed to continue, and if it does would someone please tell me where it will end?

The Committee concluded that open, flexible and walk-on fares are crucial because many travellers need flexibility in their travel arrangements, as Members of Parliament know only too well. Anyone seeking to book group fares for a visit from the House of Commons is frequently confronted with that problem. Members do not arrive together, do not leave together and go to different places at the same time.

We said that it was important to look at the train operators' attitude. Some seem to think that they can try it on to see how much they can get away with. That does not apply to all of them, but some make little effort to ensure that people receive value for money. The coverage that operators receive when, for example, the London to Manchester open fare passes the £200 mark, is indicative of public indignation about the prices that are charged for walk-on rail fares. The Committee said that the Government ought to cap those fares, but in response, we were told that they did not believe the fares to be disproportionately expensive. I must ask the Minister whether there is any price rise in open rail fares that would lead the Government to consider capping them, because it would be helpful to know.

The saver fare traditionally offered a good, value-for-money walk-on option for anyone who could travel outside popular hours. Saver fares are regulated, but train operators are gradually eroding their value by tightening terms and conditions and limiting the time when the tickets can be used. The Government hinted that they might change the regulatory regime for saver fares or even abolish regulation, but we need a guarantee from the Minister that he has no such intention. If the Government follow that path, would they like to put in place measures to prevent any further erosion of saver fares?

In the Minister's view, have train operating companies made adequate improvements in the transparency of information about the availability and quotas of advance purchase fares? Passengers have the right to such information before they purchase, and they have the right to be supported by adequate information systems.

Mr. David Drew (Stroud) (Lab/Co-op): I have looked again at chapter 5 of the Committee's excellent report, and my hon. Friend may be able to help me with the definition of peak travel. I am genuinely confused, given that First Great Western Trains' current definition of peak travel is different from the definition it used before it acquired its most recent franchise. I am often asked when peak times are, whether they correspond to when one leaves or when one arrives, and in particular, whether certain train times fall inside or slightly outside peak time. It makes a great deal of difference, especially when people want to use a saver fare but suddenly find that they must travel during peak time.

Mrs. Dunwoody: I sympathise with my hon. Friend, because some train guards—I insist on calling them train guards even though they are now called train managers—begin every journey with a list of qualifications: "If you have this ticket, you're on the wrong train; if you have that ticket, you're on the wrong train; if you have this ticket, you're probably going to have to pay five times when I come round." Although I very much sympathise with the staff who have to go through that liturgy, it demonstrates that train companies do not tell people the location of the cheap tickets or the times to which they apply, and that they print information in many different ways that are not easily accessible. It is very easy to be misled, which is a real problem.

The Committee was concerned that as more and more commuters travel further as house prices rise in city centres, they are forced out of the conurbations. We said that if train fares were to rise exponentially, it would have a direct effect on the availability of workers, not least because if the upward trend of house prices in large cities continues, large numbers of people will begin to say that they can no longer accept employment in which train fares represent a large percentage of their overheads.

We ought to be told about capacity and fares. The Committee was told that the Government accepted that there were capacity problems, but that they thought that they were mainly on commuter lines where fares were regulated. We said that train operators on unregulated lines were using above-inflation price rises to price their way out of capacity problems.

I do not know of any other industry that, faced with a highly successful product, in effect tries to price its customers out of the business. However, it could be rather fun: large numbers of the members of the Association of Train Operating Companies could stand at the entrances to main stations, refusing entrance to anyone who did not look as if they were capable of paying the train fare. Just as bizarre, however, is that the train companies feel that the way to deal with their capacity is not to plan ahead and talk to the Government about changes to rail gauge or the provision of extra rolling stock, but to say, "Well, goodness me, there are so many of these people, we will have to charge them a great deal of money, because with any luck, they will go away." One train operator increased its unregulated fares by twice the rate of inflation. What effect will that have on overcrowding on the line?

Susan Kramer: Is the hon. Lady aware that having priced people out of peak hours with high fares, about which I have a good example in South West Trains, locally, there are now special charges for the shoulders

to peak hours, extending them almost to midday? At every opportunity, the pattern is an increase in price rather than capacity.

Mrs. Dunwoody: At a certain point, commuters will become so irritated by the provision of insufficient accommodation—travelling on crowded trains, in unacceptable discomfort—and by having to pay enormous amounts of money that we will see the equivalent of the national fares strike that is suggested every time fares increase.

The Government must take action to ensure that there is a simple framework of three ticket types. The situation really is unacceptable. Under British Rail, people had a clear idea about the type and class of ticket that was available; under the current regime, they have no idea. The so-called flexibility increases neither capacity, comfort nor even utility. All it does is increase the amount of money that is paid to various large banks, which do not seem to be doing too badly anyway.

We asked the Government to look closely at regulatory complexity and weakness. The rail fares system is complex, and complaints about unregulated fares are difficult to deal with when the Office of the Rail Regulator and the Office of Fair Trading share powers to make judgments and enforce decisions. The framework does not work, and it is time that somebody analysed the system, simplified and improved it and made it possible for people to complain easily and effectively. The Government should be prepared to look again at the system's structure, but we have not received any explanation or indication that they believe that the complexity of the system makes complaining difficult for passengers.

Although the Government did not accept our recommendations, they must know that the Committee feels that it is an important subject. It is clear that more and more people are using the railways, and that is in everyone's interest as long as they arrive safely, comfortably and for a reasonable fare. It is exactly the way in which people ought to be encouraged to travel throughout the United Kingdom. A burgeoning economy, which ours has been over the past 10 years, inevitably means that more people want to travel, and it certainly means that more people will want to go by rail. The need for extra capacity therefore ought to be of comfort to the Government, and they ought to be able to say plainly and as a matter of policy, "We are looking at the relationship between the cost of rail fares and the environmental and commercial benefits of carrying people easily."

I can provide the Chamber with a simple example. I shall be travelling to west Wales to support in the Assembly elections a candidate who is also called Dunwoody. After a great deal of work, and with the assistance of some very talented people in the House, it has become clear that travelling from Crewe to west Wales is cheaper by chauffeur-driven car than by public transport. I do not think that I am alone in thinking that that is probably not a very sensible way of behaving.

Although I fully understand the difficulties that the railway systems face, the Government will have to take some tough policy decisions and look clearly at what we pay for our railway journeys. They are going to have to grasp the nettle. It is really no longer acceptable for them to say to the House of Commons, "Well, the money comes either from the fare box or from the taxpayer, and we therefore can't do anything about it—the fare box is going to be allowed to rise." The reality, however, is that the whole system is supported by the taxpayer. It does not matter which way we look at the issue, taxpayers pay because they need a good railway system that can carry large numbers of people who could not be carried efficiently and safely in any other way. Taxpayers pay because they understand the relationship between railways and the economy, if nothing else.

At some point, the Government will have to come clean and say, "This is an extraordinarily difficult situation". However, we cannot continue with the outlook that says that more and more train operating companies will be operating on the basis of management contracts, for which they are handsomely paid, while taking no responsibility for the track, the rolling stock, the stations or anything else, and the individual passenger is going to be told, "You must pay an economic price". By all means, let us have an economic railway, if that is what the people of Britain want, but let us ensure that the cost is equally divided.

2.51 pm

Mr. Lee Scott (Ilford, North) (Con): I shall keep my remarks fairly short and not repeat anything that the Chairman of the Committee has said.

If we want to encourage people to travel by rail rather than by car, we cannot expect them to need a BA honours degree to know what fare they are booking at any given time. During the Committee's questioning, we were told that the system had been simplified throughout the country and that anyone could, without question, phone up and be given the cheapest price straight away. So I decided to try that out. In three separate phone calls, I was quoted three separate prices for the same journey, none of which was the cheapest price advertised on the website. If the journey had been booked over the web, the price would indeed have been cheaper. What that journey was is irrelevant, but such incidents lead one to believe that passengers are not being given the best deal possible.

If we are to get people out of cars and on to public transport, we cannot expect them to travel in conditions in which it would be illegal to transport animals, nor can we expect them to pay an exorbitant amount of money for the privilege of doing so. The only way is to provide a clean system, on which people wish to travel. Then they will leave their cars and start to travel by public transport. I am an ideal example of that. Before entering the House, I used to travel up to Yorkshire quite frequently. I preferred to go by train, which was far better than sitting in a car for hours on the A1, stuck in jams. However, when it gets to the stage where one has to stand for the entire journey back down, one ends up deciding that it would indeed be better to travel by car. Instead of people being encouraged, they are being discouraged.

Passenger satisfaction for mainline travel through or near my constituency is quite low. I am sure that the Minister will tell me later that official statistics show the opposite, but I assure him that my mailbag does

[Mr. Lee Scott]

not. People complain not only about the length and price of their journeys, but about the conditions in which they travel, particularly in rush hour. Members of my staff who travel in from Essex continually experience tremendous problems, and have to phone in to say that they will be late because the train is delayed. That happens to journeys to this place, so I am sure that it happens to many thousands of people travelling into London on a daily basis.

To conclude these brief remarks, I reiterate that, as set out in our report, customers want a quality system, with a simplified pricing structure that they can understand and conditions that make them want to travel by train. If that is achieved, not only will numbers increase, but we shall see an end to the situation that we heard about from the Chairman of the Committee, on which I am honoured to serve, whereby people are discouraged—it is slightly unusual that any business would want to discourage people—by the prices that they are being charged.

2.55 pm

Mr. David Drew (Stroud) (Lab/Co-op): I am delighted to say a few words. I had no intention of doing so until I came into the Chamber, but given that there are not a great number of Back-Bench Members present, I thought that I might as well add my three pennyworth. I apologise to the Minister for missing his discussions on First Great Western earlier this week, but no doubt I will hear in due course about some of the problems in the company.

The report is useful and I want to make a few points, one of which I have already raised in my intervention on the Chairman of the Committee. I am genuinely confused—perhaps the Minister would clarify matters for me—about what are peak times, as they cause all manner of problems and change the nature of people's travelling times. With price discrimination, I accept that there is a reason to take more from those who travel when the trains are at their busiest—clearly that is during the commuter times—but there are now some bizarre applications of that. The obverse is that if an operator can take more at certain times, there must be a reason for providing cheaper saver tickets; otherwise, there would just be a standard ticket price and when people travelled would be irrelevant.

My second point is important and has been touched on, but I will put it bluntly. Travelling by train must not be seen as a rich person's form of transport. Sadly, however, that is somewhat the case now. I am not saying that rail transport has ever been able to compare favourably with the car on a purely price-based comparison, even in the good old days of British Rail, which some of us still look back on fondly. The reality is that if the full costs of the car are taken into account, including environmental costs, the train must come into its own.

However, it can be forgotten that, because of the pricing structure, a family travelling by train does not pay once, but as many times as there are members of the family travelling, which can be prohibitive. For young families who might not have a car or who might be being very thoughtful in taking the train, some of the costs can mean that travelling by train is still prohibitive, even with the cheaper fares, discounts and special arrangements. That can be a reason why people do not travel at all or why they use the coach. We must not see the issue as the train versus the car. One of the reasons why coach travel is so attractive in this country is that it is by far the cheapest form of transport. However, coaches do not get vehicles off our roads. That is something that we need to take account of.

My third point is to do with something that affects both the lines in my area—the Cheltenham-Paddington line and the Bristol-Gloucester line—and which is long overdue: the installation of automatic ticket machines. At one level, that is to be greatly welcomed. I get really fed up when I know that there are certain points in a journey between which people can travel and never pay a cent. If they sit in the right part of a long train, the chances of the guard—or ticket inspector, manager or whatever we call them now—finding them out are quite small. Even when the guard does find them, the experience can sometimes be quite unpleasant, because they never seem to have any money and things can get difficult. Again, that puts a lot of stress on the staff. It is galling when people regularly travel for free, because the burden is carried by those who pay. It is good that we have a system under which people can pay before they get on the train, even if they board from—this phrase is not politically correct—an unmanned station.

Mrs. Dunwoody: Unstaffed.

Mr. Drew: All right. I have been put right; there is always a correct way of putting things.

I have yet to try my parliamentary card on one of the machines. The first time that I do will be an interesting experience; I hope that it does not keep the card. The difficulty with the machines is that if someone does not know the tariffs for their journey—that applies particularly to more complicated journeys—they will need a degree to navigate their way through the complications of the system, as the hon. Member for Ilford, North (Mr. Scott) said. Sadly, the information in stations is as dire as it has ever been. One would think that clear tariff rates of what should be paid for what journey could be displayed in unstaffed stations, yet people go into the unknown. That is a problem.

I have talked to rail travellers. For a period that started, at the beginning of April, people without tickets will not be fined. We have had a go at those who evade payment deliberately, but there are people who get on trains without a ticket for genuine reasons. They tend to get one on the train, and until recently that was the norm. I think that the period is a month, so it will end at the start of May. People will then be able to be fined heavily. Okay, we should deal with the people who do things wrongly, but some genuine people could be without a ticket, although it is always difficult to discriminate between the two.

For some people, the issue was the last straw. As regular travellers, they felt nervous, for whatever reason—the machine may not always be operative, but the train manager may say, "Tough—I'll fine you and you must come back and prove that it was faulty." There are some issues about customer relations, which are not as good as they could and should be.

In conclusion, what saddens me is that using the train should be the norm for anyone doing longer journeys but it is not. They should not fly, and I hope that they do not drive. Too much store is set by coach travel, which is not an environmentally sound form of transport. People have to be terribly well organised and entirely disciplined in how they go about getting a ticket, and they have to accept all the frailties of the rail system; a group came to see my hon. Friend the Minister about the reliability of First Great Western.

Regular travellers such as me know that we will have bad journeys; that is one of those things that we build into our expectations. It is not acceptable, but it happens. However, the occasional train user will have paid a lot of money for a ticket and had difficulty in getting it. They will then find that the trains that they were going to get do not come or are hideously late. Such experiences will stay with those people for the rest of their life and are the reason why—even though train usage has gone up—a lot of people would not dream of using the train. That is a shame, because the train has to be part of the solution to our transport problems, not part of the problem.

I hope that we can improve the fare policy, regulate it fairly and understand how companies could better appreciate the people who should be at the top of their priority lists—the customers. Sadly, they sometimes seem to be the last thing that comes into the companies' minds.

3.4 pm

Paul Rowen (Rochdale) (LD): I congratulate the hon. Member for Crewe and Norwich (Mrs. Dunwoody), the Chair of the Transport Committee, on her excellent report and apologise for having missed the start of her speech.

As I said, the report is excellent. It puts on the line some of the dissatisfactions of rail users in recent years about the cost and complexity of rail travel. We all now accept that UK train travel is the most expensive in Europe. The system is complex and bureaucratic and it is not obvious to anyone why certain prices are charged. We have to set that in the context of the rail White Paper that will be released next year, the continued growth of the railways, how we will deal with prices, the availability of seats, public subsidies and the distinction between regulated and unregulated rail fares.

The report makes public dissatisfaction clear: value for money is the biggest single issue for regular rail users at present. The hon. Lady cited her example of travelling down from Crewe; my example comes from travelling regularly from Manchester. If it is cheaper for me to fly than to take a first-class train journey or go further down the list of fare options, we have not got things right.

I accept that 43 per cent. of all rail income comes from subsidies and that 57 per cent. comes from fares. In the long term, we shall not be able to increase the amount of money from the public purse to pay for all we want on our railways. The first point made by the report is about the strategic importance of the railways in underpinning much of what we as a Parliament, and the Government, want to achieve for economic development, social cohesion and inclusivity. The Government response does not address the broader context. The Climate Change Bill is coming through Parliament and there is an ongoing debate about congestion charging. We should be considering those broad policy objectives. We know that cars are far and away the largest producers of carbon dioxide emissions. What needs to happen to enable people to move freely on our railways? There has to be a price—not necessarily one paid by subsidies—put on the value of being able to encourage more people to travel on the railways at a much better cost.

The Committee's report is clear and correct to say that we need a simplified, unified fare structure that is understandable to all. As the hon. Member for Ilford, North (Mr. Scott) said, one can ring up and get three different prices for the same journey—that really shows what a nonsense the present fare structure is. The Government talk about discussions taking place with rail operating companies, but as a start, the first thing that has to happen is an agreed fare price structure. They apply to other forms of transport—aeroplanes and so on. There are agreed classes of travel. If we travel business class or standard class or whatever, we know what we are getting. However, when we buy a rail ticket, it is not clear what we will get. The structure needs to be simplified.

Stephen Hammond (Wimbledon) (Con): I have listened carefully to the hon. Gentleman's argument. Surely he has chosen the wrong mode of travel for comparison. The one mode of travel for which we clearly cannot say what we are going to get or what price we will pay is air travel. The airline industry is the one industry that is absolutely not the right comparator. I am lost by that comparison and illustration.

Paul Rowen: I was talking about the structure, not necessarily the price. Yes, the airline industry does vary its prices according to demand, and that happens in the rail industry to some extent, but people know what they are getting in each class, whether they travel business, economy or first class, even though the price might vary. The first thing that we need in the rail industry, therefore, is a simplified structure, with fewer tickets and more agreements regulating the conditions for ticket use and when those conditions apply. In that way, we can have a standard agreement setting out what the peak, shoulder and off-peak times are. We need to have those things in place.

At the strategic level, we then need to look at what can be done to ensure that rail fares do not continue escalating at the rate they are now. In that respect, one issue that can and should be addressed—I hope that the White Paper will address it—is the length of franchises. Clearly, if a company has a franchise for only 10 years and has to put in a certain level of investment, it will, even with public subsidy, seek to use the fare structure to ensure that it gets a return. However, if it has 20 years to recoup the same investment, it will be much more sure that it can do so and it will not need to increase rail fares to the level that we are talking about.

We also need to look at capacity. It is an absolute insult that we charge passengers full price for standing. Anyone who turns up for the Manchester to Bournemouth train on a Friday afternoon without a

[Paul Rowen]

ticket and assumes that they will be able to get a seat is living in cloud cuckoo land—they will be standing the whole way. Why, however, should they be charged the same as someone who has a seat? Indeed, given that they have bought a walk-on ticket, they may well pay a lot more than someone who has booked over the internet and who has a seat all the way. We need to introduce incentives to encourage train operating companies to increase capacity and we need to penalise them for the number of commuters and other passengers who have to stand each day for a good part of their journey. It is not acceptable that people should be put in such a position.

On intermodal comparisons, we need to begin making it more advantageous for people to travel by rail. It is not acceptable to say, as the Government response seems to, "Well, the railways are busy and full anyway, so we don't need to do anything." We want to see a shift away from forms of transport such as car and air and we need to be able to encourage that shift. That is where the strategic view is important. We should be using the debates about climate change, CO_2 emissions and congestion charging to ensure that we have the additional resources to enable capacity increases to take place without massive fare increases.

I will close there, because I have covered the main points that I wanted to raise. I hope that, in responding, the Minister can give us a much more positive view than that contained in the Government's defensive and inward-looking response to the Committee's excellent and far-reaching report.

3.14 pm

Stephen Hammond (Wimbledon) (Con): On behalf of the official Opposition, I welcome the Transport Committee's report on fares and ticketing on the railways, just as we welcome all its reports. Although it is a shame that we have had to wait 50 weeks to discuss it, the report is none the less welcome. I suspect that the hon. Member for Crewe and Nantwich (Mrs. Dunwoody) will not expect me to agree with all its conclusions, but it is none the less extremely useful. It raises some interesting and important points about the way in which train operating companies operate and highlights the fact that urgent attention needs to be paid to that modus of operation.

The report also highlights some crucial failings in the Government's management of our railways, and I want to underline that by addressing two issues. The first is people's experience of buying tickets and finding the cheapest fares. In that respect, it is the behaviour of the TOCs that needs to change to a large extent. The second issue is the level of fares and value for money.

The Select Committee report concluded:

"The structure of fares is deeply fragmented and highly complex. Names, conditions and restrictions often vary subtly between different train operating companies."

Rather more starkly, the Committee noted earlier in its report:

"The current complexity of unregulated fares and conditions is an insult to the passenger."

In the intervening 50 weeks, the Government have, for once, agreed with the Select Committee. Their response stated:

"The Government agrees with the Committee that rail fares appear needlessly complex, particularly for longer distance journeys."

They have announced their attention to work with TOCs to address the problem, but there has not been much improvement in the 50 weeks since the report or, indeed, since the Government's response.

Mrs. Dunwoody: The hon. Gentleman is making great play of the fact that we have had to wait quite a long time for this debate, but I should point out that the timing was a matter for the arrangements of the House. As a Committee Chairman on the Liaison Committee, I was happy to see other reports go ahead. I have many things on which I can attack the Government, but the timing of this debate is not their responsibility.

Stephen Hammond: I was not attacking the Government for the length of the delay, but citing it in the context of the actions that they said they would take in their response.

I was about to quote the most recent research from Passenger Focus, which found that seven out of 10 leisure passengers decided not to travel because of the cost of the ticket, with 44 per cent. using the car instead. It also found that three out of five commuter and business passengers disagreed with the contention that tickets were generally fairly priced—I suppose that one could say that people will always disagree with that contention, but it is worth pointing out that finding in the interests of fairness. The research also found that four out of five leisure travellers and seven out of 10 business travellers agreed that they would travel more on trains if the fare were a bit cheaper. The Passenger Focus report commented:

"the public perception is that buying a ticket can be a minefield of confusion. That's why Passenger Focus is working with the Association of Train Operating Companies to find ways of simplifying the way fares are presented."

The point is simple. The TOCs and the Government can say for as long as they like that the fare structure is simple and that good value can be found on the network, but if that is not the passengers' perception, people simply will not travel by train. The Committee's report dealt excellently with that point, saying:

"The persistently poor levels of passenger satisfaction with the value for money of rail travel are important. If passengers perceive rail travel to be too expensive, then in some senses it is too expensive, and it may reasonably be assumed that they will try to avoid paying the set price".

That is a crucial point. Whatever we think about the fares, there is a perception that they are too high, and the modal shift will not go in the direction that we want.

It is worth mentioning one important point about fares and pricing that the report did not look at. There is now a move to smartcards and new ticketing technology across the networks, and anyone who travels on the London network will know that increases in cash fares have encouraged people to switch to Oyster cards. That is hitting some of the those on the lowest incomes hardest, although I accept that London

is a devolved matter and that we are concentrating on train fares. None the less, the single minimum cash fare on the London underground is £4, but it is £1.50 if one uses an Oyster card. There is clear evidence from a recent Greater London authority report that the take-up of Oyster cards among the lowest-income groups is lower than it is among higher-income groups. One needs to be mindful of that, particularly as we move to introduce ITSO's technology across the network. If we do that, I hope that we will do so in a way that does not penalise those who most need access to affordable public transport, and I would be interested to hear what the manager has to say about that—sorry, the Minister. He is the manager of the railways; I get confused.

I want to talk about ways of finding the cheapest fare. In autumn 2006, the Passenger Focus group carried out the mystery shopping exercise that my hon. Friend the Member for Ilford, North (Mr. Scott) tried, and I have a sample of the results. During the off-peak period, almost 48 per cent. of passengers at the largest stations have to queue longer than the industry guideline of three minutes. During peak hours, 11 per cent. queue longer than the industry guideline of five minutes.

Passenger Focus also did a shopping exercise to test what sort of information can be obtained by telephone. Of the companies that it tested in autumn 2006, only GNER telesales was able to provide information to every caller; 40 per cent. of the callers to GNER, 32 per cent. of those to South West Trains, 28 per cent. of callers to Virgin Trains and 22 per cent. of callers to First Great Western waited more than 10 minutes to speak to an operator. As the group rightly commented:

"What a strange way to treat potential customers. People keen to pay up and use the railways are either being left standing in queues or are locked into listening to endless 'muzak'".

As the hon. Member for Stroud (Mr. Drew) has pointed out, at some stations there are no ticketing facilities, and some passengers have to pay fares on board. Research shows that in a number of cases, because of overcrowding, revenue cannot be collected. I believe that the technical term these days for the personnel involved is not train manager or ticket inspector, but probably revenue protection officer, but none the less Passenger Focus found that on the routes that it examined 23 per cent. of its researchers were unable to buy a ticket at all. Over the weekend that figure rose to 58 per cent. That highlights the importance of the need for train operating companies to ensure that, before considering revenue increases, they collect the revenue that is already due to them. If the Government are to allow the rail companies to put through above-inflation fares, they should surely be establishing better mechanisms for collecting fares from existing customers with the TOCs within the franchise. For some people paying on the train seems to equate to free travel, and it cannot be acceptable to penalise travellers and passengers who are honest. A factor involved in the inability to collect revenue on trains is the fact that on the majority of routes trains are too overcrowded to enable rail staff to do their job properly.

That brings me to a central point about rail fare levels and value for money. More passengers are travelling on our networks now than there were before Beeching. That is a matter of fact. However, record patronage should not be an excuse for ignoring the problems of overcrowding. The Select Committee, in the report, accused the then rail Minister, now the Under-Secretary of State for Defence, the hon. Member for Halton (Derek Twigg), of "breathtaking complacency" for saying in evidence that he believed passenger satisfaction with the railways would go up. He was of course ignoring—I think that the report made this clear—the two sources of passenger dissatisfaction: overcrowding and the consequent perception of the fare's value for money.

In its most recent publication on national rail trends, the Office of the Rail Regulator said that passengers are less satisfied with the level of overcrowding as demand continues to increase. That is something of an understatement. In recent months there have been protests and boycotts, as has been mentioned, about overcrowding and above-inflation fare increases. There is no official train capacity limit nationally, and there are specific targets only for peak commuter traffic into London and the south-east. That measurement is carried out, as I understand it, only once a year. The Government have set acceptable levels, but there is no current enforcement and no penalties if limits are broken.

Half the operating companies, however, are at the moment breaching the capacity limits on journeys into London during the London peak. South West Trains is now reaching a level 30 per cent. higher than what is suggested as the acceptable peak in the morning. In the afternoon, half the TOCs break the overall capacity limits, although they do so to a lesser extent than in the morning. Network Rail estimates that 70,000 passengers travelling into London must stand during what is now classified as the three-hour morning peak. However, things are somewhat worse when one looks behind those figures. Of those 70,000 people, 50,000 travel in the peak period between 8 and 9 am. There is a clear pattern of overcrowding.

Overcrowding is a problem across the railways, and research carried out four or five years ago showed that six out of the 10 most overcrowded routes are in the north. Indeed, there is a risk that current levels of crowding could reverse some of the improvements that have been made as a result of investment through Network Rail. The necessity for trains to wait longer at stations may lead to journeys being rescheduled to take longer. A key point, of course, is that, with overcrowding now a serious and endemic fault of our railways, it is hardly surprising that people are dissatisfied with the value that they get from the increasing train fares. The Passenger Focus survey showed that less than half of the people involved are satisfied that they are getting value for money on their routes. Complaints about fares come second only to complaints about train service performance, and the gap between the two has closed dramatically over the past year.

The railways have undergone record growth, but if there are more and more passengers on the railway, more and more capacity will be needed. Overcrowding has risen to unacceptable levels, and it is the fault of the Government that there has been a failure to meet the capacity challenge. The Government have recognised that challenge, but much of what will be put in place will not happen until 2014.

The Parliamentary Under-Secretary of State for Transport (Mr. Tom Harris): Forgive me for intervening so early, but that was a point of misinformation, which should perhaps be clarified from the start, because it has been repeated by the hon. Gentleman's Front-Bench colleagues. The investment in extra capacity planned for the next control period, 2009 to 2014, starts in 2009. The new trains will start to be delivered from next year.

Stephen Hammond: Let us press the Minister on that point. There has recently been an announcement about new trains for the inter-city express programme, and the figures given are between 500 and 2,000. Is the Minister telling us that we can expect 2,000 in 2009, or are we expecting 500? I do not know, because the announcement did not make it clear. It says that there will be between 500 and 2,000 new carriages to attack the capacity problem. The point is that 500 would be a basic replacement level, but 2,000 would make a difference. There is no timetable in the period in question. That is just one example.

Angel Trains, as the Minister will know, because he is the biggest buyer of trains, is the country's biggest train leasing company and has said that it could deliver the trains in 2010. Is that what the Minister has just told us? Is that when those trains will be delivered? It would be delightful to hear from the Minister whether that is what he means when, in answer to my saying that the new capacity will not come about before 2014, he says it will happen at some time in the control period.

Mrs. Dunwoody: No one wants new capacity more than me, but the reality is that the railway industry has a lot of rolling stock mothballed throughout the country for various reasons, some of which are regulatory and many of which are commercial. Angel Trains knows that, and in many instances has been involved. If the rolling stock leasing companies were prepared to change their way of working, as well as their commitment, which I welcome, to new rolling stock, we could, in the event of a problem, undoubtedly use existing rolling stock in the interim, not only to update and improve people's train experience, but to carry many more people. I am interested in the views of Angel Trains, but I am not altogether convinced that it is being 100 per cent. straightforward.

Stephen Hammond: I am interested to hear what the hon. Lady has to say. Indeed, a great amount of rolling stock has been mothballed or has not been brought back in. If the Government were to allow the TOCs to do so, and if they had not specified that in some of their franchise processes, the stock could have been brought back in. That is the reality of life and why I cannot agree with all that is in the report. The report should recognise the role that the Government play, and not only that which they play in respect of capacity. Within their role in respect of capacity comes a role in fares, and it is hugely important that that should be accepted.

There is a view that the Government are using fares to attempt to deal with overcrowding. Last summer, *The Times* talked about the new deal that was being put forward between the Department for Transport and First Group on a number of the commuter routes north of London. At the time, *The Times* accused the Government of striking a secret deal with the biggest rail company to double fares on that route as a way of solving overcrowding. Restrictions on fares were certainly placed on people travelling between London and dozens of stations to the north of the capital. Cheap day fares were no longer valid at times when they had normally been valid. That was part of the franchise specification and is why more people were forced to buy more expensive standard returns. That was exactly the point that the hon. Member for Richmond Park (Susan Kramer) was making about the length of the peak period and the shortening of the off-peak periods.

The Government's decision to award the Thameslink/Great Northern franchise to First Group, would, they said,

"deliver better services to passengers. There will be increased capacity into London during peak times, enhanced facilities for passengers on board trains and at stations".

However, the Government made no mention of the fare increase, even though First Group had made it clear to the Department at the time that the £800 million that would be paid over the nine years to run the franchise, as the franchise had specified, would depend on restricting cheap tickets and increasing fares. That is the essence of the issue.

The Select Committee report rightly commented that the TOCs have operated a complex fare structure, but the root cause for a number of the fare increases is the Government. At the moment, the Government seem to be saying, "It's nothing to do with me, guv," when they are talking about deregulated fares, yet the franchising system that they have imposed is causing fares to rise. Part of that is to do with the length of the franchises, but in the recent tendering period it has been due to the ever-increasing desire of the Government to recoup some of the subsidies that they are paying to Network Rail through the premiums that they are imposing, which are getting the bids up. The vast sums of money that they have spent though Network Rail—we all accept that such sums have been spent—since the demise of Railtrack are being recouped through the franchises. The TOCs are ratcheting up their bids in the knowledge that the overriding point of interest to the DFT and the Treasury is the size of the premium that they are prepared to pay.

Christopher Garnett, the former chief executive of GNER, made the well-publicised comment that it was better to drastically overbid for a new franchise than to underbid and lose it. When those bids are accepted, as the DFT is accepting them, that extra revenue can come only from one source, which is the passenger. That is why fares have risen, why they are rising and why they will continue to rise. The TOCs are a symptom of the fare increases. In almost all cases, the cause of the fare increases is the Government.

Comments have been made about the length of the franchises. The franchises have been re-awarded so that they are tightly specified and the TOCs are left with little room to innovate or to invest. It is clear that the franchising process is part of the reason why we are seeing large fare increases and why the problems in capacity are not being dealt with. Brian Cooke, the

chairman of London TravelWatch, talking about that first bid for the franchise, said:

"It was devious of the Government not to make clear what had been agreed in First's bid. Ministers wanted First to do their own dirty work. When a franchise is agreed, the Government should immediately publish all of the terms, not just the attractive bits."

Mr. Cooke said that it would have been far better to deal with the overcrowding by adding extra carriages rather than pricing people off the afternoon and evening services, and we agree.

In January this year, regulated fares went up by the maximum of RPI plus 1, which is 4.3 per cent. The highest unregulated fare increase that I have seen, part of which was the harmonisation in London, was 56 per cent. in my constituency for people who wished to travel from South Merton into London. The report advocates greater involvement in the setting of fares through greater regulation. I contend that we need almost diametrically the opposite. There is too much intervention by Government in the setting of franchises and timetables and the micro-managing of our railway system. In many cases, the franchising process is driving the fares so high.

In their response to the Select Committee, the Government cite one of the benefits of not increasing regulation, stating that competition encourages innovation in the railways. I agree, but another Select Committee report on rail franchising states that the Government's drive to extract higher premiums and their strict specification of franchises has hampered any efforts by the TOCs to innovate.

Paul Rowen: Will the hon. Gentleman explain how a train operating company is subject to competition, when no one else runs its route? That might be the case for a coach or bus operator, but it is certainly not the case for a train company. Does the hon. Gentleman not agree that there is a role for the Office of Rail Regulation?

Stephen Hammond: A train company is not subject to daily competition, clearly, but it is subject to competition at the renewal of the franchise. That is the time of competition. The hon. Gentleman and I are not subject to weekly competition for our jobs, thank goodness, but we are subject to review once every four or five years, at which stage we are accountable for our performance. That is the way in which the franchising process works.

I would contend that there is far too much intervention from the Government. The Government's failure on the franchising process is best demonstrated by a company that bid far too high, had to charge far too much and then found itself in difficulties. Such a company was GNER. Mr. Garnett, the chief executive, had warned the Government that they could face a backlash over the tightening of control over rail franchising. He said that companies were losing the flexibility to run more trains, change timetables and to ensure that revenue was set against the public travel demand.

Mrs. Dunwoody: Did Mr. Garnett explain why he bid the amount that he did?

Stephen Hammond: I quoted Mr. Garnett earlier, and he said that it is better for a corporate company to overbid seriously and to get the franchise than to underbid and not get it. That is a direct result of the franchising process and the Government and the Treasury's attempt to recoup through premiums in that process—

Mr. Harris: How does the hon. Gentleman equate that quotation from Mr. Garnett with the comment by senior GNER management that the premium that the GNER franchise was committed to was eminently deliverable?

Stephen Hammond: I do not know. We will wait and see. The Minister might remember that he said in the House at Question Time earlier this year that he expects to get the same premiums out of that franchise—

Mr. Harris: For the record, and I am sorry for having to intervene quite so often, that is clearly and unequivocally what I did not say. If the hon. Gentleman looks back at *Hansard*, he will see that I made no such commitment. I need that to be on the record.

Stephen Hammond: Of course I accept the Minister's word on that. I am sure that he will not mind if I go back to *Hansard* and quote to him exactly what he said.

Paul Rowen: Will the hon. Gentleman give way?

Stephen Hammond: No. Hold on, please. I am sure that if we find that the quote from *Hansard* is slightly different from either of our recollections, the Minister, being the fair man that he is, will wish to put on record exactly what he said. We will leave Mr. Garnett at that.

It is incontestable and right that the Government spend a huge amount on the railways, which are recognised as a public service, but all the money is going to Network Rail at the moment. Network Rail is not the organisation focused on passengers, so the subsidy is not going to make the experience of the trebling number of passengers a happier one or one that they feel is value for money. The current franchising process is too short, embodies little incentive for extra investment, does not tackle overcrowding and ensures higher fares.

The Transport Committee is right to say that fare structures are chaotic and that if passengers perceive rail travel to be too expensive, it is too expensive in some sense. It is right to criticise the TOCs for their shambolic pricing structure, but the report's failing is its lack of recognition of the Government's role in causing the fare increases. It is patently absurd to say that pricing is absurd, because it is determined by commercial considerations rather than considerations of the public good unless one accepts that the franchise documents according to which the TOCs must operate those service—in other words, the commercial reality—are dominated by the Government. The Government are trying to extract premiums from those franchises, so the Government must shoulder some, or in my opinion the greater proportion, of the blame for the recent fare increases.

[Stephen Hammond]

The report would have been stronger if it had acknowledged that, but it is none the less welcome. It makes increasingly urgent and important points about the TOCs' behaviour and the lack of transparency and fair pricing, but it also highlights some of the Government's failings in relation to the rail network.

3.42 pm

The Parliamentary Under-Secretary of State for Transport (Mr. Tom Harris): I congratulate my hon. Friend the Member for Crewe and Nantwich (Mrs. Dunwoody) on securing this debate and providing the House with an opportunity to discuss the Transport Committee's report on fares. It is an unexpected pleasure to be left with just short of 50 minutes—

Stephen Hammond: An hour and 20, for the record.

Mr. Harris: I am corrected. That is not usually the situation in Westminster Hall. I am usually left with about 10 minutes to sum up during debates.

Before speaking from my prepared notes, I shall comment on some of the contributions, starting with those of my hon. Friend. She made an excellent contribution. It was clear to see that her knowledge and devotion to the railway industry was shining through. I guess that her experience and knowledge of the industry are second to none. She will not expect me to agree with everything that she said; I think that she would be very surprised if I were to do so.

I take issue with a couple of my hon. Friend's points. When saying that rail travel was becoming more expensive than travel by coach or car, its two main rivals, she suggested that fare increases were a decoy to distract attention from the fares that people actually pay. That is not a direct quote, but she said that she was worried that fares were rising much more quickly than those for alternative transport. I am sure that she is familiar with the piece of information that I am going to quote. It comes from page 5 of the Government's response to her report. It states:

"Although...revenue per passenger km has increased by 2.4% over the last decade, other data published by ORR shows a real increase in ticket prices of 9.3% (over 11 years). The difference between the two figures can be explained by the fact that the 9.3% reflects the price of all fares offered whereas the 2.4% reflects what passengers have actually bought...passengers are becoming more selective in their purchasing and keener to take advantage of the cheaper products."

I understand my hon. Friend's point. It is valid, and I shall talk later about what the Government are doing to facilitate simplification of the fare structure in the rail industry. However, it is simply not the case that passengers are being priced off the railways. Although fares in general have gone up by 9.3 per cent. over 11 years, that does not reflect what people are actually paying. Passengers, especially regular passengers—I accept that the weakness of this argument is that people who are not regular travellers do not have that expertise—have become expert over the past decade and a half at identifying the cheapest fares and exploiting the system, exactly as they should be doing. However, I accept the criticism that not everyone is capable of doing so. I have discussed with my hon. Friend the challenges that the internet presents when one is trying to buy tickets for particular journeys. I am no more an internet expert than she is, and I dread the day when I will have to do it myself instead of having staff book travel for me. Her point is well made, but I cannot accept that the amount paid by passengers is anything like the increase that we have seen. For example, in relation to running private cars, to quote again from page 5 of the Government's response,

"revenue increases have broadly matched volume growth with the cost of travel (in pence/km) rising slightly. The AA Motoring Trust suggests car running costs (2006) are about 22p/km, even for a relatively cheap car."

That is taking all the costs into account, not just the cost of petrol. I do not think that the case can be made that travelling by car is always significantly cheaper than travelling by rail.

My hon. Friend asked whether any level of rise in the price of open fares would encourage the Government to cap them. That opens up the argument about regulated and unregulated fares. The hon. Member for Wimbledon (Stephen Hammond) was quick to dismiss the distinction between them, but it is crucial. If the Government were significantly to increase the range of tickets that come under regulation, there would be a cost to the Exchequer. My hon. Friend suggested in her comments that that should not always be used as an excuse to do nothing. I understand, but on the other hand, given the Government's huge and record levels of investment in the rail industry, the argument for extending regulation to other fares that are not currently regulated is not strong.

My hon. Friend mentioned saver fares, and I will talk a bit more about them in my main comments. Interestingly—this point was also made by the hon. Member for Ilford, North (Mr. Scott) and my hon. Friend the Member for Stroud (Mr. Drew)—she said that the industry was trying to price customers off trains. If that is the case—if it is a strategy of the train operating companies to alleviate capacity problems—it is hard to imagine a strategy that has had less success.

Mrs. Dunwoody: I did not say that they were doing it well.

Mr. Harris: My hon. Friend makes a salient point. If it is indeed a strategy, it is not being implemented particularly efficiently, given that patronage has grown, as she knows well, by 40 per cent. during the past 10 years. There is absolutely no evidence of it that I am aware of. If hon. Members present would like to offer me any, I would be interested to consider it, but I am not aware of examples on any route of a significant decrease in the number of passengers as a result of rail fare increases.

Mrs. Dunwoody: We ought to accept one or two things. The reality is that most TOCs do not innovate. We are always hearing about their initiatives, but, frankly, they do not provide imaginative schemes to attract people. At present, they are quite happy, at best, to rest on their laurels and at worst, to try to make things so complicated that people can never get cheap tickets. Try to get a cheap ticket from any of the

companies that you normally have to deal with, Mr. Jones, and you will find that the number of cheap tickets is infinitesimal, and that somehow they always seem to have disappeared when you want to buy one.

Mr. Harris: That was an extremely robust intervention. I disagree with my hon. Friend about the ability of private TOCs to innovate. However, I agree with her that the fare and ticketing structure in the British railway industry is far too complicated. It was not acceptable that the hon. Members for Ilford, North and for Wimbledon were, as so-called mystery shoppers, given a range of varying fares for the same journey. That does not make any sense, and it is unacceptable. That is why the Government are working with the TOCs and the wider industry to develop a simplified structure. I shall say more about that when I go through my prepared comments.

Sadly, the hon. Member for Ilford, North has departed—from the Chamber, that is. He spoke about complexity, which I shall say more on later, and capacity and reliability. He was the first to mention his unfortunate experience as a mystery shopper, and he agreed with my hon. Friend that it was in fact a deliberate strategy of the rail operating companies to get rid of their passengers by pricing them out of the carriages. As I said, I profoundly disagree with that. There is very little evidence for it.

Paul Rowen: I understand the Minister's point, but does he not accept that the rail operating companies are using price to constrain growth, and that if there were more capacity and a fair price, there would be much greater growth? That needs to happen if we want to get a shift from road to rail.

Mr. Harris: The hon. Gentleman is saying that fare increases over the past 10 years have been too high, while at the same time a 40 per cent. increase in capacity has been too low—it has not been enough for him. Even in 1996-97, if anyone had suggested that patronage on the British railway network would grow by 40 per cent. in the next 10 years, few people would have believed them. People would have said that that was far too ambitious and optimistic, but clearly the hon. Gentleman thinks that 40 per cent. is not enough—that growth should have been much higher—and that fares should have been lower. He believes that the price rises since 1997, which he says are unacceptable, have constrained growth. We have the fastest growing rail network in Europe, but its growth is still constrained and not good enough for him. I admire his ambition.

My hon. Friend the Member for Stroud asked about peak times. I can give him an answer, but it may not be exactly what he wants to hear. I understand that peak times are defined for each journey, and that they differ by route. Within London, the morning peak is normally 9.30, Monday to Friday, and that is for departing times. Whether it pleases him or not, I hope that he will accept that answer.

My hon. Friend said that the railway is in danger of becoming the rich man's transport. I do not accept that. Most people who travel on the British railway network travel on a discounted fare, whether a regulated fare or one of the other discounted fares. Unregulated tickets have not taken over the whole of the country. Because of past regulation, regulated tickets cost 2 per cent. less in real terms than they did 10 years ago. I cannot accept that that equates to a rich person's transport. This point reflects the argument that we had about whether TOCs are deliberately pricing people off the railways. I shall deal with unregulated fares later.

Mr. Drew: I agree that it is possible to come up with statistics to show that there has not been a real-terms increase in fares across the terrain. However, we have all had the experience of being behind someone in the queue who is trying to get a ticket and is negotiating with the poor person who is trying to explain the different price ranges. There is no guarantee, even if someone were prepared to be entirely flexible about when they travelled or by which route, that they would necessarily end up with the cheapest, let alone the fairest, price. Would the Minister agree that that is part of the problem?

Mr. Harris: I do agree with that. The key challenge that we must meet is not only to make the structure more sensible and simpler but to convey that step change to the travelling passenger so that they will understand that it will be simpler the next time they try to buy a ticket, either in person or on the internet. If we do not get that message across, any simplification that is introduced—I hope that that will happen in the near future—will not have the effect that we want it to have. My hon. Friend is absolutely correct about that.

My hon. Friend also discussed his concerns about revenue protection, as did the hon. Member for Wimbledon. It is of course absolutely true that TOCs have an obligation to ensure that the revenue due to them by passengers is collected. It is galling to any honest passenger to have to put up with any kind of fare increase when they know that people on the same train are getting away with not paying their fare, especially if they do so deliberately. There is an obligation on TOCs to protect their revenue. For example, when the South West Trains franchise was re-let at the end of last year to take effect in February this year, there was a commitment in the franchise agreement for extra security at Waterloo station as a revenue protection measure. I would like to see such conditions in more of the new franchise agreements. Open stations should be gated to ensure that people pay before they get on a train.

My hon. Friend concluded by saying something with which I, and I am sure everyone in the Chamber, agree: passengers must be at the top of train operating companies' priorities. The rail industry is not run for politicians, and it is certainly not run for the Department for Transport. It is not run for any of the vested interests. It is run for the passenger and paid for by passengers and non-passengers. It is up to TOCs to ensure that they deliver the best service that they possibly can. If they fail to do that, they fail in their most fundamental duty.

I go on with some relish to the comments made by the hon. Member for Rochdale (Paul Rowen). He claimed, as he has claimed before in this Chamber, that the British railways are the most expensive in Europe. I

[Mr. Tom Harris]

am told that the Liberal Democrats allege that £10 gives more than 200 miles of travel in Italy. That is a good statistic and I understand why he has been using it, but it would be a better statistic if it were true. Simply using the website www.trenitalia.it to check the Rome to Florence fare on the Eurostar Italia fast train suggests that the actual figure is only 71 miles per £10, or €39.80 for 197 miles. I am sure that the hon. Gentleman will take that back to the editorial committee of the Liberal Democrats' "Focus" magazine and that the figure will be corrected at the earliest possible opportunity.

Once again the hon. Gentleman discussed the value of more people moving on to the railways. I ask again—if he wants to answer me now he can, or he can go away and have a little think about it—as he is the Front-Bench spokesman for his party and is, presumably, involved in developing Liberal Democrat transport policy, is a 40 per cent. increase in patronage over the past 10 years enough for him? Clearly, it is not. He believes that the Government could have achieved more than 40 per cent.—without a major increase in capacity, that would have increased overcrowding and involved extra cost—and forced down fares. He is suggesting that over the past 10 years the Government should have paid billions of pounds to increase capacity and at the same time should have increased regulation, which is presumably what he is talking about in terms of holding down fares. I do not have the figures in front of me, but I am sure that someone in his party, perhaps one of his researchers, can invent or calculate exactly how much that would cost. If he wants to tell me now, I am more than happy to give way.

Paul Rowen: Does the Minister accept that I made my remarks in the context of taking rail policy forward—particularly in relation to the White Paper that has been published. I agree with the hon. Member for Wimbledon (Stephen Hammond) that there should not be total regulation, but in the context of the White Paper a number of measures would allow some regulation, and would also increase capacity and get more people on the railways. I talked about longer franchises. Does the Minister accept that if a company is given a franchise for 20 years rather than 10, that enables it to recoup the capital investment over a longer period and therefore the increase in fares that has occurred over the past few years would not be necessary? I did not mention that we are also considering weekend and off-peak working. Currently, Network Rail has a virtual shutdown at the weekends, but in the old British Rail days there was weekend working. If we went back to doing work without disrupting the railways, it would encourage more people to use the railways at off-peak times, which would also generate increased revenue. Those are two ways in which capacity and the number of passengers could be increased without necessarily having the large increase in fares that we have seen over the past few years.

Mr. Harris: The hon. Gentleman may be surprised to know that I agree with him on at least one point that is very important. Network Rail has spoken to me about its wish and the Government's wish to move to a seven-day-week network, which is vital for our economy. As the hon. Gentleman says, we should not have a less than desirable level of service at weekends. I join him in that ambition; any modern railway should aspire to be a seven-day railway. By working with Network Rail and other train operating companies, that is something we hope to achieve sooner rather than later.

However, I disagree with the hon. Gentleman on 20-year franchises. It would be a brave Minister for Transport who signed off a 20-year franchise while making a public statement that the franchise would hold down fare increases. What is to stop any train operating company increasing fares if they are not regulated? The hon. Gentleman did not say that he wanted to extend fare regulation, but if fare regulation was not increased when there was a 20-year franchise, what would stop a private train operating company imposing exactly the same fare increases as we have seen at South West Trains, for example, and at other franchises? The idea that doubling the length of the franchise would have that effect, and certainly the guarantee that it would have that effect, is not one that I or, I suspect, any of my successors would ever want to make.

Paul Rowen: I understand what the Minister is saying and I do not disagree, but the point I was making was that fare regulation would be built into the franchise agreement—as it is now. The Office of Rail Regulation would be beefed up to enable it to take action if companies went beyond the limits.

Mr. Harris: I am glad that the hon. Gentleman on behalf of his party has clarified that its policy is to have 20-year franchises with all fares under regulation. That is a very brave policy. He has just said that he wants the Office of Rail Regulation to ensure that fares do not rise; that is regulation—there is a clue in the title regarding what the Office of Rail Regulation does. I find that implausible.

The hon. Gentleman claims that the other advantage of a 20-year franchise is that train operating companies would get a return on their capital investment. Train operating companies do not buy rolling stock; they lease it according to the length of the franchise. Evidence does not support the idea that under a 20-year franchise, companies would start buying rolling stock rather than leasing it. However long a franchise is, a train operating company will enter a lease from the rolling stock company for the length of that franchise, whether it is 10, 15 or 20 years.

Paul Rowen: Does the Minister accept that under the current arrangements train operating companies lease rolling stock from intermediaries, but that does not provide best value for money? I understood that the Government were investigating that matter. We should be considering alternative ways of financing capital investment in railways.

Mr. Harris: I am grateful that the hon. Gentleman has raised that matter because it allows me to publicly comment on the announcement today by the Office of Rail Regulation that it has referred the rolling stock companies to the Competition Commission. The Government do not want any major restructuring of

the leasing system, but we do believe that the public are not getting the best possible value out of the current arrangements and that is why we asked the Office of Rail Regulation to consider the matter. However, we do not envisage any major changes to the structure of the industry as it stands. I have for some time believed that, following many years of almost permanent revolution in the rail industry, it now needs a long period of stability to allow it to grow and consolidate.

The hon. Member for Wimbledon rehearsed some of the criticism that he has made in the past and I hope that he will forgive me for rehearsing some of the responses that I have made in the past. He mentioned the simplification of the fare structure and I will discuss that in length later. Could he clarify, perhaps from a sedentary position, from where his research came regarding the Passenger Focus research? I think that he quoted that seven out of 10 people who do not use trains cited the high price of tickets as the reason.

Stephen Hammond: I was citing the latest Passenger Focus report on passenger satisfaction that, I think, was produced in February this year. My office would be happy to provide the report for the Minister, or I am sure that Colin Foxall of Passenger Focus would also send it to him—it is a standard piece of work that is in the public domain.

Mr. Harris: I am sure that it is on my desk, but the point that I was trying to make was whether the figures the hon. Gentleman mentioned came from there or not. As with the health service, the railway industry suffers from a gap between perception and reality. People who do not use the railways have said in survey after survey that rail fares are higher than they actually are. Research has found that when asking people how much it costs to travel from one place to another, if they do not use the service, they will almost always come up with a higher amount than the reality. I compare that with the health service because it is well known that if someone's only knowledge of the health service comes from the *Daily Mail* and they have not actually been a patient, they may have a lower opinion of it than in reality.

Stephen Hammond: I accept the point that the Minister is making, but none the less we have always had to deal with that situation; people's perception is the reality. Either we change people's perception or we must treat it as the reality. Appearance and reality are the great Shakespearean themes and that is exactly what we must contend with. The Committee clearly made that point in the report when it said:

> "If passengers *perceive* rail travel to be too expensive, then in some senses it *is* too expensive".

If that is people's perception, it is the reality.

Mr. Harris: I agree with the hon. Gentleman to an extent, but frankly, if a perception is based on the wrong information, that is not a reason for reducing fares. I hope that he understands the point that I am trying to make—it is not about those people who already use fares; it about those who have no knowledge of them. I mention that as it is relevant to the argument that people who do not use train fares are surprised to find that in reality they are not as high as they expected.

The hon. Gentleman went on to say that the Government do not have a strategy for meeting capacity demands on the network. He will know that there is a commitment in the South West Trains franchise for a 20 per cent. increase in peak-time seats. He will know that in the First Great Western franchise—

Stephen Hammond I thought that there was a commitment to increase passengers by 20 per cent. in that franchise. Surely the Minister does not mean that the franchise will increase seats by 20 per cent., as they are actually taking seats out of a number of those passenger trains.

Mr. Harris: Seat removal was in fact undertaken before the commencement of the new franchise. However, I understand the franchise commitment by South West Trains to mean that there should be a 20 per cent. capacity increase.

Whatever the other issues with which it might currently be dealing, First Great Western is committed to increase the number of seats on the network by 35,000 by means of the refurbishment of its high speed trains, which will be completed by the end of the year. On 2 April 2007, the Secretary of State for Transport announced a plan for 12,000 additional commuter seats on daily train services into London, to be accomplished through the Brighton main line route utilisation strategy and purchase of new rolling stock. We should not forget the west coast main line modernisation, which has already increased the capacity of that route and will provide even more capacity by next year.

The hon. Gentleman said that it was a reality of life that the Department for Transport specifies the number of carriages on franchises. That is not a reality of life; it is wishful thinking. I am disappointed that he wants to repeat the nonsense that was put about when the controversy about First Great Western's new timetable really started to hit the headlines in January—I assume it is that to which he was referring. A myth started to emerge—I kid you not, Mr. Jones—to the effect that the DFT had contacted First Great Western and asked it to remove carriages, presumably on the basis that there was insufficient overcrowding. It was a fascinating idea, and no matter how often I said that it was nonsense, there were those who insisted on repeating it. I trust that the hon. Gentleman is not about to do that again.

Stephen Hammond: I have merely restated what was said to the Opposition by the management of First Great Western, who surely ought to know the position. If that is a myth, perhaps the Government ought to tell them so.

Mr. Harris: I would be more than happy to tell First Great Western once again that it is a myth. On the day of our debate on First Great Western services in Westminster Hall, when the hon. Gentleman and I disagreed on the same point, First Great Western issued a statement accepting full responsibility for its capacity problems and saying that it had underestimated the number of carriages that were needed to carry out its franchise obligations.

Stephen Hammond: We should be clear about what that statement said. It indeed said that First Great Western had underestimated the number of required carriages, but it went on to point out that that was partly attributable to the problem of getting back carriages that had been available to the previous franchise and that had been sent off for maintenance. It did not say that the Government had not issued a requirement; it said that First Great Western had made a serious error in relation to the sufficiently early return of the carriages that had been sent for maintenance. That is a different point.

Mr. Harris: I am a little weary of dwelling on the present point for too long, as it is not directly about fares. It remains the case that the Government cannot fairly be accused of telling First Great Western to remove carriages.

The hon. Gentleman made a different, substantive point, which I saw coming from so far off that I think I passed it on the way to the office this morning. He said that the root cause of fare increases is the franchise system, and he started his usual diatribe against the premiums that are paid by some of the train operating companies. He suggested that it was a bad thing, and that the Department should not be levering premiums out of TOCs.

Stephen Hammond *rose—*

Mr. Harris: As there is plenty of time, I give way to the hon. Gentleman.

Stephen Hammond: The Minister was keen to put matters categorically on record earlier, so I shall do likewise. I did not say that it was a bad thing, nor did I make a value judgment; I merely stated that the premium was a cause of fare increases.

Mr. Harris: That is a fascinating insight. The hon. Gentleman says that premiums are the cause of fare increases, but he is not prepared to say whether that is good or bad. That is a remarkable admission from the Conservative Front Bench. It is interesting that his right hon. Friend the Member for Witney (Mr. Cameron) proposed a startlingly innovative policy on premiums just last week. He did not suggest that they should not be paid, even though he has obviously been told by the hon. Gentleman that premiums are the cause of fare increases. He ignored that, and suggested to the Government that, instead of the premiums going to the Treasury—into the pot of money that the Government spend on all sorts of things—they should go to the DFT so that they could be spent on rail.

That was real blue skies thinking by the right hon. Gentleman. Given that we have been doing that very thing with premiums for many years already, and that the premiums have never gone to the Treasury, I am surprised that the hon. Gentleman has not been called into his leader's office to explain why he did not brief him on what already happens in the DFT budget.

The right hon. Gentleman once again finished with a punchline: he said that there was too much Government intervention in relation to railway industry specification. I wonder whether the hon. Gentleman is aware that, since I was appointed, I have had meetings in my office with a steady stream of Conservative Back Benchers, who were not there to tell me that we specify too much, but invariably to tell me that they want me to interfere more in the railway network and in the workings of train operating companies, and to try to ensure that I use my influence to instruct those companies to provide more services in their constituencies. We have all heard of joined-up government, but I want to see some joined-up opposition.

Stephen Hammond: That is an interesting point. However, rather as the Government frequently wish that all their Back Benchers would exactly follow everything that the Government say—

Mrs. Dunwoody: As they all do.

Stephen Hammond: The hon. Lady says, "As they all do." That has not always been my recollection, nor indeed is it necessarily what the voting record indicates. Not all the Back Benchers who go to the Minister represent official party policy, therefore, whereas it is official party policy that has been stated today.

Mr. Harris: I do not wish to contravene either the rules of ministerial office or the conventions of the House by naming any of the people who have come to see me; I simply observe that they were not all Back Benchers.

I shall use the short time available between now and the end of the debate to make my prepared comments.

The Government recognise the importance of the rail network to the social, economic and environmental well-being of this country, and we intend to make sure that the network plays a full and increasingly important part within an integrated national transport system. We are working with the train operators and with Network Rail to tackle the various issues that need to be addressed: capacity and overcrowding, service quality and on-time performance, and other issues, including matters of fares and ticketing.

Our efforts, and those of the men and women who work for Britain's railways, are showing results. On-time performance across the network has reached 88 per cent. and is still climbing, passenger numbers have increased by more than 40 per cent. since 1995, and the number of passenger kilometres is currently higher than at any time since 1946. Slam-door trains south of the Thames have been consigned to history, and service frequency on many routes across the country has been increased or even doubled.

Modernisation of the southern part of the west coast main line has been completed, and the new service is steadily drawing passengers away from planes and motorways and on to the trains. The final section of the channel tunnel rail link—now, I believe, to be called, High Speed 1 and High Speed 2—will open, on time and on budget, in November, further speeding up Eurostar and ready for high speed trains to start running into Kent on domestic services in 2009.

I do not want to be accused of pretending that the railway industry in Britain is a perfect model, that nothing ever goes wrong, and that the Government are 100 per cent. satisfied with it. Sadly, however long I am

in this job, I suspect that I will never be able to utter those words in honesty. However, I believe that the progress we have made has been significant and should be welcomed by the House. There is still much more to do, of course, especially if we are to meet the challenge of the further growth in passenger numbers that is predicted for the next decade. However, if all that I have mentioned is, as the media would have us believe, some sort of failure, then perhaps the country could do with some more such failure.

Having said that, this debate is about fares and ticketing, and I welcome the chance to explain what the Government are doing to address those issues. Let me say at the start that the Government do not agree with every opinion expressed in the Committee's report, but many of its recommendations are well thought out and well made.

My hon. Friend the Member for Crewe and Nantwich has rightly pointed out just how complex fares can be and has suggested that a unified fares structure should be introduced throughout the country. I agree, and we are working with train operators to see whether we can do just that. We are discussing a simple, logical fare structure, with a straightforward choice of three or four fares on each route, with consistent terms and conditions and easily understandable ticket names that, to quote from a well known advertising campaign, do exactly what they say on the tin. Work is still in hand and I am confident that ongoing discussions with the industry will bear fruit sooner than most of us expect.

There has been speculation about the future of Saver fares, which my hon. Friend raised. All options for the national fares structure currently under discussion include retaining and, in some cases, expanding the role of flexible walk-up Saver-type fares at affordable prices. Those tickets are extremely popular, and the flexibility that they provide gives rail a significant commercial advantage over air travel and allows it to compete effectively with the private car. It is in both passengers' and railway companies' commercial interests to keep such fares.

The new national fares structure will build on several initiatives that have already been implemented to make rail fares simpler. In March this year, National Rail Enquiries revised its website to simplify the way in which fares are presented online, so instead of a confusing list of every possible fare, only the cheapest fare in each of three categories—fully flexible, flexible with restrictions, and advance purchase—is shown. The new ticket names to be adopted under the proposed national fares structure will slot neatly into those three categories. The passenger retains a choice of fares, but that choice is now presented in a way that, I hope, they will understand easily.

In January this year, we simplified rail fares throughout London: 97,000 separate sets of station-to-station fares were replaced with one simple set of zonal rail fares, and the same price now applies between any two stations in given zones, whatever the route and whatever the operator. At this point, I ask the hon. Member for Rochdale whether he agrees with his hon. Friend the Member for Kingston and Surbiton (Mr. Davey), who, during a debate in this place on Waterloo International, opposed that change. As the hon. Member for Rochdale has said in this debate.that his party favours moving to smart ticketing forms of paying fares—I am delighted that he is on board on that one—I wonder whether he agrees with his hon. Friend on whether it was a good or a bad move to go from the 97,000 fares that were available before 1 January this year to the 21 that there are now. He might want to discuss that with his hon. Friend the next time he sees him in the Tea Room.

The new fares in London use exactly the same familiar zones used by London buses, London Underground and the successful multi-modal Travelcard fares. Those new London zonal rail fares not only simplify rail pricing in London, but will pave the way for smartcards to be extended to national rail services in London over the next few years.

London will not be the only city benefiting from the introduction of smartcards. We have specified the introduction of modern smartcard ticketing systems on five new franchises: the South Western, East Coast, Cross Country, West Midlands and East Midlands franchises. Specifying the standard smartcard format produced by the Integrated Transport Smartcard Organisation, or ITSO, means that those smartcard systems will be compatible with one another and can form the foundation of a truly national integrated ticketing system. As with the successful London Oyster smartcard, instead of queuing at the ticket office, passengers can touch in and out, saving time and adding convenience. The same smartcard may also work on connecting buses, trams or underground trains. I understand that it is a foul calumny to suggest as a national newspaper did that the right hon. Member for Witney is so posh that he thought the Oyster card was a luncheon voucher.

Our vision is a railway with simple, understandable ticketing, making use of the potential that modern technology offers, and integrated not only across the rail network, but with other forms of transport. If I have addressed ticketing, I will say something about fares.

Paul Rowen: Given the statement that the Minister has just made, is it proposed that that integrated system will operate for concessionary bus fares? If not, why not?

Mr. Harris: I may have to write to the hon. Gentleman about that. My understanding is that that would not be the case, but I am happy to write to him if that is acceptable.

UK rail fares are often compared unfavourably with those in Europe. However, in many cases, the old adage applies: "Never let the facts spoil a good story." Reports typically compare only the most expensive UK open fares, aimed at business travellers and bought by just 10 to 15 percent. of passengers on a route such as London to Manchester, with the regular fare paid by the majority of passengers in European countries. In fact, 85 per cent. of passengers on a route such as London to Manchester pay reduced fares, at prices broadly comparable with the fares charged for a similar distance in France or Germany, only a few pounds more than is charged for travel on fast trains in Italy, and significantly less than is typically charged in Switzerland. If the hon. Gentleman wants a copy of

[Mr. Tom Harris]

the information that formed the basis of those remarks, I would be happy to provide him with it.

We have also had to put up with reports that suggest that it is cheaper to fly within the UK than take a train. The hitherto well respected *Which?* magazine ran a report that purported to show that. The small print reveals that it failed to include air passenger duty in its flight costs. Simply adding that to the cost of the flight reverses the conclusions of the report and the message of the resulting news headlines. *Which?* magazine's own figures show that taking the train from Birmingham to Edinburgh or from Exeter to Manchester was actually cheaper than flying on four or five of the seven occasions that it checked. From London to Glasgow, taking the train was cheaper than flying on every occasion that it checked—after air passenger duty and the cost of travelling to Luton or Stansted airports were added to the air fare. On some occasions, taking the train was not only cheaper but substantially cheaper.

I must make it clear, however, that the Government do not set rail fares or, for that matter, coach or air fares. We must remember that all of those are private sector industries. Rail accounts for 6 per cent. of passenger miles nationwide—a figure that most people would not consider a monopoly share. As a result, the majority of rail fares are unregulated and set on the same commercial and competitive basis that determines fares charged by airlines or coach companies.

However, we recognise that, in certain areas, train operators have a degree of market power that justifies Government intervention. That includes commuter transport into London and other big cities, where there are few practical alternatives to rail. The Department for Transport regulates most fares used by commuters. That is a not insignificant proportion: more than 40 per cent. of fares revenue comes from regulated fares. Since 2004, we have permitted an annual average increase in those regulated fares of no more than 1 per cent. above inflation. That followed several years of limiting commuter fares to increases below inflation. As a result of our fares regulation, commuter fares remain more than 2 per cent. lower in real terms today than they were in 1996. I would not expect to read that in the newspapers, of course.

Over the same period, the earnings of the average commuter using those fares have risen well ahead of inflation, along with the general prosperity of the nation. In addition, we must never forget the big picture. In 2005-06, the railways earned approximately £4.4 billion in fare revenue from passengers. That was not sufficient to cover the full cost of the network. To cover the remaining cost of operating and investing in our railways, the taxpayer contributed £4.6 billion in subsidy.

It is easy to assume, as the media and public often seem to, that fares can simply be legislated downwards, with the money coming from private operators' "profits". The reality, unfortunately, is very different. The simple truth is that, if fares go down, the £4.4 billion in revenue reduces and the £4.6 billion in subsidy must go up by an equivalent amount to make up for the revenue that has been lost. That unfortunate law of railway finance—of finance in general, I would suggest—applies equally well whether we are making franchise payments to a privatised train company or subsidising a nationalised rail operator. Setting regulated fares therefore involves a balance between safeguarding the interests of passengers and looking after the interests of taxpayers. We believe that, in our approach to UK rail fares, we have looked after the interests of both, and we will continue to do so.

4.29 pm

Mrs. Dunwoody: With the leave of the House, Mr. Jones, I will speak again. This is a good report. At some point, Parliament has to take a number of decisions. I am not talking about individual parties; as a nation, we have to decide what we want to do. If we want a 21st century railway, we certainly have to address capacity, but this report was about fares. It was about the way passengers look at fares, the way the experience of the passenger is tied in to their view of good value, and their experience of day-to-day travel. I think that it is a useful report. I am grateful to the Minister and to everyone else who has taken part for an interesting debate. We may even return to the subject again.

Question put and agreed to.

Adjourned accordingly at half-past Four o'clock.

Westminster Hall

Tuesday 1 May 2007

[JOHN CUMMINGS *in the Chair*]

Health Services (West London)

Motion made, and Question proposed, That the sitting be now adjourned.—*[Jonathan Shaw.]*

9.30 am

Mr. Nick Hurd (Ruislip-Northwood) (Con): May I say what a pleasure it is to serve under your chairmanship this morning, Mr. Cummings?

Few institutions have the need to manage as much change as the national health service. Sometimes it feels like it has spent the past 25 years in a culture of permanent revolution. This debate is a chance to talk about some of the changes under way to health services in west London and the impact that they will have on patients and communities. I wish to limit my remarks to the future of two specialist hospitals that enjoy extraordinary support in the communities that I represent, but whose futures remain uncertain, as the cards get shuffled again in the game of power politics within the health economy of west London—a game that has so far benefited management consultants far more than patients.

Harefield hospital ought to be the jewel in the crown of the NHS. Benefiting from its long association with Sir Magdi Yacoub, Harefield is one of the best known heart hospitals and heart science centres in the world. In fact, I would argue that very few hospitals in the NHS system enjoy the same international reputation as Harefield. The heart science centre is recognised for groundbreaking advances in the regeneration of the heart in last chance cardiac patients and in the generation of human heart tissue. Surgeons in the hospital there continue to pioneer groundbreaking treatments to save lives at minimum disruption and pain to patients. Instead of building on that centre of excellence, however, the NHS has mucked it around. The Minister is aware of the story, because he was good enough to meet all three Hillingdon MPs—my hon. Friend the Member for Uxbridge (Mr. Randall), the hon. Member for Hayes and Harlington (John McDonnell) and me—and Mrs. Brett, the chair of Heart of Harefield, which is well represented here today.

Now is not the time to revisit the horrors of the Paddington health campus fiasco. The Chairman of the Select Committee on Public Accounts put it well, in his characteristically understated way, when he said in January:

> "The collapse of the ambitious Paddington Health Campus project after five years was the direct result of appalling planning and forecasting of costs by the NHS Trust partners".

Of course, this being the NHS, the partners did not pay the price; in fact, the individuals involved all got promotions. The price has been paid by the taxpayer, who will have to pay more for future refurbishments, by patients, who could have had better facilities by now, and by staff, who had to live with such uncertainty for so long.

Thanks in large part to Heart of Harefield and the clear-headed leadership of Bob Bell, the chief executive of the Royal Brompton and Harefield NHS Trust, the emperor was finally revealed as wearing no clothes and the plan collapsed. The board of the Royal Brompton and Harefield knew how it wanted to respond. It wanted greater freedom to run its own affairs, aspired to achieve what the Government say they want all trusts to achieve—foundation trust status—and received tremendous support in the community for that aim.

The Royal Brompton and Harefield had been a three-star specialist trust for two years running, with an outstanding clinical record and a strong financial position, so its application for foundation trust status should have been plain sailing. So everyone was puzzled in August 2006, when the Department of Health did not support the application. Puzzlement turned to anger when the Department had to admit that the cause of not proceeding was the need to respond to vehement, personal objections by the outgoing chief executive of the strategic health authority for north-west London, one of the leaders of the Paddington health scheme and clearly a man with a personal axe to grind. The local community was so incensed that it was prepared to go for a judicial review. However, it was reassured by the Department's response, which was to make it clear that it supported the trust going into the next round, which it has since done, with the full support of the London strategic health authority.

We now find, however, that another rock has been laid in the road, obstructing progress towards foundation trust status. Monitor has let it be known verbally that it intends to block the application. Indeed, it took the unusual step of asking the Royal Brompton and Harefield to withdraw it, which, quite sensibly, it has refused to do. Why has Monitor taken that position? It has said that it is a result of Government reforms to the allocation of research grants, under the "Best Research for Best Health" strategy. In Monitor's view, the Royal Brompton and Harefield is assumed to be a loser and will stay a loser—to the tune of approximately £20 million over three years.

Monitor has also taken the strangely dogmatic position that the Royal Brompton and Harefield will not recover that money in a more competitive research market, despite the fact that the trust's research programmes are all rated as strong by the Department, most recently in January this year. Even the chief executive of the NHS has written to the chief executives of London hospitals—I have a copy of the letter with me—who had written to him expressing concerns about the new process and the plans for adjustments and transition. He wrote back robustly, saying that they should not assume that they would be net losers from the process, and that everything depended on the quality of research and competition in a more transparent market.

Monitor has continued to adopt a doomsday scenario, however. Moreover, it has refused to believe that a trust with a strong financial position operating in cardiology, which I understand to be one of the most lucrative fields in the market, will have the financial wherewithal or nous to adjust its business plan in the unlikely event of failing to win research grants. The

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absurdity of that position has reached new heights, as the chief executive of the Royal Brompton and Harefield has revealed that he now expects to have around £250,000 of taxpayers' money to spend on paying consultants to help him draw up a contingency plan that he knows is not needed.

More alarming for the community that I represent is the fact that the chief executive will be forced to freeze development plans at Harefield hospital, where we had been extremely excited about his commitment to investing £20 million in refitting the hospital to make it even more fit for purpose and safeguard its future in the community. As a consequence of Monitor's position, all those development plans will have to be put on ice. The chief executive, who has performed heroics in raising the morale and sense of permanency in a trust that had to live through five years of uncertainty about its future, now has to go through that management challenge all over again.

That all seems very strange, and must be worrying for Great Ormond Street hospital, another prestigious hospital and similarly emotive institution a little further down the track that is now in a similar situation. Surely it was not the Government's intention to undermine those great hospitals. What is going on? A clue lies in a comment from Monitor to the Royal Brompton and Harefield. Monitor said that the trust had

"no future as a standalone Trust".

If reported accurately, that raises concerns that Monitor may be exceeding its remit and taking views on the configuration of assets in London, at a time when it is known that both University College London and Imperial college are locked in a power game to secure a marriage with the Royal Brompton and Harefield.

In that dialogue and courtship, many compelling clinical reasons will be trotted out for such a marriage, and some of the vows may be true. But at the heart of the issue, as everyone acknowledges, is land—the Brompton site, which is valued at up to £1 billion and a source of cash for grand plans; land that the Royal Brompton and Harefield would control if it achieved foundation trust status and that it could use to fund ambitious plans to redevelop and improve services.

The consequence, intended or otherwise, of Monitor's intransigence will be to condemn the Royal Brompton and Harefield to being stuck in a less ambitious rut and, in effect, to force it into the arms of a suitor. I am sure that the Minister shares my concern that Monitor's activities and decisions should be entirely divorced from any commercial interest or power play within the NHS, and should be seen to be so. Will he therefore reassure me that the strict remit of Monitor is to assess applications for foundation trust status and to regulate those trusts, and not to make judgments on the future configuration of services? Will he reassure me, either today or in writing, that no person at Monitor has any formal or informal interest in the negotiations on the future of UCL, Imperial or the Royal Brompton and Harefield?

In relation to the flows of research funding, can the Minister say what impact analysis was conducted on the London hospitals affected by the changes? Can he confirm that it is not the Department's intention to destabilise those institutions? Will he also take this opportunity to echo David Nicholson's view that there is no reason in theory why trusts with strong research programmes, such as the Royal Brompton and Harefield, should not continue to win research grants under the new system? Can the Minister confirm whether the three-year phasing-out timetable is set in stone? If not, I urge the Department to consider a phasing period of five years. That would certainly help the Royal Brompton and Harefield to meet Monitor's objections, but this is not just about one hospital or one trust.

I should say that there appears to be no objection to the principle and the objectives of the proposed reforms to research grant. The concerns appear to be about the timing and the thinking through of the consequences of changes that are a systematic challenge to all hospitals involved. It is not clear that the consequences have been thought through carefully enough. I am sure that the intention was not to destabilise trusts such as the Royal Brompton and Harefield and Great Ormond Street, but that seems to be the consequence.

Moving to five years would give those hospitals more time to adjust and adapt. It would also allow more time for high-class research capacity to be built up outside London. As was said to me, we should not underestimate the fact that it took 20 years for trusts and institutions such as the Royal Brompton and Harefield to build up the centres of excellence that they have developed. It would be a shame if financial pressures forced high-quality research capacity to be cut in London before appropriate capacity had been built up outside. People would not see the sense in that. A move from three to five years would not dilute the principles or direction of travel of reform, just the pace of the journey. I hope that the Minister will give it serious consideration and give us a meaningful answer in his response, either in this debate or in a follow-up letter.

Let me close with some brief comments on another specialist hospital suffering similar uncertainties. Mount Vernon is a wonderful cancer centre that is clearly the most convenient location for a universe of about 2 million potential patients in the west London cancer network. The Minister will be aware that the very controversial decision was taken to move it to a shiny new hospital in Hatfield in 2013. The community was fobbed off with the promise of some walk-in radiotherapy capacity being kept on the site. However, that option faded away as it became clear that it was a second-class service with some risks attached to it. The local community then faced the choice of going to Hammersmith or Hatfield for regular radiotherapy, involving a journey of at least 45 minutes in a car, assuming moderate traffic. That is not a distance or an imposition on a patient that I would care to choose for my family and I am sure that the Minister would not, either. It was unacceptable to the local community.

Now we know that the Hatfield project has collapsed—it was considered unaffordable—we now face a vacuum of decision making and uncertainty about the future of a Mount Vernon cancer centre. The local community's view is clear. They ask, "Why move it? Why move it if you have just invested £23 million of taxpayers' money in new radiotherapy bunkers? Why move it when you clearly have superb people on-site,

offering brilliant treatment? Why move it if you have Hillingdon hospital, as the landlord of the site, now committed to the site, committed to turning it into a health village and providing there the adjacent specialisms that are required to complement a modern cancer centre? Why move it if you have such strong local support for the centre and the extraordinary charities that feed off it and support it? What could be more affordable than building on the excellence on the site? What could be more affordable than keeping cancer services at Mount Vernon?"

We keep being told that a heat map exists in the Department of Health. Personally, I do not believe that, but if it does exist, I urge the Minister to go back and put a large red sticker over Mount Vernon cancer centre, because the people are on the move and petitions are being signed. We are determined to send the strongest possible signal into the system that we want to keep cancer services at Mount Vernon.

I have spoken about two hospitals, but the same message. They are excellent hospitals. The message to the Department is: please support them in the same way the local communities do. Give them some stability—that is what they are crying out for—not in the interests of complacency or a quiet life, but in the name of progress, ambition and a desire to build on acknowledged excellence.

9.44 am

Mr. Andy Slaughter (Ealing, Acton and Shepherd's Bush) (Lab): There is a slight "Groundhog Day" feel to this debate. I note from *Hansard* that, on 8 February 2006, the hon. Member for Ruislip-Northwood (Mr. Hurd) initiated a similar debate, in which I spoke, as did the hon. Member for Uxbridge (Mr. Randall). Indeed, I think that all the suspects are here again, save for my hon. Friend the Member for Hayes and Harlington (John McDonnell), who perhaps has other business detaining him at the moment. I am sure that the hon. Member for Richmond Park (Susan Kramer) will fill in the gap for her party in a similar fashion.

I hope that the fact that 15 months later we are in the same Chamber for the same debate does not mean that things have not moved on. Despite the comments that we have just heard, things have moved on in some respects for the better. It was reported in that debate, wrongly, that one of my local hospital trusts—Hammersmith—had a very considerable deficit, although it is true that it had a deficit. It now runs on a year-to-year basis, with a balanced budget and, occasionally, a surplus. More to do with NHS finance regulations than the efficiency of that organisation, there is still an underlying deficit of some £11 million, which is to be eliminated over the next three years. That is an improved situation.

There were rumours, which had persisted even then for a year or more, that services would be closed at Charing Cross hospital, which many of my constituents use as their regular district general hospital. Those rumours were always unfounded, but they persist, although they have become more muted, as the evidence does not support them. I note that there is a statement on the issue even today:

"There are currently no plans to close any A&E department, Charing Cross Hospital or any other site. In fact significant investment continues to be made at Charing Cross, with new mental health services; a new 72-hour day-and-stay surgery unit"—

costing £3.5m—

"four new linear accelerators...£6.5m...new research facilities; and a Maggie's Cancer support centre due to open...later in 2007, £2.5m."

The evidence of one's eyes, as one drives down the Fulham Palace road, is that Charing Cross is a hospital that is thriving and into which more and more investment is going.

There is perhaps slightly less good news on the progress of the White City collaborative care centre. That is an innovative LIFT—local improvement finance trust—scheme, a £50 million project, organised between the previous Labour council and the local primary care trust. I said when I spoke in the debate 15 months ago that I had great hopes for that project pushing on quickly. So far, not a brick has been laid; indeed, planning consent has not been granted. That is a great concern for me, as the centre will lie—I am still convinced that it will happen—in the White City ward, one of the most deprived wards in London or, indeed, the country. That flagship project, a building designed by the Richard Rogers Partnership, is much needed to bring not only health care but other facilities to the area.

The business case has now been approved, and I am given some assurance that we will see bulldozers on-site by the end of the year, but it is not a satisfactory situation and a good deal of the blame must lie at the door of the new Conservative-controlled council in Hammersmith and Fulham. One appreciates that, when there is a change of power, matters can be delayed, but the persistent renegotiation of the development for no good reason—in fact, for only bad reasons: to reduce the investment by the local authority in social care and to diminish the proportion of social housing on the site—has not only caused delay, but will mean that the development, when it does go ahead, will not be as good as originally planned.

I mention those matters because they deserve to be updated and to be put on the record, but the general pattern in health care, certainly in my part of west London, is of an improving situation, driven by the record investment that is going into the health service there. I could say a great deal more about each of these issues, but I want to speak only briefly today and to concentrate on one particular issue. It is appropriate that I do so today, because today marks the launch of what is an innovative and exciting project not only for my constituency and, indeed, the whole of west London, but for the country. I hope that my hon. Friend the Minister will confirm that when he responds to the debate, because consultation documents on the proposal for an AHSC are sitting in envelopes waiting to go out to all and sundry across west London as we speak.

The consultation period will run for three months, and I am confident, given the soundings that I have taken in the area over the past year, that the response will be resoundingly positive. The basic proposal for the AHSC will go to the Secretary of State in August and, if approved, will hopefully lead to the merger in October of three already excellent institutions—St. Mary's NHS Trust, the Hammersmith Hospitals NHS Trust and Imperial college. That will result, in the first instance, in the first AHSC and, in due course, in the

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first academic NHS trust. As I said, that is an exciting prospect, and it comes, as I think everyone will acknowledge, after some uncertainty about the organisation of health care in west London.

Other projects are under way to ensure that the standard and configuration of health services are improved, but I hope that the AHSC will take us to a new level of excellence. That is not to say, however, that the existing institutions are not in good shape. Indeed, the "Good Hospital Guide" for 2006 ranked Hammersmith Hospitals NHS Trust and St. Mary's NHS Trust as the second and third best in the country respectively for clinical excellence, quality and safety. It goes without saying that Imperial college is one of the largest medical institutions in Europe, and its world-class reputation was recently confirmed in *The Times Higher Educational Supplement*, which placed the university fourth in the world for biomedicine and ninth overall. Perhaps that is a clue that we already have world-class excellence in research, particularly at Imperial, which is already based at the Hammersmith and St. Mary's sites. However, the new configuration and single management under an academic trust are designed to set a new standard for health care in the UK.

I hope that the AHSC goes ahead. I am conscious that it would do so against the background of the review by the eight PCTs of health care in north-west London and Professor Ara Darzi's review of health care in London—his "The Case for Change" document, which was published last month, and his framework for action, which is due at the end of this month. All those matters are taken into consideration in the proposal that is going forward today. I have read the consultation document, and it is very good; it deals with all the bureaucratic matters and shows how the AHSC will not only provide improved research and health care for my constituents, but use the NHS network to give people across west London and beyond access to higher quality, world-class health care.

We will all, I am sure, be greatly embroiled in discussions about the process and about who will take the AHSC forward. I recently met Lord Tugendhat and Steve Smith of Imperial, who are taking the lead on the issue at present. I am extremely impressed by their proposals and, indeed, by Professor Darzi's proposals for health care across London as a whole—this is a new beginning for west London and for London as a whole. In both cases, I am most impressed that those involved have cut through the bureaucracy that bedevils the health service—whichever party is in government—to concentrate on the outcomes for patients. I sometimes wish that health professionals would stop referring to my constituents as guinea pigs and stop rubbing their hands at the prospect of gaining access to more of them, but I know that they are well intentioned at heart.

Progress has already been made. Shortly after our previous debate last year, I visited the new renal centre at Hammersmith with the all-party kidney group, and that institution is fantastic, as are the other buildings that are going up on the Hammersmith and Charing Cross sites and, no doubt, on the St. Mary's site. Impressive improvements have been made in care as a result simply of changes that have been made under the existing management and co-operation arrangements, but the institution of the AHSC is a once-in-a-generation opportunity to make a sea change and to improve the health care of my constituents and those across west London.

9.55 am

Mr. John Randall (Uxbridge) (Con): I congratulate my hon. Friend the Member for Ruislip-Northwood (Mr. Hurd) on obtaining the debate. As the hon. Member for Ealing, Acton and Shepherd's Bush (Mr. Slaughter) implied, this might well become an annual event, which would be a good thing because nothing matters more to our constituents than the provision of good health care.

I echo my hon. Friend's comments about the Mount Vernon site. Although it is not in my constituency, many of my constituents use the facilities there and are concerned about any potential move to take cancer services away from the site. My hon. Friend told us about the proposal to move to a fictitious hospital in Hatfield, although the site had not even been identified and there was no planning permission. Although such things happen, we must move on. It is self-evident to anybody who knows someone who has suffered from cancer or who has suffered from it themselves that the last thing a cancer patient needs to do is to make a long journey in terms either of mileage or, in the case of west London, travel time. Public transport is available to take people into central London, although it can be unreliable, as we all know, but the last thing that somebody who is having chemotherapy or other treatment wants to do is sit on a crowded train. The joy of Mount Vernon is that although it is in west London—I would say it is in Middlesex—it looks over some wonderful countryside and has excellent facilities for patients and for the family and friends who take them there. We should not lose what we have there.

My hon. Friend did not mention Hillingdon PCT, but it is involved in a rather sorry tale of deficits. The three Members of Parliament for the area have tried hard to help successive chief executives of the PCT. I have lost count of how many we have had—I think that we have had more than one a year so far under the revolving-door policy that we seem to have at the PCT. Indeed, we have just lost Mr. Sumara, who has gone off to be the chief executive of the London strategic health authority, NHS London. However, I get the impression that although chief executives come and go, the problem of the deficit remains to some extent. I still have not had the answer that I would like on that issue and I do not know exactly why such a large deficit has arisen. I do not want to indulge in party politicking on the issue because it is far too important, but there is a serious problem and I doubt that the ongoing debt—that is what it is—will benefit my constituents and their health care.

My hon. Friend and I have raised the issue of orthodontics, homeopathy and other services that seem to be affected. We are always assured that they are not affected, but I am afraid that I am becoming increasingly cynical as I get older, and I am not entirely sure that I quite believe what I am told these days. There was a time when I was fresh faced, young and slim that I might have believed it, but as you see today, Mr. Cummings, things have changed somewhat.

The Minister of State, Department of Health (Andy Burnham): Speak for yourself.

Mr. Randall: I am afraid it will come to the Minister too; I was young and full of hope, but I must tell him that life deals a bitter blow. His will come shortly because fate has given me a lot of time to speak in this debate and there are matters that I want to raise with him.

Hillingdon hospital, which is in my constituency and is close to where I live, still manages to provide a very good service, but, as I think is recognised, the building is not quite what it should be. I remember going there as an 11-year-old, having broken my wrist playing football; even today, although there has been a little refurbishment of accident and emergency, the X-ray department is identical to what was there 40 years ago, so it is probably recognised that change is needed. We have been talking about a rebuild, and there is also talk of the private finance initiative, among other things.

It is a slight shame that the ideal location for a new Hillingdon hospital should be the RAF site. There is a very large RAF station in Uxbridge that is being sold by the Ministry of Defence, but it seems that the time scale between the departure from the site of the Ministry of Defence and the potential financing of a new build at Hillingdon hospital makes the idea impossible. It has been explored, but I have promised those involved in the Hillingdon Hospital NHS Trust and the primary care trust that I shall not keep going on about it, for fear that we shall lose the rebuilding of Hillingdon hospital, which is so sorely needed. However, it seems incredible that two Government Departments cannot get their act together sufficiently to achieve something that would provide the whole of west London with the services of a remarkable facility in the future.

There is one matter concerning Hillingdon hospital for which, to be charitable, I probably cannot blame the Minister. It is the continuing problem going back many years of an incinerator on the site. Unfortunately, it was given planning permission many years ago, when there was Crown immunity—I think that the ruling about that has now changed. Subsequently, Hillingdon hospital sold some land and made an application for residential development. The local authority turned it down, but its decision was overturned on appeal. Anyone familiar with the area would have known that the new houses would be situated right up against the incinerator, although from talking to the residents it seems to me that they were given some sort of assurance by the people selling them the properties that there was nothing to worry about and it would soon go away. Sadly, that does not seem to be true.

I am greatly concerned about the matter. I have heard recently from residents about police escorting the waste lorries as they come in. One begins to wonder exactly what is being incinerated there. We have had meetings and I am assured that everything perfectly okay and there is nothing to worry about. None the less, there is a great deal of noise and a certain degree of pollution, and I am not convinced that what people in that area are breathing in is beneficial to their health. It is ironic that such an operation is on the hospital grounds and, although not run by the hospital—it has been put out to a company—is an integral part of it. We should think about that, because when we want public support for hospitals and the health economy it is important to deal with both sides of an issue.

My hon. Friend the Member for Ruislip-Northwood mentioned Harefield hospital, which, although it is not now in my constituency, was historically in the Uxbridge constituency. It does not only serve our constituents; it is world-renowned. I should say that Harefield has a healthy future. It has been refurbished and improved and has lately benefited from a most up-to-date 64-slice scanner, which is a brilliant diagnostic aid. It cost about £700,000, which interestingly was all raised by the public. After the scandal—that is one of the mildest words that I can use—of the Paddington health campus, it is reassuring that everyone is happy to invest in the Royal Brompton and Harefield NHS Trust.

I noticed yesterday on the *Hillingdon Times* website that Harefield hospital had just achieved another first. Mr. Brian Everard of Stanmore was

"spared the pain and trauma of open heart surgery—to replace his heart valves—and was instead operated on through a small incision in his chest."

Harefield hospital, as it says in the article,

"has long been at the cutting edge of heart and lung treatments and earlier this month it was announced that scientists had managed to grow heart valves from stem cells, a world first."

It is also making incredible advances in the treatment of cystic fibrosis. I do not think that I have to make a case for what is happening at the hospital.

My hon. Friend mentioned shenanigans about trust status and said that it was not time to revisit the Paddington health campus scandal. I disagree—but only because no lessons seem to have been learned. When that project finally came to its end, all the supporters of Harefield hospital greeted the news with delight, but there was great anger about the cost to the public purse of that over-ambitious and fatally flawed project. My hon. Friend rightly mentioned a voluntary organisation that has been mentioned before in such debates: Heart of Harefield. Its members are ordinary men and women led by a very energetic person, Mrs. Jean Brett, who has shown what determination, knowledge and great skill can do. I am not sure that the scandal would have been exposed without Heart of Harefield and Mrs. Brett. We might even have reached the point of having a white elephant that would have cost the public purse millions for years to come.

Unfortunately, the public anger remains. My hon. Friend referred to a meeting about this some time ago with the Minister, who was very generous with his time. One reason for the anger is that the chief executives who were involved remain unaccountable and the Royal Brompton and Harefield NHS trust is perceived as having been unjustly denied foundation trust status. I hope that hon. Members know that I do not engage lightly in polemics—I am a great believer in a consensual style of debate in this Chamber. However, much of what has happened seems to me to be down to the actions of one of those NHS chief executives, Gareth Goodier. I believe that he has been vindictive.

The chief executive of the North West London strategic health authority was humiliated at being proved wrong on the Paddington issue. The strongest contributing factor was the withdrawal from the project of the Royal Brompton and Harefield NHS Trust, under the leadership of its new chief executive, Mr. Bob Bell, for whom I have the highest regard. Shortly after his appointment, Mr. Bell, who had

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experience of planning and completing a new hospital, realised that the Paddington project lacked sufficient land to make it viable. There is an obvious contrast with the inability of his supposedly senior colleague to grasp that point over a lengthy period of time.

I do not expect this place to be like a business, because they are different worlds, but I remember discussing the Paddington project in this Chamber in May 2004, when I set out, in what I thought was a calm and collected way, why the business arguments for continuing the Paddington health campus were flawed. The Minister who responded to that debate, who is now a little more senior—the Secretary of State for Work and Pensions—turned on me with a degree of unkindness and accused me of opportunism. He also accused the people who had helped and advised me and given me information of being vindictive and simply wanting to stop something that was going to be the most marvellous thing in the world. I protested that that was not the case and that I was using the little knowledge that I had acquired from 20 years in business to show that the project was a waste of public money, but I was not able to get a word in. I remember trying to make an intervention at the end but not being allowed to make it. However, but that is how things work in this place—let us be grown up about it.

Since that debate, the people who were responsible—NHS executives and Government Ministers—have never acknowledged that a mistake was made. No one has said, "Actually, you were right, and so were the people with you. A great deal of money has been saved for this country and the taxpayer, and we regret the waste beforehand."

Mr. Andrew Lansley (South Cambridgeshire) (Con): My hon. Friend makes an important point about learning lessons from the collapse of the Paddington health campus scheme. I recall the debate that he secured back in May 2004, in which I was the Conservative Front-Bench spokesman. The responding Minister in that debate was indeed the present Secretary of State for Work and Pensions, who subsequently repeatedly refused ever to give direct evidence to the inquiries of the National Audit Office and the Select Committee on Public Accounts into why the Paddington health scheme collapsed. That was one of the more disgraceful episodes of Labour Ministers' stewardship of the Department of Health.

Mr. Randall: I agree with my hon. Friend. Indeed, I was going to make that point. It was not only Ministers who acted in that way: NHS chief executives did not give evidence to the inquiries by the NHS and the Public Accounts Committee. If there had been a genuine desire to ensure that the same thing did not happen again, they would have given evidence. I should like to know what reasons they gave for not giving evidence. Were they trying to hide something? I shall give them the benefit of the doubt, but there is a strange smell about people refusing to give evidence to inquiries that are intended to sort out problems and ensure that they do not recur.

The North West London SHA chief executive, Mr. Goodier, was one of the strongest supporters of the Paddington project. I remember discussing it with him. His support continued even after he was sent a letter by the Department of Health in January 2006 advising him in the strongest possible terms to write back disproving the points made in the letter. Again, nothing was forthcoming.

The Royal Brompton and Harefield NHS Trust has benefited greatly in the past six months from its association with Sir Magdi Yacoub, of whom the whole House and a great many of the public have heard. The Sir Magdi Yacoub heart science centre, which is on the Harefield site, has made groundbreaking, successful advances in the regeneration of the heart in last-chance cardiac patients using a combination of drug treatment and a ventricular-assist device. We have already heard something about what is being done at that centre. Its breakthrough in April in generating human heart tissue opened up a field that is so large in its scope to benefit patients that it is impossible for any of us to quantify.

The Heart of Harefield campaign has been mentioned a lot in this and previous debates. Before Jean Brett agreed to lead that campaign back in 2000, she had to be convinced that maintaining the bed-and-bench situation at Harefield hospital, in which the patient and research are in proximity, was of such importance that destroying that affinity would result in a loss of benefit to patients both nationally and internationally. Recent events have proved her decision to have been absolutely correct.

The trust is the UK's largest cardio-respiratory centre. Due to its expertise and eminence it has been the largest recipient of NHS research and development funds, but recent Government changes in the allocation of such funds have caused problems. Monitor has suggested that all research funding might dry up after 2009 and has claimed that the trust's strong financial position could therefore be jeopardised. That is a rather worrying thing for Monitor to say. The public, and probably the trust's board, have had a surfeit of NHS organisations throwing spanners in the works while pontificating on matters that are beyond their remit. I am afraid that I hear echoes of the whole Paddington fiasco coming back to haunt us.

It is highly unlikely that the Royal Brompton and Harefield Trust or other specialist trusts will be so radically disadvantaged in respect of research moneys by the Government that all specialist trusts will therefore cease to be financially viable. It is rather more likely that the possible side effects of introducing a new research and development system were not thought through, but it is not acceptable for Monitor to take a disaster scenario approach when assessing the trust for foundation status.

In the most recent round of applications, 17 trusts applied for foundation status, of which only three were successful. Given that one of the trusts was the Royal Brompton and Harefield Trust, which is regarded by the chief executive of the SHA for London as one of the most successful, there are doubts about the efficiency of the system. The press releases at the end of March suggested that the decision had been taken some time before. The application was supposed to be under consideration at that time and the decision was to be made by 26 April, but it seemed to be a foregone conclusion. I want some openness about that decision,

and Members of Parliament, members of the public and members of the trust need answers about it.

Specialist trusts should not be unilaterally disadvantaged by Monitor as a result of Government policy on cuts in R and D moneys, particularly given that decisions remain in a state of flux. There is no objection to changing the system nationally so that R and D moneys are shared more equitably throughout the country and are monitored more strictly so that they do not leak into supporting deficits, but it is not acceptable for any organisation to use the change in Government policy as an axe to disadvantage specialist trusts. The improvement of patient care and the reputation of this country both nationally and internationally depend on the fruits of specialist trusts' research.

I raise this matter because I am genuinely angry about what has happened, and not only because one of the best NHS trusts in the country—a real jewel of the NHS—has been affected. I am angry about the lack of openness, the twists and turns and the political manoeuvring. Things have gone on that would make a senior Whip blush—the sort of strange things that go on behind closed doors about which I can only dream. At least, that is how things seem to me, a young innocent out here. All that is bad for the NHS.

If we want to improve the NHS and its systems, as I believe everyone does, we cannot have the current system of NHS executives running roughshod over common sense and the evidence and then indulging in a vindictive war against those who have dared to cross them. I dare say that I shall have to watch out if I go to hospital in the next few months, certainly in some areas, but I lay down the marker now: I know where they are, I know where they live and they know where I live.

10.20 am

Susan Kramer (Richmond Park) (LD): I am conscious of the fact that my constituency is in south-west London, so I shall attempt to impose a self-restraining ordinance not to drift into that territory, because south-west London deserves a health debate of its own. I shall try to focus instead on west London issues, although as the two areas sit side by side and the boundaries are terribly unclear to most constituents anyway, many of the experiences and issues are inevitably shared.

This has been an incredibly high-quality debate, involving hon. Members who are able to talk in great detail about the particular circumstances of local trusts and hospitals. I shall therefore try to take a small step back, because lying behind our discussion is an absence of any sense of sustainable direction within the national health service. That has been the character of the past and we are all afraid that the situation may not be resolved in the future.

Many of us have been in conversation with a strategic health authority—I imagine that that is the case for all hon. Members present. I suspect that they have been excited by the basic work in Sir Ara Darzi's "Healthcare for London: A Framework for Action". There is a sense that perhaps there is now the possibility that someone is coherently examining the future situation across London. We are conscious of the fact that the work is being undertaken in the context of a national health service that does not meet Londoners' or west Londoners' expectations. In addition, productivity levels in the NHS are lower in London than elsewhere in the country—for example, doctors in its acute hospitals see 24 per cent. fewer patients than those elsewhere. We are also conscious of the fact that London is perhaps in the almost unique situation of having overcapacity in many areas and the wrong capacity in many areas. We are concerned about how all this will be resolved.

May I say, because this is shared by people of west London and south-west London, that as we examined "Healthcare for London" and the core consultation document, we saw a worrying red flag? The consultation document talked constantly about the needs of north and east London, as if those areas were in competition with west and south London. On the distribution of GPs, the document said:

> "There are overall fewer GPs per head of weighted population in the east and north of London (where health need is greatest), compared to the south and west".

I would not dispute the fact that that may be true, although the situation in areas such as Ealing probably does not look as good as elsewhere in west and south London. We are desperate for a strategy that will build all of London, not one that will siphon resources out of the west and south, where need is great, even though there might be a greater need in the north and east.

We look at this issue in the context of Mayor Livingstone's focus, which seems constant, on pouring resources into north and east London—it is partly driven by Olympic fever, but it is also a fundamental view—while the population insists on coming to the west and south and building their homes there, no matter what the authorities would like to do to direct them elsewhere. The need of, and the resources that have to be put into, health services in west London should not be discounted by an institutional wish for a population shift. I suspect that such a shift will not occur—there is certainly no evidence of it occurring.

The Government's response to west London's health issues has been one of chaos. Others have talked in great detail about the Paddington health campus scheme, and I echo the comments made, although I shall not reiterate them. One would have thought that after putting hospitals such as the Royal Brompton and the Harefield into a period of such uncertainty, stress and concern, the response after the Paddington scheme fell through would have been carefully to provide genuine certainty to overcome the damage that had been done by what most people now regard as an idiotic scheme. That has not happened. We see the same thing repeated in the case of the Mount Vernon hospital cancer specialty unit. Proposals to take everything to Hatfield were abandoned and nobody knows where the programmes will be taken. That does not help the health service at all.

That kind of chaos is being increased and intensified yet again by a policy that I wish the Minister would address, because I cannot get to the bottom of it. As I understand it, there is a requirement for about 15 per cent. of health services in the London area to be provided by the private sector, with the result that the strategic health authorities have been building up independent sector treatment centres—in other words, private centres—at a time when there is overcapacity in

[Susan Kramer]

the system and when we need such additional facilities like we need a hole in the head. We need improved, regenerated and modern facilities. The notion that we need increased facilities for increased competition in London misunderstands the whole London health environment. That is aggravated by the fact that none of us has been able to see the underlying contracts that go with these independent sector treatment centres. We are suspicious that they contain language that essentially gives guarantees of minimum numbers of patients, which translate into financial security for those private centres, while the NHS facilities face constant uncertainty and risk.

I shall give a tiny example, although it is not particularly a south-west London example. I have talked to representatives of the breast screening services at my local hospital—those services being provided by a private group within the context of an NHS hospital—and they were naively delighted to explain to me how the patient guarantee from the NHS takes away all their financial risk. That allows them to use all their spare time to seek private patients for breast screening. They said, "It is a wonderful system because we have no financial risk at all. That is carried by the NHS, so all we have to do is build our profit opportunities on the back of it. The system works extremely well. We are a wonderful and very profitable company." I do not think that they anticipated that my reaction might be that whoever negotiated that contract for the NHS services was not adequate or up to the job. I understood that transferring the risk from the private sector to the public sector was not supposed to be the goal.

I understand that those independent sector treatment centres will not provide training for junior doctors. This week and last week, we saw the devastating impact of all the uncertainty surrounding junior doctors, yet the programme in London seems to aggravating the situation, rather than diminishing it. That brings me to the financial crisis in the NHS, whether in west London or in all of London.

The NHS deficit in London in 2005-06 was £174 million, which is proudly said to have reduced to £55 million in 2006-07. The sum is huge, and it has largely been reduced by top-slicing from the financially successful trusts, to support the ones with deficits. Much of the price has been paid by cutting NHS jobs—for example, the 900 jobs in London, plenty of which are on the front line, and we are all aware of them. People tell me that such cuts do not impact on service, but I suspect that some hon. Members present would be able to give many examples of where service has been severely damaged.

One issue that is often not flagged up is that primary care trusts, whether in west London or elsewhere, have been reluctant to move outside National Institute for Health and Clinical Excellence boundaries for the prescription of cutting-edge medication. One example of that involves the drug Temodal, which is used to treat brain cancer. As we know, NICE can be exceedingly slow in providing approvals, so we end up with a situation where we know that approval of a drug will be given, but the paperwork and the rest of the pieces take a further 12 months to roll through and be put in place. In the past, PCTs have been willing to prescribe in such circumstances, but now they are not, given the financial pressure that they face. I suspect that lives have been lost—lives have certainly been shortened—as a consequence.

Cost-shunting between PCTs and local authorities has become acute—west London suffers from that as much as anywhere else—and it is resulting in diminution of community health services in west London. One reason for the shortage of training places for junior doctors this year is that PCTs have been clawing back from their original plans and posts have effectively disappeared.

Mental health services have taken much of the brunt of such cuts, and that is as true in west London as it is elsewhere. Hon. Members will be aware of the report by the Sainsbury Centre for Mental Health in July 2006 which said that nearly two thirds of mental health trusts have been asked to cut their budgets to cover NHS overspend in other areas.

Ironically, my area is officially south-west London, such are the weird boundaries for different aspects of the national health service, and Cassel hospital in my constituency falls into the west London family of mental health services, so I can see directly in my constituency how cuts in mental services have fallen on the most vulnerable. Superb services for adolescents have been merged with adult services with the loss of 10 beds.

I suspect that part of the reason why the Royal Brompton and Harefield NHS Trust is driving so hard to obtain foundation status is that it feels that, with overcapacity, only those who can get out early and obtain foundation status early will be able to survive, and that the inevitable rationalisation, particularly from introducing more competition, will not mean that those that remain are not necessarily not the best, but that others got out first. That seems to be a nutty way of trying to resolve the issue and to obtain the best health service structure in west London.

Although there is community involvement in seeking foundation status, that creates a false feeling, because there is no democratic control of the strategic health authority. People in west London have no mechanism for making their voices heard by the Department of Health. The chaos that has arisen because local voices are not in charge of decision making will not be resolved by giving foundation status to one hospital. Real focus on genuinely devolving accountability for health services to local people is needed, and that has not happened.

London is one of the great capitals of the world, if not the greatest. It should have a first-class health service in every part of its community and, given its history, it should have cutting-edge research. That is not the picture today, and that is a failure. The Minister must give us some coherent answers.

10.33 am

Mr. Andrew Lansley (South Cambridgeshire) (Con): I congratulate my hon. Friend the Member for Ruislip-Northwood (Mr. Hurd) not only on securing this debate, but on his dogged pursuit of his constituents' interests in relation to health services, as evidenced by this debate and his debate in February last year. He will not give up on the matter; he will ensure that the services on which they rely are

supported and maintained. That is all credit to him, and to my hon. Friend the Member for Uxbridge (Mr. Randall), who did likewise during his debate back in 2004.

My hon. Friend the Member for Ruislip-Northwood concentrated on the Royal Brompton and Harefield, and Mount Vernon hospitals, and I shall follow him. On the Royal Brompton and Harefield NHS Trust, I share my hon. Friends' anger at what happened in relation to Paddington health campus, and the delays and £14 million of directly associated costs. Significant additional opportunity costs were associated with the failure of that scheme.

The hon. Member for Richmond Park (Susan Kramer) was absolutely right about what her constituents had a right to expect after the collapse of that scheme. The trust rightly called time on a project that was never, as the National Audit Office demonstrated, properly supported and organised. A simple question that must be asked in the national health service is "Who is in charge?" No one was ever in charge of the Paddington health campus scheme. The trust called time on it and had a right thereafter to expect to be able to manage its own affairs and to determine its own future. That is the point that my hon. Friend the Member for Ruislip-Northwood made. The trust has applied for foundation trust status precisely for that purpose. It wants greater opportunity and freedom to determine its own future. The London strategic health authority put the trust forward for foundation status, but Monitor has said no for the time being, principally because of the uncertainty attaching to the trust's future income projections derived from research funding.

I confess that the NHS research and development programme and the reorientation to a number of biomedical centres makes me happy for constituency reasons, because Addenbrookes hospital in my constituency has benefited. There are winners and losers—*[Interruption.]* My hon. Friend the Member for Uxbridge reminds me from a sedentary position that the chief executive of Addenbrookes hospital is Gareth Goodier, former chief executive of the North West London strategic health authority and previously of the Brompton and Harefield NHS Trust. The national health service inhabits a small world. Ministers often remind us that the NHS employs 1.3 million, but it is funny how the same people keep turning up.

It is obvious, as my hon. Friends and the trust acknowledge, that there has been cross-subsidisation from money intended for research and development into service support. The plea of my hon. Friend the Member for Ruislip-Northwood is that, if there are to be substantial changes of the sort proposed under the R and D programme, the financial consequences must be subject to a reasonable transition. There must also be significant opportunities to enable those who are losers for the time being, but have high quality research projects, to win other research projects, even if they have not secured a position as a centre of excellence or biomedical centre for the time being.

At the same time, if I understand the way in which cardiac services are moving and particularly the sort of work carried out by the Royal Brompton and Harefield hospitals—it bears comparison with that at Papworth hospital in my constituency as a cardiothoracic centre—they need rapid adjustment in the payment-by-results and tariff system. There are too many instances of hospitals such as the Royal Brompton and Harefield, which have a relatively complex case mix and are likely to be tertiary referral centres, dealing with patients for whom the tariff is not well designed. The Minister will understand that the Government's response to the turbulence caused by the introduction of the tariff has led Ministers to hold back in the latest payment-by-results consultation document. We are moving to a timetable that is a year slower than was intended.

In reality, the proper response to that turbulence is to make faster progress and to move the next iteration of the tariff. If one does not arrive at a point where there are recognised exceptions to the tariff and recognised outliers and where the cost is not better disaggregated to individual treatments—often the complex treatments provided by tertiary centres—often hospitals of a more specialist character lose out as a consequence of the roll-out of the tariff across the NHS. I am sure that the Royal Brompton and Harefield NHS Trust needs that to happen.

I am sure that it should not be Monitor's job to seek to engage in reconfiguration as part of its authorisation process. That should not happen. It is Monitor's job to encourage as many hospitals as possible to secure the financial status that allows them to become more independent. Configuration is much more a matter of the relative choices of commissioners. I am sure that the Royal Brompton and Harefield NHS Trust would not complain if, in the long term, it had to begin a reconfiguration of its services because of a change in demand for its services. Anyone working in cardiac services at the moment knows that they have shifted from cardiac surgery to cardiology and intervention in a way that is redesigning services. The trust knows that it must do that, but it is doing so in response to demand and changes in technology, not as a result of a top-down process.

I must confess that I remain sceptical about the benefit of the strategic health authority—through Sir Ara Darzi—engaging in trying to determine the future configuration of services before GPs and local commissioners have had the opportunity to determine where they want services to be. I suspect that access and specialist centres will be lost, which would not happen if decisions were left to local commissioners.

The hon. Member for Ealing, Acton and Shepherd's Bush (Mr. Slaughter) made a helpful speech. I do not necessarily share his immediate optimism about Sir Ara Darzi, but I share his optimism about the coming together of Imperial college and St. Mary's, Hammersmith and Charing Cross hospitals. In the health service of the future that we all want to see, in which patients increasingly make choices and GPs and local commissioners make choices, hospitals will begin to make their way in the NHS on the basis of reputation, results and outcomes for patients.

An academic centre with the foundation status that Imperial and the two trusts—St. Mary's NHS Trust and Hammersmith Hospitals NHS Trust—propose could be precisely the kind of major centre that attracts demand from within the NHS, makes its way in the NHS and becomes a world-class centre. We need to

[Mr. Andrew Lansley]

establish such world-class centres in this country. Cambridge is aiming for one, and west London can achieve one through such a merger.

Like the hon. Gentleman, I met Professor Steve Smith and Christopher Tugendhat, and I very much share the hon. Gentleman's enthusiasm for their vision. However, I caution against their allowing it to become wrapped up in the strategic health authority reconfiguration proposals. Their vision stands on its own merits; it is not designed to achieve a certain reconfiguration effect throughout London. The two must be kept entirely separate.

My hon. Friends the Members for Ruislip-Northwood and for Uxbridge made a perfectly straightforward, rational and passionate case for Mount Vernon hospital to be allowed to get on with its job in a place and in circumstances that the local population, GPs and commissioners support.

We have picked on one London primary care trust, Hillingdon, but it is in serious trouble. It had an accumulated deficit of about £59 million at the end of the financial year just gone, and it clearly requires strong change. How should change be achieved? The Minister might like to tell us whether there is any prospect of the PCT taking advantage of the framework for external commissioner support, which the Department set up through its tendering process. The outsourcing of commissioning is one option. It may have some advantages, but even more importantly, responsibility must be transferred rapidly into the hands of GPs—the primary care commissioners.

Primary care trusts, of which Hillingdon is one, have demonstrated that there are serious dangers if they fail to do their job well. If we disaggregate budgets and ensure that the individual local commissioners—GPs—have greater control over them, we will bring together clinical decisions and budgetary responsibilities. The problem of Hillingdon PCT's deficit must be tackled. It is not fair to try to transfer the deficit into the hands of commissioners under practice-based commissioning, although that is not the Department's intention. One cannot expect commissioners to discharge their responsibilities on the basis of such a large deficit.

The Government must contemplate the transition that my hon. Friend the Member for Ruislip-Northwood discussed, involving changes throughout the system. There may be three financial years of transition ahead—not only this year, but the two beyond—for PCTs in the worst circumstances. Hillingdon may be in that position, and it would be helpful to know whether the Minister has received a request from Hillingdon for a plan that spans such a period.

I endorse what my hon. Friend said on behalf of the hospitals in his constituency. It is important that we address the issues in practical terms now. He has done so, and I very much endorse what he has said.

10.44 am

The Minister of State, Department of Health (Andy Burnham): I, too, pay tribute to the hon. Member for Ruislip-Northwood (Mr. Hurd) for securing the debate and for the way in which he made his remarks. I have no doubt about his personal interest and commitment to ensuring that his constituents receive the highest quality health care. I include the hon. Member for Uxbridge (Mr. Randall) in that tribute, as well.

I am pleased that my hon. Friend the Member for Ealing, Acton and Shepherd's Bush (Mr. Slaughter) joined us in today's debate. It is the second time in recent history that we have debated the matter, but health care in west London arouses huge interest, perhaps because west London contains some of the most pre-eminent names, both of individuals and of institutions, in health care in the world. It is normal and natural that the subject always arouses huge interest. On a personal level, my family recently benefited hugely from the services of the Royal Marsden hospital, which is a fantastic institution. It is truly humbling to see the staff's commitment to their jobs. All of us want to strengthen, develop and build upon such excellence in health care; there is no political difference on that point.

In many ways, our debate has touched on all those matters. Sometimes, the debate focuses on exactly how to make such changes, and although the hon. Member for Uxbridge used the word "vindictive", as far as I can see, everybody is trying their best when they make judgments. NHS management are sometimes unfairly caricatured, and although we may not always agree about the right judgment, the vast majority of people are rowing in the same direction.

The hon. Member for Ruislip-Northwood began by saying that in west London, there had been a period of almost permanent change. In that sense, I suppose that the title of Sir Ara Darzi's first publication, "The Case for Change: Healthcare for London", depresses the hon. Gentleman. However, we will constantly return to such issues because there will always be a need to review and to change, particularly when we are discussing some of the leading health services in the world.

The hon. Member for Uxbridge was absolutely right to raise the profile and our awareness of the fantastic developments at Harefield hospital. Because the health economy is bringing some of the most advanced changes to us very quickly, there will need to be constant consideration of whether services are up to date and of sufficient quality.

Sir Ara Darzi's document includes the phrase:

"Local urgent care is not good enough."

That is a bold and clear statement, and I guess that all London Members of Parliament want to see changes off the back of it. Another paragraph in the document says that

"out of the thirty hospitals in London providing stroke services, only four treated over 90 per cent...in a dedicated unit, and, whilst patients should receive a CT scan within three hours, only in seven hospitals were 90 per cent of patients getting a scan within a less-than-ideal 24 hours."

People like me are sometimes accused of always saying that everything is marvellous and fantastic, but one cannot read such figures from someone as eminent as Professor Sir Ara Darzi without agreeing that there is a case for change. There is a constant onus on us all to see whether we can do better in providing health care for our constituents.

I shall now address the issues that the hon. Member for Ruislip-Northwood put before us. The vital context of today's debate is specialist services and the extent to which we enhance and improve them. Ara Darzi discusses his reasons for change and devotes the body of the document to the need for more specialised care. I hope that the hon. Gentleman is encouraged by that. Ara Darzi makes his assessment of health care needs in London in that context. If I were the hon. Gentleman, I would take considerable comfort from that, having raised two issues relating to institutions today. What is important is improving the excellence in the west London health economy.

I turn to the specific issues raised by the hon. Gentleman. I, too, enjoyed our meeting last year to discuss the Royal Brompton and Harefield NHS Trust, and I, too, pay tribute to Jean Brett, who has done a superb job of raising the profile of the trust and the arguments that it wants to advance in this debate. The hon. Gentleman and I are absolutely at one on that. I would go further and say something else, which I probably said at the meeting, which the hon. Member for Uxbridge also attended. I argue that the foundation trust model does provide an answer.

We had a huge and impassioned debate in the House, particularly on the Labour side, about whether the foundation trust model was right. I am trying to remember, but I think that the Liberal Democrats opposed the model. I remember debating with the hon. Member for South Cambridgeshire (Mr. Lansley) at the time, and I do not think that we disagreed. I remember that he supported the principles of the foundation trust model. For me, it is the natural fit for a trust such as the Royal Brompton and Harefield NHS Trust. I fully endorse the trust's efforts to realise its aspiration to achieve foundation status.

The hon. Member for Ruislip-Northwood used a phrase to the effect that it was Monitor's intention to block the application, but that is a misrepresentation of the current position. As I said, the application went forward to Monitor with the Secretary of State's support. That brings me to the role of Monitor. First, let me say what its job is. Its job is to make a hard-headed assessment, without fear of unpopularity, of the business case that underpins foundation status.

My local trust—Wrightington, Wigan and Leigh NHS Trust, which includes a specialist hospital in Wrightington hospital—went through the process too. Monitor found out things about the trust's financial rigour and framework that have been helpful to its planning for the future. All of us at different times call for that rigour in the finances of the national health service. If the hon. Gentleman's call was for leniency and for us to get all the trusts through the process, that would be wrong and would not serve his constituents' interests or the health service in general. As anybody who has been through it will testify, the process is rigorous.

Mr. Randall: Does the Minister consider that some trusts that have not been given foundation trust status would have been given it had the information about what the Government intended to do with research and development funds been available at the time?

Andy Burnham: Monitor should always base its judgment on the information available at the time. That is what it does—it takes the trusts through the process and alerts them to potential risks that it may feel have not been adequately addressed in the trust's business plan.

The hon. Member for Ruislip-Northwood used what we might call an anonymous quote to the effect that the trust has no future as a stand-alone trust. Let me say it clearly: that is not the view of the strategic health authority, NHS London. I put it clearly on the record that NHS London says that it thoroughly supports the trust's foundation trust application and, provided that it can work through the problems raised by the reduced R and D funding, the trust has a positive future. The Government very much share that view.

It is not for Ministers in any such situation to say, "This trust can go forward and that one can't," and it is not the role of Monitor to say what is the right configuration in any one area. That is properly the responsibility of the strategic health authority and local commissioners. Let us be absolutely clear about the strategic health authority's view. I hope that we can have a period of intensive discussion about some of the potential problems that have been highlighted and then get the application back on track so that it can be considered again shortly.

The hon. Gentleman talked about the three-year phase-out of transitional funding under the new arrangements for R and D funding. It is worth putting on record that in the last financial year, the trust received £28.6 million as part of that funding. This year, it will receive £24.6 million and in 2008-09, we expect it to receive something in the region of £4.8 million, although that has yet to be fully confirmed. That transitional timetable is not to be reviewed and is set in stone. That is a fair basis on which trusts can plan for the new world of R and D funding.

A number of hon. Members commented on the R and D funding regime. It is important to say that the NHS budget for research and development for this financial year is £776 million. I hope that hon. Members accept that the Government have made a significant contribution and commitment to research and development. As in other parts of the national health service, under the new regime people will no longer be paid for historical reasons or for what they have always done. The new regime is about being transparent so that people can bid for funding on the basis of the quality of what they do. I expect an organisation of the quality of the Royal Brompton and Harefield NHS Trust to benefit under the regime like any other such trust.

Mr. Hurd *rose—*

Andy Burnham: I shall give way only briefly, as I want to address points made by my hon. Friend the Member for Ealing, Acton and Shepherd's Bush.

Mr. Hurd: I should be grateful if the Minister explained why the phasing arrangements are set in stone, given the evidence that they are destabilising prestigious institutions such as the Royal Brompton and Harefield NHS Trust and Great Ormond Street hospital.

Andy Burnham: I do not believe that that is the case. A three-year funding phase has been agreed and, as I say, there is the opportunity to bid for new funds under the new regime.

Let me address the question of the academic health science centre. I confirm to my hon. Friend the Member for Ealing, Acton and Shepherd's Bush that today the strategic health authority has initiated a consultation on whether the three confirmed organisations will be able to go forward to create the UK's first academic health science centre. It could be an incredibly exciting proposal and vision for health services in west London, and my hon. Friend will agree that as the clinical research translates into NHS services the benefits to his constituents could be huge. I am pleased to hear that at this stage, knowing what he does, my hon. Friend is supporting the proposal.

The hon. Member for South Cambridgeshire was right to say that the issue should not become wrapped up in debates about reconfiguration. The proposal should stand on its own merits and go forward with cross-party support so that we can see whether we can create an institution that would begin to rival the academic and health service institutions that are seen in the United States. Obviously, I encourage my hon. Friend to play a full part in the consultation. We will see whether we can turn the vision of Professors Sir Ara Darzi and Steve Smith into reality. I pay tribute to them for their personal commitment.

In the time that I have, I want to mention Mount Vernon hospital. I hope that the hon. Members for Ruislip-Northwood and for Uxbridge accept that there has been recent investment in the improvement of cancer services at Mount Vernon hospital. No one can ever say that something could never be reviewed or changed, but we should look at the reality on the ground. As a result, we see a trust whose services are being invested in and improved. That is the important thing that matters to local people.

The hon. Member for Uxbridge raised the issue of Hillingdon hospital. I believe that an outline business case is about to be put to the strategic health authority, and I hope that it will reach me soon.

Scotland and the Union

11 am

Jim Sheridan (Paisley and Renfrewshire, North) (Lab): I am delighted to have secured this debate, particularly at a time when the future of the United Kingdom is at stake because of the forthcoming elections in Scotland. It might be appropriate to remind colleagues that this Labour Government's policy on Scotland and the Union delivered the settled will of the Scottish people through the devolution of a range of important issues to the newly constructed Scottish Parliament. I shall return to that issue later. That Parliament has delivered on its promises and introduced progressive policies that have enhanced the quality of life for the vast majority of its people. So successful has it been that even those who wish to break up the UK are reluctant to debate the issues that are relevant to that Parliament.

Scotland is stronger because of the Union and the Union is stronger because of Scotland—not because of North sea oil, but because the Government believe that, by focusing on the future and not reliving old battles and prejudices, we can all make progress and, together, face up to the challenges of an ever competitive global economy.

Today's UK is a democratic country that is the envy of the world. That hard-fought tradition should not be destroyed by short-term separatism. That is a probability that even the London leader of the Scottish National party has acknowledged. He suggests that Scotland should vote in the forthcoming elections in the knowledge that, if it does not work out, we will just regroup and move on. Such deceitful politics is dangerous and irresponsible. It takes for granted the views of the other countries that make up the UK, surmising that they will just wait around for the self-indulgent activities of the SNP.

The vast majority of the Scottish people—and the rest of the UK—do not want to break up Britain. I would liken such an act to a student sabbatical, but one where the student does not want to give up their room. The financial costs of breaking up the UK would soar into billions of pounds. Likewise, if we were to regroup—provided the rest of the UK wanted us—those billions of pounds could and should have been spent on improving the lives of all our constituents. Constitutional wrangling would sever the relationship between Holyrood and Westminster, which would generate a blame culture that would foster nothing but hostility and conflict. Exploiting people's prejudices, especially anti-Englishness, lies at the heart of the SNP, despite its national leader's attempt to downplay that. There are historic examples worldwide of similar nationalism that has led to unnecessary conflict and irreparable damage. Some would argue that that might be an exaggerated risk, but is it a risk worth taking?

I turn now to the defence of the UK and, in particular, the valuable jobs associated with the defence industry. As an island, we are heavily dependent on securing our shores, whether from those who wish to harm our people, to enter the country illegally, to exploit our shores or to carry out organised crime involving drug or human trafficking. Our service

personnel work tirelessly to protect us, coupled with the other agencies that work together to collect and share information and surveillance. We owe them all a great deal of gratitude. That would be put at risk if we were to break up the partnership. Investment could be affected and jobs could be lost. Paradoxically, some areas in Scotland are heavily dependent on a UK defence presence yet choose to elect people who would, if they come to power, put that investment at risk.

Mr. Ian Liddell-Grainger (Bridgwater) (Con): The hon. Gentleman is absolutely right. Is it not the envy of the world that the British military is the best we can have? It is British. Does the hon. Gentleman agree that if the Union were to break, we would have an English army, a Scottish army and whatever else, and that that would be a disaster for the United Kingdom?

Jim Sheridan: The hon. Gentleman makes a valid point. If that were to happen, we would have no more than some sort of "Dad's Army", which would be absolutely no use in the modern world.

Equipping our service personnel with the tools and technology that they need to carry out their dangerous tasks is important to the British manufacturing base. Shipbuilding in the UK was on its knees before the Government came to power, but it has been turned around by a mixture of forward thinking by the defence companies and hard work by the employees. That would all be scuppered by the break-up of the UK.

The Parliamentary Under-Secretary of State for Scotland (David Cairns): My hon. Friend, like me, has many constituents who work in shipbuilding on the Clyde. Would he care to speculate about how many aircraft carriers an independent Scotland would need if the Union was broken up and about whether England, as a foreign country, would place its orders for aircraft carriers in an independent Scotland? How realistic does he think that either of those eventualities would be?

Jim Sheridan: I doubt whether there would be any aircraft orders in an independent Scotland. Any aircraft that were ordered would probably be made using Airfix glue, and that would most likely be the only thing that we could produce in an independent Scotland.

The important thing about shipbuilding is the valuable skills that would be lost. Apprenticeships would be sacrificed, simply because some people in Scotland want to create superficial borders that are unnecessary and unwanted. As someone who has spent a significant period of my working life in the shipyards, I feel confident that I reflect the genuine concerns of workers in that industry.

Ann McKechin (Glasgow, North) (Lab): Does my hon. Friend agree that the fact that we are members of NATO gives us great defence security? Small countries in Europe, such as Iceland, Estonia, Latvia and Norway, are all strong members of NATO. Does it not seem utter folly that we should consider leaving it?

Jim Sheridan: My hon. Friend is absolutely right. It would be folly for us to even contemplate leaving NATO. We all need to remember that we are an island and that we need to be protected as such. It would be folly if the scenario that she painted were to come to light.

As I said at the beginning, there is a school of thought within the nationalist ranks that North sea oil will be a panacea to all their whinges. If we scrape away the rhetoric and take a serious look at the economics, the figures do not add up. Well-respected financial experts, such as those at the *Financial Times*, warn that North sea oil revenues will dry up within the next 10 years, thereby placing a potential tax increase on Scottish people if they vote for independence and still aspire to retain the public service that they have now. That will not only impact on the Scots but could influence inward investment from other countries in the UK and beyond.

This coming Thursday, there will be a choice. Scotland faces an historic decision: the choice between two very different futures. We must recognise that there is a lot to lose. The onus is on those who want to trade education for separation and economic stability for economic risk to choose between building up Scotland and breaking up Britain. The nationalist plans for independence come at a cost, and the people and businesses of Scotland will be asked to pay the hefty price.

With economic policies helped along by "fiscal fairy dust"—not my words, but those of the SNP enterprise spokesperson, Jim Mather—the SNP is asking Scots to trade in hard-won economic stability for a risky wager on declining oil revenues and a corporation tax cut that Europe could cut back.

Sandra Osborne (Ayr, Carrick and Cumnock) (Lab): My hon. Friend makes powerful points about the benefits for Scotland of being in the Union in terms of its economy and the defence and security of our nation and jobs, but does he agree that there is also a school of thought among the nationalists that says that, if people think that it is better for Scotland to be part of the Union, they somehow love their country less or are less patriotic? Does he agree that that is a complete fallacy, and that those of us who see the benefits of being in the UK love Scotland just as much as any other Scot?

Jim Sheridan: My hon. Friend is absolutely right. Some in the SNP claim to speak for Scotland, but today's performance shows that only one member of the Scottish National party is present. Indeed, the London leader of the SNP, who claims to stand up for Scotland, could not even find the time to attend this debate.

On the cost of the SNP, the United Kingdom is a Union that has served Scotland and its other nations well. By pooling our resources, we achieve much more together than we would apart.

Mr. Robert Goodwill (Scarborough and Whitby) (Con): I do not know whether the hon. Gentleman heard the actor Robert Carlyle on this morning's "Today" programme. He said that, as a lifelong Labour man, he was going to vote SNP, but that he did not favour an independent Scotland. He said that he was voting SNP only because it was his last chance to give the Prime Minister a kicking before he goes next week.

Jim Sheridan: The hon. Gentleman makes a valid point, but I think that Mr. Carlyle, like a number of my colleagues, might be somewhat confused about what

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this Labour Government have done for Scotland in terms of jobs. If Mr. Carlyle wishes to give the Government a kicking, that is entirely up to him, but there are consequences—independence and the break-up of the UK. People need to understand that independence comes at a cost.

Scotland represents just over 8 per cent. of the UK population, one third of its land mass and one half of its coastline. Government officials, independent experts and informed commentators agree that the UK's way of financing public services spending across Britain is based on equality of service provision. On that basis, Scotland benefits from a Union dividend that recognises the distinctive nature of service delivery to the Scottish people.

In each of the last eight years for which official figures are available, public expenditure in Scotland exceeded revenue. The SNP would give up the Union dividend, which benefits Scotland by more than £11 billion. Outside the UK, it would lose that dividend. Revenues from North sea oil and gas cannot fill the SNP's financial gap. Even assuming the highest possible share of North sea revenues in Scotland when oil prices are high, those revenues cannot plug the SNP's fiscal hole, and production is already in long-term decline.

The SNP's plans to break up Britain, and its incoherent tax and spending plans, would leave the party with a net deficit of more than £12 billion, equivalent to well over £5,000 per household per year. Independence is not only a risky business, but an expensive one, too. I hope that the Mr. Carlyles of this world will understand that.

Pete Wishart (Perth and North Perthshire) (SNP): I do not know whether the hon. Gentleman saw the opinion poll this morning that showed that only 19 per cent. of the Scottish people believe that nonsensical £5,000 figure. Some 51 per cent. thought it was a load of rubbish. Is it not the case that nobody believes a word that the Government and the Prime Minister say anymore?

Jim Sheridan: Just because the SNP activists do not believe the figure does not mean that the rest of Scotland does not.

Pete Wishart: This was 2,000 people.

Jim Sheridan: If the SNP wishes to discuss the economics of its policy, it is free to do so, but it should come to the table with honesty and integrity.

The SNP proposes to raise income tax in Scotland initially by 3p in the pound. That would make Scotland the highest taxed part of the UK, place new cost burdens on businesses, fuel wage pressures and return Scotland to the bad old days of the brain drain. Despite what the nationalists claim, local income tax will not help the poorest pensioners, who currently qualify for council tax benefit. They will continue to have to pay sewerage and water rates. The SNP will tax only earned income, not shares, savings or property, so a very rich person in a £1 million home living off shares and savings will pay no local taxes to help fund local services.

Ms Katy Clark (North Ayrshire and Arran) (Lab): On the SNP's policy of introducing a local income tax, does not my hon. Friend think that it is yet another example of the fact that, although the SNP might claim to be progressive, when it comes to the crunch, it does not put the interests of ordinary families in Scotland and of Scotland's poorest at the top of its agenda? Does he also agree that the SNP's recent decision to drop policies on bringing the railways under public control and regulating bus services in Scotland might have something to do with the recent large donation that it received from Brian Souter?

Jim Sheridan: My hon. Friend is correct. It is strange that nationalist policies on transport have changed since the donation from Mr. Souter, raising the question of cash for policies. On council tax, it is a rather strange, tooth-fairy world in nationalist politics. The idea that one can pay nothing and get the same public services is just untrue, as the figures confirm.

On the potential conflict, the SNP has made it clear that it will table a motion for an independence referendum in the first 100 days. By stating that a referendum on independence would happen in 2010, it is attempting to convince the Scottish people that they can defer the constitutional question for four years, but the SNP strategy for tax and turmoil would leave Scotland facing instability and uncertainty from day one.

From day one, the SNP intends actively to seek out and create conflict with Westminster. The SNP has made it clear that it seeks power in the Scottish Parliament for one purpose only—to take Scotland to the brink of independence and beyond. It will pick fights to use the Scottish Parliament as a battering ram to bring about dispute and discord.

Within 100 days, the SNP would introduce an independence Bill. It would tear up the Treasury rule and discipline that have brought economic stability to Scotland, re-create the battles of the 1970s for oil and gas and use every issue from gun laws to Olympic athletes to create tension between the north and the south. The SNP sees every fight within the UK Government as a way of building the case for independence. One SNP insider pointed out last month that the election will give the incoming Government a mandate to open talks with Downing street, saying, "If we don't get what we want, what better case could there be for independence?"

Within 100 days, the SNP will begin squabbling with London over who owns the oil and gas in the North sea. Taking a step back in time, it wants to re-create the arguments of the 1970s. It is time that the SNP understood that Scotland has moved on.

Michael Connarty (Linlithgow and East Falkirk) (Lab): On revenue from North sea oil, it is interesting to note that the SNP liked what the *Financial Times* said about the current price of oil and gas—that Scotland would have a surplus this year if it got 95 per cent. of the revenue. But in future years, when gas is a bigger part of the North sea flow and prices come down, there would be a clear deficit in the Scottish budget if Scotland relied upon even 95 per cent. of the revenue from oil and gas. Is it not a false economy to make such plans when it is quite clear that prices will come down, the flow will slow and the revenue will not be there?

Jim Sheridan: My hon. Friend is absolutely right. To base a whole country's economy on such a volatile product is irresponsible. There is a danger in it, and the people of Scotland must understand exactly what that danger is.

I could go on about the SNP's policies on independence, but I am sure that some of my colleagues who have kindly come today are more than capable of doing so. As someone who is deeply proud of my Scottish roots, I am equally passionate about my Britishness. That is why I firmly believe that we are stronger together than apart. Unity is strength, as they say in the trade union movement, and that is equally relevant for the Union of the United Kingdom.

11.20 am

Pete Wishart (Perth and North Perthshire) (SNP): I congratulate the hon. Member for Paisley and Renfrewshire, North (Jim Sheridan) on securing such an important debate on such an inauspicious day. I was almost detained in getting here today, trying as I was to get through the cheering, flag-waving crowds. Everybody is out celebrating the coming together of our two great nations.

More importantly, the hon. Gentleman secured this debate in what is likely to be one of the most dramatic and significant weeks in Scottish politics. You have probably not been to Scotland much in the past few weeks, Mr. Cummings, but one can sense the feeling there that change is coming. Scotland is about to move forward with hope, aspiration and ambition.

Ms Katy Clark: Will the hon. Gentleman give way?

Pete Wishart: I will give way, but I would like to tell Labour Members that I will not be up and down like a jack-in-the-box, taking tedious, depressing and negative interventions. My contribution will be the only one that hon. Members will hear this morning from this side of the debate, and they will have plenty of time to catch your eye, Mr. Cummings. I will take the intervention, but could I plead with the hon. Lady to say something positive this time around? I challenge her to do so—go on.

Ms Clark: The hon. Gentleman is well aware of the fact that I often make very positive contributions. He has already quoted opinion polls this morning, and I have no doubt that he will refer to other opinion polls in the rest of his contribution. However, the most recent opinion poll on independence for Scotland showed that only 22 per cent. of the Scottish people are in favour of it. Does he not agree that it would be completely inappropriate for the Scottish National party to proceed with their policy on a referendum if such a small minority of the people are in favour of independence?

Pete Wishart: I knew that it would be a task too far for the hon. Lady to say something positive, but I commend her for raising a point about opinion polls. The last opinion poll was issued by ICM on Sunday, and it showed that 41 per cent. of the Scottish people are in favour of independence. Curiously, it found that 56 per cent. of the English people are also in favour of it. It would seem that the English people are way ahead of the English political parties in this debate, and it seems curious that that is not reflected at all in the policies of many major parties in Westminster.

Mr. Liddell-Grainger: I am a Scotsman who represents an English seat in Somerset. I can assure the hon. Gentleman that that is not the case—the Scottish question does not raise its head at all. My constituents know my background; they know who I am. I am sorry to say that, as usual, he is talking through his hat.

Pete Wishart: I do not doubt the hon. Gentleman's Scottish credentials, but the question was put to English people by ICM, and 56 per cent. said that Scotland should be independent. That is what the survey found, and it is consistent with several opinion polls that canvassed the people of England on the matter. It seems that the English people are way ahead of the hon. Gentleman and his party.

Getting back to the debate about Government policy on Scotland, which I am sure you are keen for us to do, Mr. Cummings, it is clear that the Scottish people have decided that it is time to move on. It is time to put an end to the mediocrity that has been a feature of the Scottish government since its inception. It is time to remove the dead hand of the Labour hegemony and Labour politics in Scotland. Fifty years of the dead hand of Labour is coming to an end—it will be part of history. Scotland will move on to a new chapter of its story that will be characterised by hope, optimism, ambition and aspiration.

David Mundell (Dumfriesshire, Clydesdale and Tweeddale) (Con): Will the hon. Gentleman give way on that point?

Pete Wishart: I might give way later, but I will not give way just now. I want to try to make a bit of progress. *[Interruption.]* All right, I give way to the hon. Gentleman.

David Mundell: Perhaps the hon. Gentleman could tell us what will happen to the hand of the Liberal Democrats, who have also been in government in Scotland for the past eight years. Will their hand be cast aside, or will it be grasped?

Pete Wishart: I have nothing but respect for my Liberal colleagues. I have long been an admirer of their long-standing principles—a person knows what they will get with the Liberal Democrats. One could not hope to find a finer bunch of people in Scottish politics, and we are very much looking forward to coming to some arrangement with our Liberal colleagues in the next few days.

What we are saying in the debate about Government policy on Scotland is that it is time to move on. If the debate can be characterised by having been for and against anything in the past few years—*[Interruption.]* I welcome my hon. Friend the Member for Dundee, East (Stewart Hosie).

The debate has been about hope and fear. On the one hand, there is a positive vision of Scotland. The SNP has an innate belief in the Scottish people and their abilities, talent and creativity. It takes the view that Scotland could be so much better than it is, that it could aspire to greater things and do so much more.

Compare and contrast our vision with the doom and gloom that we have heard from Labour Members. Their comments are negative: Scotland cannot do that, that is not possible, Armageddon will come if they do that, and the deficit will be bigger than that of the Gaza strip. They have tried to suggest that the Scottish

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people, almost uniquely among the European peoples, would make a failure of running their country on their own.

Call me old fashioned, but if a party wants to win an election, it should try its best to gear itself to the electorate, not disparage and insult them, which is exactly what Labour Members have been doing. That is why they will take such a hiding this week. Their campaign of negativity has been a disaster for them, and they are likely to realise that on Thursday.

Some of the things that I have heard have been truly outrageous and quite hysterical. Do you remember, Mr. Cummings, when Labour came to Oban a few months ago? There was a massed chorus of doom and gloom. The funniest comments that weekend came from the Home Secretary, who portrayed a Scotland infested by al-Qaeda members who happened to get over the barbed wire and evade the border guards that he believed would be installed.

The other hysterical incident was when the Prime Minister walked into the classic trap that we set. He came to Scotland one morning and managed to insult and disparage one of Scotland's most successful businessmen. He described George Mathewson, who was responsible for the success of the Royal Bank of Scotland, Scotland's most important financial institution, as self-indulgent and, I believe, egocentric because he dared to present an opposing political opinion.

Michael Connarty: I wish to correct the hon. Gentleman. That was the story reported by the press, but the full statement was nothing like that. In fact, the Prime Minister praised Mr. Mathewson for all that he did in business but said that his decision to support the SNP was egocentric and, in fact, out of character. The full statement was not about him as a person or his business ideals. Like many people, I believe that people are being self-indulgent and gambling with Scotland's future by thinking that the SNP could lead the country better than the Labour-Liberal coalition has led it.

Pete Wishart: I am glad that the hon. Gentleman cleared that up. The Prime Minister is in Scotland again today.

David Cairns: The hon. Gentleman prayed in aid the support of George Mathewson, as his party has done incessantly throughout the campaign. Mr. Mathewson did play a large, important and significant part in building up Scotland's financial services sector. Would the hon. Gentleman reflect on and care to comment on what part George Mitchell, Sir Peter Burt and Jim Spowatt played? Did they play any role whatsoever in building up Scotland's financial services industry, or were they just bit-part players? If they played any role at all, what is the hon. Gentleman's view on their opinion that separating Scotland from the UK would be a disaster for financial services institutions in Scotland?

Pete Wishart: Of course those people are entitled to their opinions, and I hope that they make them clear. We want to hear the opinions of business people throughout the course of the debate. However, there is no way that members of my party would get into the game of insulting such people, unlike the Prime Minister, who spoke about George Mathewson. I shall not disparage and insult the people whom we saw this morning, for example. They are entitled to their views. We will leave such actions to the Prime Minister, if the Minister does not mind.

As I said, the Prime Minister is back in Scotland today. We know how bad it is for the Prime Minister because when he last came to Scotland, he pleaded with the Scottish people not to give him one more kicking. "I am going away," he assured them, and for that they will be eternally grateful. "Do not give me one last kicking," he said.

We Scots are a reasonable people, and, as far as possible, we would like to oblige and indulge the Prime Minister. However, we will give him one hell of a kicking on Thursday. The Scottish people will have their say about him, and it will not be a pretty sight. It will not be a pretty sight for the Prime Minister and it will not be a pretty sight for the Chancellor, who is probably now even more unpopular than the most unpopular Prime Minister since records began. The elections will be a disaster for the Chancellor in his own back yard because he will be defeated. What type of Prime Minister will he be then?

I make a plea to Labour Members: please keep the Prime Minister in Scotland until Thursday. We want to ensure that we get our vote out so that we have as large a majority as possible. Will they keep the Prime Minister in Scotland for as long as they can? His presence in Scotland has focused attention on the Government's policy in Scotland. Why has the negativity failed this time? Labour Members thought that they simply needed to put the frighteners on the Scottish people one more time and they would all fall into line. That will not happen and there are two very good reasons why it will not. First and most important, the Scottish people do not believe a word that this Government and the Prime Minister say anymore. If this Prime Minister and the Government are prepared to tell untruths—I will not go into why—about why this country went to war, which is the most important fundamental decision that a Government can make, why should the Scottish people believe them about anything else? Why should they believe what the Government say about the details and features of our policy to replace the hated council tax when they tell such huge whoppers about going to war? Of course, people do not believe a word that the Government say anymore.

Jim Sheridan: The hon. Gentleman's comments are synonymous with exactly how the election campaign is going. Not once has he mentioned any of the issues that will be pertinent on Thursday—health, education, law. All he wants to talk about is what is happening at Westminster. The elections on Thursday are not about issues at Westminster.

Pete Wishart: I do not know whether I am grateful for the hon. Gentleman's intervention. I assure him that I will come to the issues that he has mentioned—he will have to be patient.

David Cairns: The hon. Gentleman is generous in giving way. He spoke about council tax and what he claimed was a misrepresentation of his policy. Will he

answer a simple, clear question with a figure rather than windy rhetoric? How much would a two-income couple in a band D property—not a band F property—have to earn before they paid more in local income tax than in council tax?

Pete Wishart: It is strange that the debate about the future of local government finance has become the predominant parliamentary issue in the elections. In the debate about the future of council tax versus local income tax, the First Minister himself could not even come close to saying that the current council tax policy is fair. We believe that our policy is fair and the Scottish people believe that the policy is fair. The Scottish people will have a decision and a choice to make on Thursday: continue with the Labour party and its unfair council tax or move to a much fairer local income tax, as suggested by the Scottish National party. The second reason—

David Cairns: Will the hon. Gentleman give way?

Pete Wishart: I will not give way. *[Interruption.]*

John Cummings (in the Chair): Order.

Pete Wishart: In addition to the Scottish people not believing one word that Labour Members say, the second reason why the Scottish people will not believe in the negativity this time is that they are much more confident and self-assured. The Scottish people have had eight years of running their own Government and Parliament, and they know what it is like to do that. Labour Members suggest to the Scottish people that they can confidently run issues such as health and education—as the Scottish people have done already—but that they cannot somehow run defence, foreign affairs or pensions. The Scottish people are saying that that does not chime with their experience and, in that respect, a negative policy does not work anymore.

Mr. Alistair Carmichael (Orkney and Shetland) (LD): *rose—*

Pete Wishart: I will, of course, give way to my hon. Friend—well I hope that he is.

Mr. Carmichael: If the hon. Gentleman wishes to put in an application to join my party, it will be considered in due course. That is how he can become my hon. Friend.

Will the hon. Gentleman explain why his party thinks that an independent Scotland would not be capable of having its own currency or setting its own interest rate?

Pete Wishart: We can have a debate about that if the hon. Gentleman wishes to, but the most important point is the suggestion that the Scottish people would not be capable of having their own currency. That issue also relates to those Labour Members who have said that the Scottish people are incapable of putting together their own armed forces. Those remarks are nonsense, ridiculous and disparaging. Once again, Labour Members are talking Scotland down. The Scottish people are, of course, capable of doing such things. I believe that the hon. Member for Orkney and Shetland (Mr. Carmichael) thinks that the Scottish people would be able to do those things on their own.

Several hon. Members *rose—*

Pete Wishart: I will not give way again as I want to try to make some progress.

When Labour Members move away from the negativity and try to be positive, it does not get much better for them because they insist on talking about what they call the Union dividend, which is the added value that the House is supposed to give the people of Scotland.

Let us consider the big reserved issues that the House is still responsible for in Scotland—foreign affairs, defence, pensions and the macro-economic management of Scotland. Let us start with foreign affairs. The defining issue for the House in Scotland in relation to foreign affairs is the Iraq war, which was overwhelmingly opposed in Scotland—not just by the vast majority of people, but probably by everyone. That is part of the Union dividend provided by the House.

Mr. Carmichael: Will the hon. Gentleman give way?

Pete Wishart: No, I will not give way because, as I said, I am trying to make some progress.

Let us consider defence procurement. I know that hon. Members like to discuss defence procurement, but the defining decision that the House has taken about defence over the past few months and years is the renewal of Trident, which is £50 billion-worth of weapons of mass destruction placed just miles from the most populous city in Scotland. It was overwhelmingly opposed by the people of Scotland, campaigned against by all civic society and voted against by Scottish Members of the House. That is the Union dividend in relation to defence in Scotland.

Sandra Osborne: Will the hon. Gentleman give way?

Pete Wishart: No, I shall not give way as I have done so enough times already.

The Union dividend for pensions is the pensions fund raid, which has cost every Scottish family £3,700. That is the Union dividend on pensions. Let us consider the issue that Labour Members like to crow about most: macro-economic management from London. Right, okay, there is growth; but not in Scotland. We have underperformed compared with the rest of the UK since Labour came to power. We should not even bother considering the small European independent nations that would be Scotland's normal comparators. Compared to Scotland, those nations are economically in another stratosphere because of the dead hand that this House has dealt with the macro-economic management of Scotland.

This debate is also called the Government's policy on the Union. I did not know that they had a policy on the Union other than they were for it and we have heard more about that today. I will make our policy clear: we want to offer a referendum to the people of Scotland on the future of the Union. That is the fair and democratic way to proceed. Constitutional debate has been a feature of Scottish politics since Winnie Ewing's magnificent triumph in 1967, and the question

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regarding the Union should be put to Scotland. As democrats, we should be in favour of something as fundamental as letting the Scottish people choose. *[Interruption.]* The hon. Member for Paisley and Renfrewshire, North asked "When?" from a sedentary position. My hon. Friend the Member for Banff and Buchan (Mr. Salmond) has made that clear. It will be in 2010. We will have the opportunity to prove what an SNP Government in power can do and then we will put the question on the Union to the Scottish people.

Some Labour Members have suggested that the election on Thursday is a referendum on the Union, but it is not. Every week and month, Labour Members say that the SNP talks only about the constitution, but Labour Members have discussed nothing but the constitution in this debate. The hon. Member for Paisley and Renfrewshire, North asked about health and education, but I have hardly heard a peep from the Labour party about those issues. All the First Minister talks about is the constitution, the constitution, the constitution. Scotland will have its choice on the constitution. Hon. Members from the Labour party are frightened of a referendum that will happen in three years time. People will have the choice at that point.

I have detained the Chamber for too long. On Thursday, the people of Scotland will have a choice between hope and fear, the positive and the negative, and the "can do" and the "cannot do". That is the choice that will be put to the Scottish people on Thursday, and I have no doubt about the decision that they will make. One last thing to Labour Members here today: after 50 years, go back to your constituencies and prepare for defeat.

11.40 am

Mr. Jimmy Hood (Lanark and Hamilton, East) (Lab): I shall try to keep a straight face after listening to that.

I pay tribute to my hon. Friend the Member for Paisley and Renfrewshire, North (Jim Sheridan) for winning this important debate. Fifty-nine years ago—in a fortnight's time—I was born in the Lanarkshire mining village of Lesmahagow. I was born and bred a Scot and have had the joy of spending 40 of those 59 years living in Scotland. For 19 years, I lived and worked in a Nottinghamshire coalfield as a miner—a coal face engineer.

In 1968, when Scottish miners were chasing jobs owing to the world dependency on cheap oil, I was one of those industrial gypsies forced to seek a better standard of living in England. With my family—my wife and baby son—I had to up and move to the Nottinghamshire coalfields. In 1987, I returned as Member of Parliament for Clydesdale. In my maiden speech, I likened that experience to that of the salmon returning from the sea to the fresh water. However, those 19 years spent living in England, where my daughter was born, and where I now have two grandchildren, provided an invaluable life experience.

I begin with that small tour of my personal history to make a point that is central to my fundamental beliefs: I am proud of my place of birth and of the mining stock from whence I came, and to have been born and bred in a country that taught me community, brotherhood and humanity. It did not instil in me negativity and insecurity, or the belief that I am a better person for having been born on a certain side of the street, river or border.

We live in a Europe that has seen the scourge of war fired by sectarian nationalism. Surely, if we have learned anything from that dark history it is this: that we achieve more together than we do apart, and that imposing divisions based on the road, the river or the map promotes not brotherhood or humanity, but a sectarian divide that says, "We on this side are better than you on that side."

I reject the politics of envy and grievance that encompass the worst extremes of nationalism. I make no apology for my description and analysis of the politics of such elitist nationalism in Scotland today—the smarmy arrogance that all too often accompanies nationalism and its politics of grievance and untruths. It is truly unpalatable. I go further than that and have a message for those in the media who flirt with nationalism: "You, in the comfort zone of your cosy, chattering-class environment, purvey half-truths and myths to serve a nationalism that has little history of defending freedom."

I now turn to the European Union. We are told that Scotland will become a member of the EU when it is divorced from the United Kingdom. I have almost 20 year's experience of working on EU treaties and the European Scrutiny Committee, so I know that it is simply not true that Scotland would be welcomed by the EU as a member state. The SNP knows that. Before there can be further EU enlargement, there must be a treaty change and a unanimous vote by the 27 members of the European Council, which includes many states, such as Spain, Germany, Belgium and France, that would veto any such proposal. The SNP says, "It is not enlargement," but that is not true. Scotland would need to change the relevant treaty to get a commissioner, a seat on the European Council, and representation on the European Court of Justice and the European Court of Auditors. EU membership is just another incredible SNP policy resulting from its huge gamut of presumptions and distortions.

David Cairns: My hon. Friend has far more knowledge of the EU than virtually any other Member, with the possible exception of our hon. Friend the Member for Linlithgow and East Falkirk (Michael Connarty). As I understand it, a new treaty of enlargement would require a referendum in certain countries—France, in particular. Is the logical conclusion of the SNP's policy, therefore, that Scotland's future membership of the EU, and the jobs, prosperity and trade that go with it, would be placed in the hands of the French electorate, which could then decide whether Scotland re-enters the EU? Is that in Scotland's best interests?

Mr. Hood: Not only the French electorate; half of the member states would need referendums. For example, let us take Spain, which has its own problems with separatism. Is Spain going to allow a member state to break into its constituent parts with each part keeping equal status as a member of the EU? Of course not.

John Robertson (Glasgow, North-West) (Lab): I was not planning to intervene because I was hoping to make a speech if I could catch your eye, Mr. Cummings. However, what does my hon. Friend think is the likelihood of those European nations voting Scotland into the EU? They might think, "Well, what happens if its policy is to change its mind if things do not go exactly as it wants?" Would we vote such a country into the EU?

Mr. Hood: That is the whole point of my contribution. It would be impossible.

One of my biggest criticisms of the SNP is that it has not even started to discuss the problem. It always runs away from it. Has it explained how Scotland would become a member of the EU? Currency is a good example. The hon. Member for Banff and Buchan (Mr. Salmond), when put in a corner and asked who would fix interest rates, says that the matter would stay with the Bank of England and then move into the single currency arrangements. No way, José! And the SNP knows that. The fact that it knows it and still allows people to assume otherwise poses a question in itself.

Mr. Goodwill: Speaking as a former deputy leader of the Conservatives in the European Parliament, I can say that as a prerequisite to successfully negotiating accession to the EU, Scotland would have to join the euro. Devolution would mean joining the euro and therefore devolution not from London to Edinburgh, but from Edinburgh to Frankfurt, where important economic decisions affecting Scotland would be made.

Mr. Hood: The prerequisite would be a unanimous vote in the European Council, which would be impossible.

A divorced Scotland would be the highest-taxed country in Europe. The Bank of England would set its interest rates and the value of its currency. Flows of investment would go one way—out, not in. Scotland's thriving financial services industry, which can rival that of anywhere in the world, would take its money to London, Zurich or anywhere else. Certainly Scotland would not remain in its current excellent condition if it were separated from the United Kingdom.

Ann McKechin: My hon. Friend makes a very serious point about the financial services market. Even worse, if Scotland were separate, the Bank of England would base its analysis and decisions on the market in the rest of the United Kingdom and ignore any significant economic factors affecting Scotland, such as the inflation rate or its rate of joblessness. The Scottish economy would accordingly face much greater risks, which would again have a serious effect on Scotland's ability to attract the financial sector.

Mr. Hood: The point is that an independent Scotland would be leaving its monetary policy to be set by a foreign country. That is the reality.

I am mindful of the time and the fact that other hon. Members wish to speak, so I will conclude. On Thursday it will be deal or no deal for the people of Scotland, as those of us who watch the Channel 4 programme in the afternoon might say. Will they be fooled by the banker-bookie, the hon. Member for Banff and Buchan, or will they be true to their Scottish instinct for canniness and keep what they have, putting the education of our children before the separation of our country? Who will win on Thursday? Will the bankers and bookies of the SNP win on a deal for a separation or will Scotland say, "No deal"?

11.51 am

Anne Moffat (East Lothian) (Lab): I congratulate my hon. Friend the Member for Paisley and Renfrewshire, North (Jim Sheridan) on securing this debate with precision timing. Today is also labour day, 1 May, which is a good day to have such a debate.

In less than 48 hours, polling stations all over Scotland will open their doors. Many of the polls predict a wind of change. The people of Scotland are willing and able to embrace change, but Scots will not be deluded into making changes that will cause the modern progress that the country has made in the past 10 years to be obliterated. I believe that the people of Scotland are confident in their national identity as part of the UK.

Just last week, 150 business leaders from throughout the country, men and women, put the case for Scotland's economic and social progress as part of the Union. Like me, they believe that Scotland's best opportunities for investment, jobs and prosperity lie in being part of Britain. From prosperity emanates a love of culture and sport. That is precisely why some of our most famous sporting heroes—all Scottish patriots—have put the case for Scotland as part of Britain.

During this election period, it is time to remind ourselves of the depth of the long-term ties that bind Scotland to the United Kingdom. The shared values that underpin the economic networks, financial connections and business alliances in the UK are fundamental to Scotland's success. They make us stronger together, and we would be weaker apart. They make a multinational Britain a model for a new and interdependent world.

If the people of Scotland do not want independence on Friday morning, they cannot vote SNP on Thursday. Independence is the threat facing those people in Scotland who do not vote or who choose not to vote for a party that is committed to devolution. The SNP may want to give the impression that all the big questions will be postponed until a possible referendum years down the line, but its real strategy is for conflicts over powers from day one of an nationalist Administration. The leader of the Scottish nationalists has publicly threatened that the four-year war of attrition with Westminster will start on 3 May if his party is elected to rule.

The break-up of Britain would not only start to undermine shared family connections and economic relationships and the values that we all hold in common, but would, from day one, be a recipe for division and instability and put our prosperity at risk. East Lothian, the constituency that I represent, has like the rest of Scotland fared well within the Union in recent years. Last week's employment figures showed more people in work in Scotland than ever before, with 50,000 more people in employment in one year alone. For the first time in half a century, Scotland can

[Anne Moffat]

contemplate marching towards full employment if we make the right long-term decisions. Scotland not only has its highest share of working age people in employment since records began, but its employment rate, currently at 76.3 per cent., has been around or above the UK rate since 2003, among the highest in the EU 25 and better than that of every G7 country. That contrasts with the position in 1997, when the Scottish employment rate was 2.5 per cent. lower than the UK rate. Far from lagging behind, Scotland has experienced higher growth in gross weekly earnings than the UK in three of the past four years.

Devolution gives Scotland both stability and mutual support. Rising to the challenge of globalisation means nothing less than equipping each and every Scot to meet the competitive challenge. In the next 10 years, a transformation of our education and skills base is essential. That is what we must focus on, not unnecessary constitutional wrangling. Labour in Scotland will, for the first time ever, guarantee education to Scots from the ages of three to 18. That priority was identified under the devolved policy and can be delivered only by a devolved policy. However, we will succeed only if we also secure and entrench stability as the foundation of all that we do.

It is time for some brutal truths about the new global economy. Investment will flow to those countries that are stable. In the same way, it will move quickly and decisively from those that are unstable. Stability is our watchword—yesterday, today and tomorrow—so Scotland must build and cement the economic stability that is the foundation of any country's success, not jeopardise or take risks with it. For those reasons—for the sake of the stability that we have enjoyed and need to continue to enjoy, and for the investment in innovation and education, which are the keys to the future, to flourish—we reject absolutely the policies of the nationalists.

To reject the nationalists and independence, we must look at their failure to be honest about their policies, and start with just one example of their inventions and falsehoods. The SNP's whole financial policy is based on a series of errors and exaggerations. The nationalists have built their whole case on one volatile commodity—oil—but they have refused to face the facts about the real scale of revenues from the North sea. Almost every credible economist now confirms that the nationalists have got the oil price wrong, the oil production numbers wrong and Scotland's potential share of North sea oil and gas wrong.

David Cairns: My hon. Friend makes a powerful case. The nationalists have told us that they will bring forward revised estimates of income from North sea oil in July. Can she think of any possible reason why the nationalists are waiting until July before doing that?

Anne Moffat: I thank my hon. Friend the Minister for his intervention. One word would characterise the nationalists' approach: dishonesty. They have also invented an oil fund surplus that cannot exist. That is why they say that they will not update their figures until July, weeks after the election.

The figures are not small or incidental for a country such as ours. The £2 billion oil gap alone is the equivalent of the entire budget for universities and colleges. However, despite being billions of pounds out on oil and with less money to spend, the nationalists keep adding to their tax and spending commitments day by day, thereby creating a black hole for every year of a first-term Administration, and before we add the costs of independence. New SNP spending commitments would cost an average of at least £2 billion each year, equating to a massive £8 billion over the four years of a term of office. Those commitments include tax and spending promises on pre-school education, free school meals, micro renewable generators for homes, higher education, the first time buyers grant, housing debt, farming, international aid, the Edinburgh festival Expo fund, local income tax and freezing council tax.

Ann McKechin: As my hon. Friend will be aware, one of Scotland's distinct features is our strong system of local government, which we have had for many years. As one of those of us who believe in local democracy, does she not consider the setting of a central rate for income tax strange, as it will make local authorities virtually powerless to provide the individual services that their local communities demand?

Anne Moffat: Absolutely. I could not have put that better myself. Not content with the unfunded commitments, the SNP has made unfunded tax and spending pledges in currently reserved areas.

Pete Wishart: Will the hon. Lady give way?

Anne Moffat: Absolutely not. *[Interruption.]* I do not care; I have no intention of giving way.

The SNP has made pledges in areas that are currently reserved. That is the key. I am referring to a citizen's pension at a cost of £1.2 billion and a change to corporation tax costing £600 million—a total cost of £1.8 billion. On top of that, we estimate the cost of the trappings of an independent state—new Ministries, new embassies and new commitments—at £1.5 billion. The SNP published tax plan would mean an immediate rise in income tax, yet there are pledges to lower taxes. I am totally confused; I just hope that the shrewd and astute people in Scotland will see through that nonsense.

The nationalists, as we have heard, say that they could join the euro, but they do not meet the criteria on either the exchange rate rules of the euro or the fiscal rules—the confusion mounts. To avoid doubt, I should, however, make one thing clear. Although the SNP says that it will make a claim for oil revenues in the first 100 days of power if it is elected, it also intends to retain the benefits of Barnett money. That is an absolute joke.

In a global economy in which stability is at a premium and investment can so easily come and go, businesses and individuals need to be certain of the monetary and currency arrangements, or they will question the wisdom of investing when an Administration who want all the trappings of a separate state cannot begin to articulate what they would do with the currency inflation interest rates and the management of the economy.

Mr. Peter Atkinson (in the Chair): Order. May I remind the hon. Lady that we have to leave adequate time for the winding-up speeches?

Anne Moffat: Quite simply, the reality of life in Scotland today is not some continuing obsession with a border between Scotland and England, but ever closer connections between the nations.

12.2 pm

Mr. Alistair Carmichael (Orkney and Shetland) (LD): I welcome you to the Chair, Mr. Atkinson. I congratulate the hon. Member for Paisley and Renfrewshire, North (Jim Sheridan) on securing a debate that, if nothing else, has served to remind us all why we should be grateful that it is some years since the Scottish Grand Committee met.

I listened to the slightly misty-eyed and breathy rhetoric of the hon. Member for Perth and North Perthshire (Pete Wishart) about how it was time for us to be free and I thought I heard an echo of a distant campaign. I thought at first that perhaps it was that glorious campaign in 1992—no doubt hon. Members remember the slogan, "Scotland free in '93". But no, it was not that one. It was an echo of the glorious Scottish summer of 1978, when we were all on the march with Ally's army—we were going to win the World cup. Of course, as the hon. Gentleman will know—he should remember this and be careful—in Scotland one can often go from spring to winter without enjoying a summer or an autumn. He should be a bit more cautious as he anticipates the wishes of the electorate as they will be expressed on Thursday.

Lord Robertson of Port Ellen said a number of years ago that devolution would be the death of the Scottish National party. I think that he was right, and the justification for that view has been seen in the election campaign in the past few weeks. One has to consider where independence is in the Scottish National party campaign—it is something that we might at some stage over the next four years get a say on in a referendum. We are not being told that it is something that is so good for us that we have to have it now. We are being told that we will have a go with devolution for three and a half years, or perhaps four, and then we will think about it.

One can see the change in the position of the Scottish National party. The hon. Member for Banff and Buchan (Mr. Salmond) famously told us in a "Newsnight" debate that an independent Scotland would keep sterling as its currency and that we would continue to have our interest rates set by the Bank of England. I just do not understand the logic of the position that we will keep those things but we will, by virtue of some sentimental desire and a drive for independence, remove ourselves from all influence on them. As the hon. Member for Glasgow, North (Ann McKechin) said, we will remove Scotland from the consideration of those matters. It is bad enough sometimes that Scotland's economy can be affected by a greater set-up in which our needs and wishes are not at the forefront, but at least they are there and being considered. The SNP will give us a situation in which we will be subject to the diktats and decisions of others, but we will have no say and they will not have to consider our position at all.

David Mundell: To take up the thread of the hon. Gentleman's remarks, and referring to the comments of the hon. Member for Lanark and Hamilton, East (Mr. Hood), may we take it that when it comes to discussions between the Liberal Democrats and the SNP, it will indeed be no deal?

Mr. Carmichael: We will all sleep much better in our beds knowing that that is not my decision. I say to the hon. Gentleman, as I have already said to the hon. Member for Perth and North Perthshire, that I will not prejudge the decision of the people on Thursday, and that is the point at which we start to speak about coalitions.

The real weakness of the independence position was best demonstrated this weekend, when again the hon. Member for Banff and Buchan told us that independence was not a one-way street. That is a very, very dangerous line to take. I cannot believe for one second that the hon. Gentleman said that without having first given it the most careful and closest consideration, but that statement is as close to being misleading as any hon. Member of this House could come because it fails to take account of the role of the rest of the United Kingdom in all this. We might well try independence for a few years with the Scottish National party, but if we then decide that things are not so nice on the outside and we want to come back in, other people—the people of England, Wales and Northern Ireland—will want to have a say. Looking at recent history, I have to say that I do not see why on earth they would want to have us back.

Constitutional settlements are dynamic. Over the past 300 years we have seen the balance change between monarch and Parliament. Within Parliament in the past 100 years we have seen the balance change between the Commons and the Lords. I do not believe—this has been a weakness of the Government's position in recent months—that we should think that constitutional development in Scotland stopped on 1 May 1999, when the first Scottish Parliament was elected. That must be an organic and evolving process.

One area that requires consideration is the way in which the budget of the Scottish Parliament is raised. A weakness of that institution is that it is, in effect, a one-sided equation, if there can be such a thing. Politics is a two-sided equation: it is about how we raise the money and how we spend it. The absence of one of those sides—the raising of the money—has distorted political debate in Scotland for the past eight years. That will need to be addressed. I repeat the leader of my party's call today for a new constitutional convention to establish a consensus across the political parties and civic society in Scotland on how best we can evolve the constitutional settlement.

I will not prejudge the verdict of the voters on Thursday, but I will say that if we do end up with an SNP Administration or an SNP-led Administration, that will not be a reflection on SNP policies; nor will it reflect a thirst for independence. The Government will have to share some part of the blame if that happens. In recent times, they have here resisted progress in the constitutional debate. They have refused to speak about reform and they have insisted on continuing with the institution of the Scotland Office and with the Office of the Advocate-General—offices that, frankly, in their current form have long outlived their usefulness.

The hon. Member for Perth and North Perthshire prayed in aid the Iraq war, but he did not take my intervention on the issue because he knew what I was going to say—that in fact the Scottish Parliament voted in favour of the Iraq war. With a few honourable

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exceptions, Labour and Conservative MSPs voted for it, just as Labour and Conservative MPs did, and they did so days before it started. The nationalists also talk about Trident, but when the Scottish Parliament debated Trident, it made no decision at all—all the options were knocked down.

That takes us to the problem with the Scottish National party. I believe that Scotland and the United Kingdom can be improved through the application of my political principles as a Liberal, and no doubt the Conservative and Labour parties believe the same about their political principles. However, the Scottish National party seems to believe that it can improve Scotland simply by drawing lines on the map, and that is a dangerous attitude, because if we draw that line on the map and still have problems, who will we blame then?

2.11 pm

David Mundell (Dumfriesshire, Clydesdale and Tweeddale) (Con): Thank you for calling me, Mr. Atkinson. As a Member whose constituency borders Scotland, you will be familiar with the world of Scottish politics.

I am pleased that the hon. Member for Paisley and Renfrewshire, North (Jim Sheridan) secured the debate, although I would have been more pleased had any Scottish Labour MP signed the early-day motion that I tabled in the House to celebrate the Act of Union, as some of their English colleagues felt able to do. I would have been happier still had the Government backed my party's calls to celebrate the Act of Union throughout the United Kingdom, rather than marginalising it by simply holding an event to introduce the new £2 coin to which the Chancellor did not even bother to turn up and which the Secretary of State graced for only five minutes.

Mr. Hood: Is it the hon. Gentleman's case that we would not have had this problem had MPs signed an early-day motion? Is that what he has just told us?

David Mundell: We would not have had this problem had the Labour and Liberal Democrat Administration in Edinburgh not failed so miserably over the past eight years—that is the point that has been missing from the debate so far.

I agreed with virtually everything that the hon. Member for Paisley and Renfrewshire, North said in opening the debate. Indeed, it reflected half the State of the Union address that my colleague Annabel Goldie gave last week, which set out the argument for the Union.

Jim Sheridan: The hon. Gentleman seems to be criticising the Labour and Liberal Democrat partnership at Holyrood. Does he include the Conservatives numpties in that so-called failure?

David Mundell: I have never described colleagues in that way, but there is no doubt that the public perception in Scotland is that the Scottish Executive have failed to deliver over the past eight years, and it is interesting that none of the Labour Members who have spoken has acknowledged that failure.

Let us be quite clear that if the Scottish National party increases its numbers in Thursday's elections, that will not be because there is a clarion call for independence—as others have said, the polls do not indicate support for independence—but because of dissatisfaction with the Labour Administration and, indeed, with the Liberal Democrats, who are now clearly willing to swap camps.

Pete Wishart: If there is dissatisfaction, why are people not clamouring to support the Conservative party in Scotland? The Conservative party in England is way ahead of the Labour party in opinion polls, so what is wrong with the Conservative party in Scotland?

David Mundell: As the Prime Minister once said, the Conservative party in Scotland offers people a third way in the election, and I shall make that case.

John Robertson: Will the hon. Gentleman give way?

David Mundell: I have only a short time in which to speak, given how long others have spoken.

The Conservatives offer a third way because they offer an opportunity for change but without all the risks that a Scottish National party Administration would bring to the Scottish Parliament, as many hon. Members have eloquently said. Let us be quite clear, however, that there will be no Scottish nationalist Administration in Holyrood without the Liberal Democrats—it is they who will deliver the Scottish National party to the people of Scotland. I am sure that other hon. Members present know the arithmetic and that the Scottish National party cannot get a majority in the Scottish Parliament on its own. It will therefore require Liberal Democrat support to pursue any of the hare-brained ideas that it has suggested, which the hon. Member for East Lothian (Anne Moffat) eloquently described.

Mr. Carmichael: The hon. Gentleman again demonstrates very well the problem that he succinctly highlighted in his memo: the Conservative party in Scotland has no thinkers. However, he speaks absolute nonsense when he says that the Liberal Democrats would be required to put the SNP in power. Surely, the SNP can form a minority Administration if it chooses to do so; indeed, if the Conservative party's policy is to have nothing to do with any coalition with any party, that will be the inevitable consequence.

David Mundell: Previously, the hon. Gentleman did not wish to predict the outcome of the election. However, it is very unlikely that the Scottish National party could achieve the necessary numbers, and past form suggests that the Liberal Democrats might do a volte-face on virtually every issue on which they stand in the election, as they have on issues ranging from tuition fees to genetically modified crops. Despite what the hon. Gentleman said in the debate, the possibility of an SNP-Liberal Democrat coalition in Holyrood is very much open, and that will be bad for Scotland because a Scottish nationalist-led Administration will bring about the instability that we have discussed.

However, this week's vote will not destroy the Union because the election is not about the Union per se. I am happy to join Labour Members and Unionists across Scotland to fight the Union's cause, but like my right hon. Friend the Member for Witney (Mr. Cameron), I want to make a positive case for the Union. My right hon. Friend does not want to take the clunking-fist approach of the Chancellor, who is trying to scare everybody into thinking that Scotland would somehow be totally diminished and impoverished if it were not part of the Union; he wants to make a positive case for staying in the Union, as he did yesterday in Buchanan street in Glasgow, where he was so well received. The Labour party has made a serious mistake in fighting such a negative campaign in the election. I am relatively objective in the debate between the Labour party and the SNP, but I have not heard Labour policies being set out. Indeed, when Mr. McConnell was pushed this weekend, he could not answer questions about Labour's policies on local income tax and council tax.

People in Scotland will have a choice on Thursday and will be able to choose the change that they desperately want. I include the Liberal Democrats in those changes, because they have gone along with every policy of the Labour Administration, and it is incredible to see their leader, Nicol Stephen, trying to distance himself from decisions to which he was party. However, there is a chance for change and there is a party that offers delivery without divorce, which is why I urge people to vote for the Scottish Conservative party on Thursday.

12.20 pm

The Parliamentary Under-Secretary of State for Scotland (David Cairns): It is a pleasure to serve under your chairmanship, Mr. Atkinson, in this debate on the Government's policy towards the Union. It may have escaped your notice that there is an election going on in Scotland at the moment. It is not unnatural that in a debate on the Union at a time when a momentous decision on its future is to be taken in 48 hours we should focus on the choice faced by the people of Scotland. However, before I move on to that, I want to say one thing about Scotland's position in the Union.

Scotland helped to make the United Kingdom what it is today. The United Kingdom has been and continues to be one of the most successful countries in the world—and in the history of the world. If it were not for the ingenuity, drive, inventiveness and scientific genius of Scots, the United Kingdom would not have become what it is today. Scotland has played an invaluable part in creating this country, and I look forward to the next 300 years of Scotland's membership of the Union.

There is an important decision facing the people of Scotland, which has wide-ranging ramifications not just in Scotland and the United Kingdom but around the world. There could not be a more important decision. The debate this morning has been a microcosm of the entire election debate. When any difficult or detailed policy question is put to those who advance the idea of taking Scotland out of the UK, answer comes there none. Instead, those who advocate breaking up the United Kingdom wrap themselves in the Saltire, close their eyes, and say, "If you just love Scotland enough, everything will be fine." Well, it will not. That simply will not do.

When there are important questions on fiscal policy to be answered, why is the Scottish National party not to update its anticipated revenue from North Sea oil until July? It is an insult to the people of Scotland to go to the polls without giving them any idea about how much the SNP thinks it will get in oil revenue. That is calculated deceit of the people of Scotland, and the SNP should be ashamed of itself.

As for monetary policy, when serious questions are put about who would set interest rates for an independent Scotland and what prevailing economic conditions would be taken into consideration in the setting of an interest rate, no answer comes from the SNP. My hon. Friend the Member for Glasgow, North (Ann McKechin) set out the questions eloquently, but no answers have come from the SNP either in this debate or the four or five weeks of the election campaign.

Pete Wishart: Will the Minister give way?

David Cairns: No, but I will happily give way to the hon. Gentleman so that he can explain this: why should an independent Scotland, with a separate Scottish economy and separate prevailing conditions for growth, gross domestic product and unemployment, have its interest rates and monetary policy decided by a foreign country?

Pete Wishart: Yesterday the Chancellor was in Scotland and he said in a radio interview that he would not be prepared to work with an SNP First Minister. What did he mean by that?

David Cairns: No answer. Not only is this hour-and-a-half debate a microcosm of the election campaign, but so is this one exchange. There are no answers on fiscal or monetary policy.

I asked the simplest question about council tax policy. I did not ask for the entire projection of all revenues across Scotland, or what the impact on services would be. I asked the simplest question: how much will a two-income couple in a band D household have to earn before they pay more in local income tax than they do in council tax? The hon. Gentleman completely failed to answer the question. I shall give him an answer: about £34,000. If he disputes that or thinks that my sums are wrong, and that a couple living together and each earning £17,000 will pay less under his policy, let him tell us. He cannot do it.

My hon. Friend the Member for Paisley and Renfrewshire, North (Jim Sheridan), whom I belatedly congratulate on securing the debate, set out detailed points about defence procurement. When 20,000 Scottish jobs rely on the defence industry in Scotland, the hon. Member for Perth and North Perthshire (Pete Wishart) did not even have the courtesy to give an approximation of the number of those jobs that would be retained in an independent Scotland. It is an insult to the people who work in those defence-related jobs and to the people of Govan, whose local industry is so dependent—

John Robertson: And Scotstoun.

David Cairns: And, indeed, Scotstoun; perhaps my hon. Friend will forgive me if I focus on Govan for a second. Local industry there is so reliant on the massive number of jobs in the shipbuilding industry secured by the Government, that people there will want an answer to the questions my hon. Friend put. It is not good enough to be told that if they wrap themselves in the flag and say they love Scotland, everything will be fine. That is an insult to the people of Scotland.

I have been in Scotland taking part in the election campaign, and when I saw the hon. Member for Perth and North Perthshire here today I wondered why he has not been there doing the same. Now we know. They dare not let him. His speech was a gaffe-strewn disaster, a one-man Sheffield rally. The message has not got to him that he is not supposed to be gloating or cracking open champagne bottles before even one vote is cast. He is showing ugly arrogance taking the people of Scotland for granted, and the smirk will be wiped from his party's face when the people of Scotland go to the polls in 48 hours.

The mask slipped from the Scottish National party during the hon. Gentleman's speech. It has been sweetness and light during the campaign. Mr. Salmond, or rather the hon. Member for Banff and Buchan (Mr. Salmond)—he is standing in Gordon, he is standing in the list, and he wants to be an MP in Westminster, so I can be forgiven for forgetting what title to refer to him by from time to time—has been going around saying, "Gloat, me? Smarmy, moi?"—in no circumstances would such a thing cross his mind. However, today we see the true face of Scottish National party triumphalism—the utter contempt in its treatment of the people of Scotland, in presuming to know how they will cast their votes in two days' time. I sincerely hope that the hon. Gentleman will repeat his performance in Scotland, so that more people can see the ugly arrogance of a party that thinks that it has the voters in its pocket.

In the few minutes that I have left I want to deal with key issues, and perhaps I can draw together some of the comments that have been made. My hon. Friend the Member for Lanark and Hamilton, East (Mr. Hood) set out in incontrovertible detail the point that if Scotland secedes from the United Kingdom, it leaves the EU. That is a fact. If it wants to get back into the EU it must reapply. It must join a queue, behind Turkey and other nations, and there would have to be an enlargement treaty. The hon. Member for Perth and North Perthshire shakes his head, but if he has any facts to disprove that, let him state them.

However, Scotland would not only be out of the EU, with the disastrous ramifications that that would have for Scottish jobs, industry and inward investment. An independent Scotland that left the United Kingdom would also leave behind the G8, permanent membership of the United Nations Security Council, and NATO. What other country is leaving NATO when others around Europe are lining up to join it? That is the vision of the SNP for Scotland: isolated, irrelevant and defenceless. It is not my vision for Scotland, and it is not Labour's.

We have today seen the duplicitous way in which the SNP turns every criticism of it into criticism of Scotland. I am here not to criticise Scotland, but to criticise the SNP and its ruinous vision for Scotland, which would destroy jobs and put our monetary policy in the hands of a foreign country, and which has no credibility in fiscal policy. Our vision is of a Scotland that will, within a dozen years, have the best education system in the world, because in the knowledge-based economy of the 21st century the investment that we put into people by way of education, skills, learning and training will bring us to pre-eminence. *[Interruption.]* The hon. Member for Perth and North Perthshire is now chuntering away from a sedentary position. We are now fourth best in the world; we are in striking distance of being the best-educated country in the world, and we have set ourselves the target of doing it in a dozen years.

We will achieve that under Labour, but if we spend the next three years in turmoil and instability, telling any potential investors, "Do not come to Scotland, because we do not know what our currency will be, whether we will be in the EU or what our monetary or fiscal framework will be," how on earth will we attract the brightest and best to come and stay in Scotland? How can we continue to reverse the brain drain, as we are now doing? Just last week, we learned that the population of Scotland has increased for the fourth year in a row. That is a tribute to the success of the Labour-led Scottish Executive, and I am convinced that people will see that and vote for education and not separation on Thursday.

UK Armed Forces (Operational Direction)

12.30 pm

Ann Winterton (Congleton) (Con): I have been applying for this debate for several months, so it is somewhat ironic that I have secured it so soon after Thursday's debate in the House on defence in the United Kingdom. That is, however, extremely convenient, because it enables me to enlarge on what I have said previously about the war on terror and how the UK is dealing with insurgency. We should not doubt that our troops are engaged in two of the most difficult and deadly wars against ruthless enemies. We all regret the loss of life in those wars, but we support fully the people who serve in those theatres on the UK's behalf.

It is a great pity that a debate on such an important issue should be held in Westminster Hall rather than in the main Chamber with many Members of Parliament present. However, as a Back Bencher, I have to use any means in my armoury to draw attention to these vital matters. It feels quite lonely to be standing here with just the Minister and his Parliamentary Private Secretary present, but, never mind; we shall fire on all cylinders none the less. Having been briefed twice by the Ministry of Defence in recent months, I know that the Minister and his team take these debates seriously.

In military procurement terms, the fall of the Berlin wall in 1989 and the collapse of the Soviet Union were not so very long ago. Much of our military hardware was designed for that era when the battleground was northern Europe and wars would be short, sharp and fought over limited distances, leaving our forces either defeated or victorious. Army vehicles, in particular, were never intended to travel vast distances in inhospitable conditions where constant maintenance is required, consequently imposing a heavy demand for spare parts.

Our troops today, particularly those in Afghanistan, operate with equipment that was designed for use in northern Europe in another age but that is now expected to fulfil a different—indeed, contrary—role to that for which it was originally destined. All the nations operating in Afghanistan are finding the maintenance of equipment and the supply of spares to be a nightmare. Surely, what is required is equipment that is not too technical, that can be maintained and repaired in the field and that can stand up to the rugged terrain and extreme temperatures. It is no good having manpower tied up in the field with equipment out of action because of problems with supply and spare parts.

With the future rapid effect system programme, about which I have serious misgivings, considering armoured vehicles, the powers that be should bear in mind that what is required is basic, practical, simple and rugged equipment for which maintenance costs will not be greater than acquisition costs. I trust, too, that European Union health and safety laws, emissions standards and the like will not apply to military vehicles. The authorities must understand that the Ministry of Defence is not social services, but has two wars on its hands that must be won.

In the past two decades, military thinking on procurement has been split between the integrationist European Union approach to defence and our link with the United States of America. As a result, billions of pounds of taxpayers' money have been wasted by this and previous Governments on projects such as the joint US-UK TRACER-FSCS programme to develop a tracked armoured reconnaissance vehicle to replace the British Army's ageing Scimitar. The MOD pulled out of that project in 2000, before the first prototype was ready, in order to pursue a European project, losing at least £131 million for absolutely no gain.

Another example of waste concerns the Italian-built future command and liaison vehicle, the Panther, which costs £413,000. Those vehicles were supposed to carry out some of the roles of the TRACER, but are useless for patrolling or undertaking other functions in either Iraq or Afghanistan. Their cost—£166 million for 401 vehicles—is therefore dead money.

The German-built Cobra anti-battery radar is high-tech equipment made to detect the source of artillery shells, mortars and rockets. Ten sets were procured at a cost of £17.8 million each, but US-built Firefinder systems could have been bought at less than £10 million each, which would have saved £82 million and would have given the Army a perfectly acceptable anti-artillery capability.

The TRIGAT projects on medium and long-range anti-tank missiles are yet another case in point. British participation in those European projects, which were appropriately developed by Euromissile, cost the UK more than £314 million before we had to pull out when the systems failed to deliver. That money was a total loss and the MOD had to make a rushed purchase of US-built Javelin missiles to equip the Army.

Another example is the multi-role armoured vehicle project, the Boxer. The MOD pulled out of that joint German, Dutch and British venture, which was managed as a European project, after the vehicle proved to be too big and heavy for the RAF's fleet of Hercules transporters, with a total loss to the defence budget of £48 million.

The MOD has either spent or committed to spend £1.045 billion on developing unmanned aerial vehicles—first with the Phoenix, on which £345 million was lost, and now with the Watchkeeper, which is to be built by the French-owned company Thales. Despite that extraordinary expenditure, however, the MOD has no UAV capability in theatre other than the Desert Hawk, which is a mini-UAV, and is having to spend more than £60 million on buying or leasing US Predator UAVs. Had the UK bought that system in the first place, it might have saved more than £400 million.

The MOD has already bought 22 Westland-Agusta Merlin HC3 transport helicopters and will now buy another six. Working out their purchase price is well nigh impossible, but given that they are estimated to cost £30 million each, US equivalents would have been less than half price. Alternatively, the RAF could have bought Chinooks at £25 million each, thus saving £110 million and considerably more on maintenance. I am sure the Minister will know that the Merlins are currently exceeding expected maintenance costs by more than 200 per cent.

The Eurofighter aircraft, which cost more than £60 million each, are an acknowledged cold war relic. Although they are rated highly as interceptors, current versions have no ground-attack capability. The US-built F-16s are adequate fighters with proven ground-attack capability and would have cost about £20 million each. With 232 notionally on order, the MOD could have saved more than £10 billion.

[Ann Winterton]

Money has also been wasted on weapons. The European designed Storm Shadow air-launched cruise missiles cost an amazing £1 million each—yes £1 million—for what is effectively a 1,000 lb bomb. The MOD has bought 900 of them, but it could have saved more than £830 million if it had bought the US equivalent, the joint air-to-surface stand-off missile. The Eurofighter is also to be equipped with European-designed air-to-air missiles that are known as Meteor. Given the total costs of more than £1.4 billion, purchase of US-designed Raytheon missiles, which have been bought anyway as a stop-gap until Meteor is ready, would have saved the MOD a cool £900 million.

Then, in the rush for harmonisation, the MOD joined the French and Italians on the Horizon programme for a common frigate, which was formalised in 1992. The UK eventually pulled out of it in April 1999 after failure to agree a common specification and amid complaints of "unfocused management". The estimated loss was £537 million, and the French and Italians were left to continue with the project—I hope that they can afford it.

Co-operation did not end with the Horizon project. Although the MOD decided to go it alone, with the platform emerging as the Type 45 destroyer, the ship is largely equipped with European-designed missile launchers and missiles. They largely account for the huge cost of £1 billion per ship, which is some £400 million more that the Australians were considering paying for the more capable US-designed Arleigh Burke class missile destroyers. I understand that the Australians are now considering a version of the Spanish F100 air defence destroyer, thereby shaving another 1 billion Australian dollars off their projected costs. As five ships are planned for the Royal Navy, the UK could have saved at least £2 billion had it followed a similar path.

For the Type 23 anti-submarine frigates, the UK developed its Type 2087 sonar, at £9 million per set. The development costs were an additional £300 million, given virtually as a free gift to the French company that bought the UK manufacturer, leaving it free to sell cut-price versions to the French navy. Had the UK bought from the Americans, it could have saved that £300 million.

Finally, I turn to the EU's Galileo satellite navigation system. By the time that that is fully operational, the UK will have paid £400 million towards its development and commissioning costs. The system is then to be used to underpin the European rapid reaction force. However, the US Navstar global positioning system is already available and is totally free of charge, thus the £400 million is a total waste of money for what is merely a duplicate system.

Pulling together all these costs, excluding those of Eurofighter, which is a special case, the excess payments amount to £8.8 billion, and that, I repeat, for no gain whatsoever. That is considerably more than is spent in one year on procurement and, to put it in context, would buy 35,000 RG31 mine protected vehicles or 350 Chinook helicopters and goodness knows how many Hueys—the Bell 212 aircraft.

That is the measure of the waste of valuable resources on defence projects and those figures make a mockery of those who say that the military is underfunded. When the Prime Minister called for a debate on defence, like many others I welcomed the suggestion, because the direction in which the UK is heading clearly needs to be defined. It is, for example, simply no good having equipment to wage war in the future when that equipment is not compatible with that of the Americans. The UK as a nation has neither the financial nor the military capability to divorce itself from reality. If we believe that the war on terror is our most serious threat, the MOD should be planning to procure the right equipment for our troops, rather than throwing them into situations where they have not been best served by their kit.

In last Thursday's debate, I tried to drive home the fact that technology can be of great assistance, but simple platforms are often the best for delivery. They are easy to maintain and they save on non-combatant manpower and spare parts, thereby proving not to be horrendously expensive. A good example of that is the Iraqi air force Sama light aircraft, which is doing the same job on surveillance as the Future Lynx helicopter will do. The RAF has as its trainer the Tucano T mark 1 aircraft, and there is now a ground attack version ideally suited for the extreme hot and cold conditions in Afghanistan. It could give all-round close air support to our troops, as opposed to the present situation in which an aircraft has to be called up, possibly even has to take off, arrives too late in theatre and then is unable to deliver because of the close proximity of insurgents. We should perhaps recall the hard-won lessons of Vietnam and Korea, and of even the second world war: it is a fact that the smaller the fixed-wing aircraft, the less likely it is to be shot down.

There should be a complete rethink about how we approach such operations. Overspending can create a problem by providing over-complicated pieces of equipment. The MOD and the military chiefs need to get back to the basics. To prove the point, I should ask, tongue in cheek, whether the Minister can tell me how many pack animals are being used in Afghanistan—after all, one cannot get more basic than that. It gives some idea of the type of terrain faced by our troops serving out there.

I welcome the recent announcement on, of all places, the European Defence Agency website, of 180 medium protected patrol vehicles for delivery in 2009, the contract value of which will be in the region of £20 million to £100 million. Will the Minister tell me when the actual order will be placed, and why the announcement was not made on the MOD website? It is not one of the most brilliant websites, but it would have been considerably enhanced by this news. Surely that is where any announcement should first be made; after all, the Minister is not trying to bury bad news, but to give some rather encouraging and welcome news for a change.

I am convinced that debates such as this one, poorly attended as it is, can have an influence on the direction of the MOD, and that the issues raised are being taken seriously because, slowly but surely, military thinking and direction is changing. However, I cannot make out whether the MOD, the defence chiefs and top civil servants are co-operating closely or as well as they could, and which constraints appear to be limiting their effectiveness. Unless change takes place quickly, the UK will fail to give its service personnel the proper

support that they need to win the war on terror, and there will be little or no chance of winning insurgency wars either now or in the future.

12.48 pm

The Parliamentary Under-Secretary of State for Defence (Derek Twigg): Before I respond to the points made by the hon. Member for Congleton (Ann Winterton), may I regretfully announce that another soldier has died in Iraq since the Minister of State, Ministry of Defence, my right hon. Friend the Member for East Kilbride, Strathaven and Lesmahagow (Mr. Ingram) and I addressed the House last Thursday? On 29 April, Rifleman Paul Donnachie of the 2nd Battalion, The Rifles was killed by small-arms fire in Basra. I am sure that the hon. Lady will join me in sending our sympathies and condolences to his family and friends.

I congratulate the hon. Lady on securing this debate on what she rightly says is an important subject, on which she has a great deal of knowledge, and as we heard last week, she gives a considered speech on the issues about which she feels passionate. I hope to respond to a number of those issues today, as well as to set out the wider context of the equipment programme and the operational direction of our armed forces.

I am sure that hon. Members will join me and the hon. Lady in paying tribute to our armed forces for the courage and professionalism that they show—day in, day out— in Iraq, Afghanistan and elsewhere. I welcome the opportunity to debate the direction in which we are taking our forces. The Government have a very clear vision for ensuring that we deal with today's operational requirements and prepare for the future.

It is important to set out the context of two of our current operations—those in Iraq and Afghanistan—by talking about the challenges we face today. In both those places, our service personnel are performing outstandingly in the most difficult of conditions.

Our forces remain in Iraq under the authority of UN Security Council resolution 1723, as part of a 26-nation coalition and at the request of the democratically elected Government of Iraq. The situation remains difficult—we understand the issues and challenges that we face. The hon. Lady talked about the serious insurgency that is taking place, although it is lesser in Basra than in Baghdad. It is worth stating that, although the current level of violence in Baghdad and surrounding provinces is of grave concern, the security picture elsewhere in Iraq is not as bleak, with the majority of attacks—about 80 per cent.—confined to four of the 18 provinces.

Much progress has been made by our armed forces, working in partnership in Iraq. A new Iraqi Government and an ambitious programme of security sector reform are resulting in Iraqi forces increasingly taking the lead, with the handover of four provinces to Iraqi security control, most recently Maysan on 18 April.

Our commitment to Iraq is long term, and our goal remains an Iraq that can govern itself, with a functioning economy and capable security forces. Our forces will remain to provide support and training even after we have handed over security responsibility for all the provinces in the south-east, which we hope to do later this year.

I shall touch on Afghanistan before responding to the more substantive issues raised by the hon. Lady. In Afghanistan, we are part of an international effort, backed by the UN, to support the democratically-elected Afghan Government. Afghanistan was a base for international terrorism, and we cannot let it become that again. It is in our national interest to be there.

The campaign is not a traditional battle, and the hon. Lady made that point. Demonstrating progress is not as simple as being able to point to towns being liberated, ground being taken or enemy killed. Progress can be measured by milestones, such as democratic elections—there were successful ballots in 2004 and 2005—and social indicators, such as the increase in the number of girls attending school and the nearly 5 million refugees who have been able to return. When there is security, construction and development follows.

International assistance on security, governance, development, justice and economic reform has brought about great progress. The UK has, of course, played a central role, which we are rightly proud of. However, there is more to do, particularly in the south. Achieving our objectives in Afghanistan will take time, and we are committed to the task, but we must be patient. Our mission in Bosnia, which is a relatively prosperous and developed country, has taken 15 years, and there is still more to do.

We are under no illusions that, in both Iraq and Afghanistan, we face difficult and dangerous insurgencies. The safety of our personnel on operations is a prime concern, but there is no such thing as perfect protection. Military operations are inherently risky, and if our troops are to fulfil their mission in places such as Iraq and Afghanistan, they must expose themselves to danger, precisely because of which we treat the protection of our service men and women so seriously.

We have used the urgent operational requirement process to procure a fleet of new, protected patrol vehicles to supplement the vehicles already in theatre. Mastiff, Vector and Bulldog are already on the streets, saving lives and proving hugely popular with troops. We have invested hugely in new equipment to meet the specific circumstances and evolving threats of conflicts. About £6.6 billion has been provided for those theatres since 2001. That has been new money from the reserve; it has not come from the defence budget, or at the expense of spending on future needs and assets. It includes £700 million spent through the UOR process on new force protection equipment for those theatres on everything from body armour to electronic countermeasures. There is a whole range of issues, and we have made progress in force protection and support in our operations.

Those UORs complement the equipment programme, which is funded from the defence budget and is designed to deliver the long-term core capabilities that our forces need. Both the National Audit Office and the Public Accounts Committee have acknowledged how good the UOR process is at rapidly delivering to the front line the battle-winning capability

[Derek Twigg]

required by our armed forces. However, equipment alone is not the answer to countering insurgency. Training, tactics and procedures are also most important. They are kept under constant review by the services to evolve and to meet changing needs.

I can reassure the hon. Lady that our service personnel in theatre are equipped and prepared for their current tasks. It is simply wrong to suggest that the Government would deploy our armed forces if they were unprepared for the threats that they might meet. We have introduced a range of new systems over the last few years that have significantly enhanced our forces' capability to conduct counter-insurgency operations, including underslung grenade launchers, head-mounted night vision equipment, new light machine guns, ballistic eye protection, and a range of other offensive and defensive systems, including armoured vehicles and the helicopter uplift.

The hon. Lady spoke about equipment and support. We have delivered equipment valued at more than £10 billion to the armed forces in the past few years, and we have given priority to equipping our people. My experience from when I visited Afghanistan and Iraq and talked to many hundreds of service personnel is that they believe that their personal equipment is the best that they have ever had. Equipment and equipping people properly is a priority.

On procurement of equipment, the defence industrial strategy sets the framework for a better relationship between the Ministry of Defence and industry. It will help to deliver the capability that our armed forces need with best value for money for taxpayers. We have successfully merged the organisations that procure and support military equipment and create defence equipment and support. That establishes a unified approach to the procurement and through-life support of equipment from the factories to the front line, thus improving capability and reducing costs.

Ann Winterton: I remind the Minister gently of my two specific questions, to which I would like a reply before the end of the debate. First, why did the recent announcement appear on the European Defence Agency website and not the MOD website? Secondly and more importantly, when will the order for the 180 medium-protected patrol vehicles be placed?

Derek Twigg: I will write to the hon. Lady on those two specific points.

It is important, for the reasons expressed by the hon. Lady, to accept that there have been procurement mistakes, but we want to learn from those and to ensure that we develop and produce high-quality, battle-winning equipment at the forefront of technology. We continue to make progress, but when things go wrong, we acknowledge that and want to put them right.

Referring back to the title of the debate and operational direction, it is important to remember that our nation has a proud history of responding to the challenges of an uncertain world, and we must continue to do so. We recognise that the major security challenges are those posed by international terrorism, by the proliferation of weapons of mass destruction and by failed and failing states. Our armed forces are proving that they can meet those challenges. However, while our focus remains heavily on current operations in an uncertain world, we must also be ready to meet tomorrow's threats and challenges. We cannot assume that they will be the same as those facing us today. Let us just look at the range of operations that our forces have faced in recent years. Sierra Leone, East Timor, Kosovo, Bosnia, Lebanon, disaster relief in Pakistan and the Indian ocean, and the early stages of the campaigns in Iraq and Afghanistan had little or no counter-insurgency element, but there is no guarantee of whether the next ones will.

Other fast-accelerating trends are complicating the picture. Issues such as climate change, changing demographics and new technologies may further exacerbate existing security problems or present security challenges of their own. For example, changes in the geopolitical balance might even result in the re-emergence of state-on-state warfare in the longer term with an impact on our interests, especially in an increasingly globalised world. We cannot predict whether and how those developments will evolve and interact, or how they will affect us. It would be irresponsible not to maintain armed forces that are balanced, agile and adaptable. That provides some insurance against the inherent uncertainty of the future.

We need balanced forces capable of responding to a broad range of scenarios, and we must acknowledge that, once a capability is removed, it takes many years to get it back, if it can be restored at all. Nor can we rely on our allies to provide the capabilities that we need in the circumstances that we need them. However, I accept the hon. Lady's important points about our relationship with the United States and our other partners.

Against that background, we must maintain the capability to undertake conventional hard-war fighting, counter-terrorism, intelligence gathering, peace-enforcement, peacekeeping and humanitarian operations. To prepare for the future, we must sometimes preserve capabilities that might be more likely to be used tomorrow than today. But we should not forget that major platforms, such as aircraft carriers, Typhoon and nuclear submarines, have a role to play in today's operations.

Typhoon will provide the RAF with a world-class, multi-role aircraft for use on expeditionary operations. Our Astute class nuclear submarines, such as those currently in service, will be equipped with land attack missiles that are capable of delivering effect many hundreds of miles from the sea, as they did in Kosovo, Afghanistan and Iraq. New aircraft carriers allow us to project force across the world in a range of scenarios from diplomacy and persuasion to war fighting, just as their predecessors did in Sierra Leone, Kosovo and Iraq. We shall make an announcement on carriers when the time is right. We must continue rigorously to examine our relative priorities to allow focused investment in those that we need most, and we do so.

The hon. Lady was right to draw attention to the need to ensure that we have the balance right between meeting the very demanding operations that our forces face now and the less predictable challenges of the future.

Lone Parents (Employment Opportunities)

1 pm

Ms Karen Buck (Regent's Park and Kensington, North) (Lab): I am very pleased to have secured the debate, but I shall begin with some important caveats, because recent media coverage has demonstrated that the politics of parenting and of parenting and work remain highly contentious. Raising a family is one of the most important, rewarding and demanding roles that life has to offer, and raising children alone is equally challenging and even more demanding than raising children in a couple. Everything that the Government do should be geared towards helping families and supporting children. For that reason, work will not be the right answer sometimes, or it will be an answer that must wait. For all those caveats, however, poverty is one of the most damaging things that can happen to a family, and work is a central route out of poverty. The Government and employers must ensure in partnership that we strike the right balance financially, personally, socially and culturally.

Taken overall, the lone parent employment rate has been a success story for this Government. It has risen by 11 percentage points in a decade, largely thanks to a voluntary and supportive approach at a time of economic growth. However, there are serious challenges ahead, and some prescriptions on offer are wrong. They must be rethought if we are to deal with the problems of London, on which I shall focus most of my comments, and the problems of the most disadvantaged groups—the groups that are furthest from the labour market—elsewhere. The practical steps that could be taken would have a positive impact, but some of them deserve greater attention than they have received to date.

I shall concentrate on the London experience, not least because it is what I experience as a constituency MP with some of the most deprived wards in the country, despite the leafy sounding title of my constituency of Regent's Park and Kensington, North. In the ward of Westbourne, 83 per cent. of children are growing up in workless households. That is the highest percentage in the country, despite the ward being only a couple of miles from the west end, with all the opportunities that the labour market has to offer there.

It is clear that the strength of London's economy has demonstrably not spread fairly and equally among all sectors of the population. Child poverty is acute in London—especially inner London—and it can largely be explained by the issue of labour market access. In London, employment for parents in all families is low compared with that for non-parents. In the rest of the UK, lone parent employment rose from 45 per cent. to 58 per cent. between 1995 and 2005. The rise that took place outside London is even more impressive than the national figures that are usually cited. In London, there was a much smaller rise from a much lower baseline—38 per cent. to 43 per cent.

Children in London are more likely to live in households where no one works and less likely to live in households where someone works, compared with other regions. Indeed, disparities in employment among parents account for most of the London-UK employment gap overall, which is growing. If we take account of individual characteristics, the lone parent employment rate in London is 12 percentage points lower than the rate in other metropolitan areas—up from 10 percentage points in 1997-98. With individual characteristics accounted for, that labour market phenomenon seems to be specific to London, and the tax and benefit system is very much a part of the problem. The relatively low employment rate among lone parents in London is not a city phenomenon writ large, and it is not due to differences in characteristics, such as ethnicity, between lone parents in London and in other cities.

Returning to the national picture, there is a differential rate of job retention between parents and non-parents. In other words, it is less a question of a lone parent finding work than of them keeping it. Despite the popular image, which the media often support, the issue is not about the beloved stereotype of the teenager having babies on their own to obtain a council flat and enjoy 20 years on benefits. Lone parents, who can be alone for any number of reasons, are just as likely to try for employment as anyone else. Job entry rates for lone parents generally have converged with those for the rest of the working-age population.

The main employment problem for lone parents is that job exit rates remain much higher. They have come down a little, but they are still much higher. About 10 in every 100 employed lone parents leave a job each year, compared with about 5 per cent. in the rest of the population. The heart of the matter is that if lone parents had the same job exit rates as the rest of the population in the same way that they now have the same entry rates, the 70 per cent. lone parent employment target would have been hit by now. There is not any basis for assuming that lone parents are less likely to take up work than the population as a whole, but there is good reason to believe they have more difficulty staying in a job, which explains their relatively low employment rate compared with other groups.

That analysis challenges one of the key elements in the recent Freud review, which suggested—among many ideas—that lone parents should be moved off income support and on to jobseeker's allowance when their youngest child turned 12. First, 69 per cent. of that group are already in work. Secondly and more importantly, the JSA regime is poorly designed for the more subtle purposes of supporting sustained employment among people facing complex barriers, providing care and support for adolescent and teenage children, and skill shortages.

Another Freud proposal seems to be aimed at addressing the job retention problem, but many of us are still deeply sceptical about it. On one level, it sounds sensible to reward contractors not only for getting jobseekers over an employer's threshold for a week or so, but for keeping people in work for three years. However, the strategy would involve long-term, seven-year regional monopolies in which everyone who had been on benefit for more than one year in London, for example, would pass from Jobcentre Plus to the provider. The provider would then be paid on the basis of how many more clients went into jobs than would have done otherwise. There would be a monopoly rather than a competition, and large amounts of public

[Ms Karen Buck]

cash would be determined by estimates of what might have happened in an entirely different and unpredictable set of circumstances. Among other things, it is not at all clear how one would avoid rewarding providers for what others have done: for example, lone parent rates could go up because of the availability of more subsidised child care, or because of changes to the tax credit regime.

Given what we already know about the complex needs of lone parents in the most disadvantaged groups throughout the country and particularly in London, such an approach would be insufficiently flexible and integral. We need instead to develop devolved models that can deliver to targeted groups and respond swiftly to changing circumstances.

What do we need to do? Basically, we have succeeded in improving access to jobs for lone parents, but we have failed to do enough to make employment sustainable. The strongest factor associated with job exit is low pay, especially for part-timers. Among lone parents leaving the new deal, it has been reported that 18 to 20 per cent. are back on income support within six months, 29 per cent. within a year and 40 per cent. within two and a half years.

The reason for the phenomenon is that compared with other regions, simply living in London reduces the chances of job entry for lone parents independently of other factors, and it slightly increases the chances of job exit. The phenomenon implies that, by London standards, part-time work is particularly low paid and keeps the entry rate down. The impact on job entry is compounded by higher living costs in London and the tax and benefit system.

If we assume, as it is surely reasonable to do so, that the gain from work has to be higher in London to compensate for higher prices, parents will need a higher income to be as well off as parents elsewhere. However, increased hourly earnings do not translate into higher incomes, because there are withdrawal rates for benefits and tax credits. To be as well off in real terms as lone parents in lower cost areas, lone parents in London must earn a great deal more. If the difference in living costs is 10 per cent., earnings need to be 33 per cent. higher—even without taking housing benefit into consideration. When housing benefit is factored in, the situation obviously becomes even more difficult.

Something needs to be done to equalise work incentives in London and elsewhere. In the past year or so, the Treasury and the Department for Work and Pensions have recognised the requirement in principle, and the in-work credit for London was increased to £60 in the recent Budget. That is great news, but it is demonstrably insufficient to bridge the gap that we have identified. I am not being in any way ungrateful, because the recognition in principle is a good step, but it must be regarded as one among many. We need to ensure that the tax and benefit system does not continue to freeze people—particularly those who do entry-level work—out of the job market.

We also need more specific measures to accommodate specific challenges; I know that my hon. Friend the Minister is aware of my views on that. I put in a further plea for extending measures to boost work incentives among such vulnerable groups as homeless families in temporary accommodation. I am very aware of the "Working Futures" model in Newham, and it is a sensible one. It treats the higher rents for families in temporary accommodation through block grants, as if they were paying a comparable rent in social rented housing, and thereby removes the benefits trap that catches people in high-rent accommodation.

Given that there are 3,000 households, many of them lone parent households, in temporary accommodation in my borough, and that research demonstrates that unemployment is at 90 per cent. among families in temporary accommodation—compared with 60 per cent. among social housing tenants as a whole—the case is made to extend "Working Futures" swiftly and extensively across the whole capital for households in temporary accommodation. I am completely baffled about why—I see no sensible argument for it—we should run merely one very small pilot in one low-cost area of London and wait for two years to evaluate the results.

We also need to consider how to boost part-time work opportunities at reasonable pay rates in London. Of course, our ability to influence that in the private sector is limited, but we do nothing like enough to examine job opportunities in the public sector, particularly in respect of contracted services, which provide us with a useful opportunity. In that context, we need to consider again the implications of the Gershon review and the movement of public sector jobs out of London. A recent story, linked not to Gershon but to some of the year-end pressures on the health service, revealed that part-time jobs in health care had taken the brunt of job losses in the health service. That is exactly the kind of thing that has a differential impact, particularly on lone parents and particularly on lone parents in London; they need such jobs to have any real prospect of entering and staying in the labour market.

Despite the achievements in improving employment rates for lone parents across the UK as a whole, there are still serious problems in London and in job retention rates generally. There are well documented examples of discrimination against parents in the work force generally. The recent report by the Equal Opportunities Commission demonstrated the impact of such discrimination. The situation demands yet more action from the Government and employers in getting real about the importance of the work-life balance and developing family-friendly employment policies. It is no one's interests—not those of employers, taxpayers or the Government—to trap hundreds of thousands of people out of sustainable employment, with all the social and economic costs that such unemployment puts on the state. If further changes were made to make employment family-friendly, we would be able to draw such people back into employment.

As was devastatingly demonstrated in the Joseph Rowntree Foundation report released yesterday, there is plentiful evidence of discrimination against particular groups of black and minority ethnic communities. Bangladeshis were found by the report to be most discriminated against in employment terms and most likely to be trapped in poverty. It is reasonable to say that Bangladeshi women and Muslim women generally most need targeted support to help

them come back into sustained employment. The work done by Jobcentre Plus and the contracted providers needs to continue to bear down on those hard-to-reach groups, and we need to continue to bear down on the discriminatory practices that lock people out of work.

Fundamentally, the issue for lone parents is one of making work pay, and that applies in London more than elsewhere. Without sustainable job opportunities, we have no chance of making inroads into London's deplorable levels of child poverty, and without improvements in London, we cannot hit the target for the country as a whole. There have been real achievements country-wide and recognition of the special factors in London. However, I am afraid that, on the evidence so far, there is no sign of policies likely to lead to the breakthrough that we require.

The Government have a target of halving the rate of child poverty that they inherited by 2010, but we are simply not going to reach it unless we build on what we have achieved and take further radical steps—some small and modest such as "Working Futures"; others more radical such as changes to the tax and benefit system—to raise those employment rates.

1.16 pm

The Parliamentary Under-Secretary of State for Work and Pensions (Mr. James Plaskitt): I congratulate my hon. Friend the Member for Regent's Park and Kensington, North (Ms Buck) on securing this important debate. Her work on the London Child Poverty Commission means that she has a particular insight into the challenges facing families on low incomes. She has amply demonstrated that in how she has spoken this afternoon.

The report that my hon. Friend helped to launch in February stressed, among other things, the importance of increasing employment among parents on lower incomes as one of the essential measures for reducing child poverty in London. She raised important points about job retention among lone parents who have moved into employment and, rightly, she focused on the issue of the relative disadvantage in London in terms of costs and earnings. She also raised her concerns about the extent of the "Working Futures" pilot, on which she and I have already corresponded.

I particularly want to reassure my hon. Friend that when we consider broader issues of labour market reform and further steps in reforming the welfare system, we Ministers at the Department for Work and Pensions are fully apprised of the specific set of factors that bear on London. I assure her that we have clearly identified the London-specific issues that we must consider. If we are to succeed in meeting our child poverty reduction targets, as my hon. Friend wants us to, we have to think specifically about certain things that need to happen in the capital, where the problems are tough. We are very focused on that.

We all know that children in lone-parent households are almost twice as likely to live in poverty as those in couple households, and that they make up 40 per cent. of all children living in poverty. The best way to tackle that is to support lone parents into work, which we do through work-focused interviews and the new deal for lone parents, which has already helped more than 482,000 lone parents into work, including more than 55,000 lone parents in London. Furthermore, the vast majority of those who have gone through the new deal for lone parents and into work have moved into sustainable employment. None the less, we are realistic about the challenges that lone parents face in getting back to work—and, as my hon. Friend says, in staying in work once they get it. We know that those challenges can be even greater in London, given that, as she rightly pointed out, housing and living costs are higher.

The present set-up means that many lone parents can exist on benefits for many years without any experience of being in work or developing any of the new skills that they will require when they return to work. That makes it hard for them to compete for jobs and may mean that some of those who enter jobs do not have the skills base to sustain employment once they have made that move.

The UK is out of step with many other countries in what we expect of lone parents who claim benefits when they have older children. That is why we will consider whether a switch to jobseeker's allowance for that group, with its increased focus on looking for work, will improve the chances of their getting back to work and of that work being sustainable. My hon. Friend mentioned the Freud report. Let me reassure her: Freud has suggested we ask lone parents to start looking for work when their youngest child is 12. We are considering that recommendation and will report our conclusions in the summer.

As my hon. Friend said, we have achieved a good deal so far. Ten years ago, more than 1 million lone parents nationally and around 190,000 in London were on benefit. Those figures are now down by 230,000 nationally and by more than 27,000 in the capital. Fewer than 700,000 lone parents nationally were in work 10 years ago; now more than 1 million are. In London, fewer than 85,000 lone parents were in work 10 years ago and now nearly 130,000 are.

The national employment rate among lone parents 10 years ago was about 45 per cent. It is now about 56 per cent. In London, that employment rate has risen from a much lower base—about 37 per cent.—to about 45 per cent. There is still a considerable gap between the rate of improvement in the country as a whole and that in London. That is why we have to address specific policy challenges in the capital.

Overall, there has been an achievement. However, we aim to increase the lone parent employment rate to 70 per cent. by 2010 and to do that we would need about 300,000 more lone parents in work across the country. We can do that only by helping to create conditions which make work pay, make it possible to attain and make it easier to sustain. We are rolling out more work-focused interviews for lone parents, which will give them the chance to talk to experienced advisers about the problems they face in getting back to work.

No parent is going to work if they are not certain that their child or children are in safe care. That is why Freud—and Lisa Harker in her report—highlighted the importance of wraparound child care provision. That is one of the most significant concerns for all working parents and it is raised continually with us by lone parents when we discuss what else needs to happen to reduce further the barriers to employment.

[Mr. James Plaskitt]

By 2010, there will be a Sure Start children's centre for every community—3,500 in total. For parents with older children, we have the extended schools programme, which by 2010 will be available from 8 am to 6 pm throughout the year, including school holiday periods. We are also making work a more realistic financial option. From April last year, we increased to 80 per cent. the proportion we pay towards child care costs for parents on a low income That increases child care affordability for vulnerable groups, particularly lone parents. Support is available to meet the costs of child care at rates of £87 a week for one child and £150 a week for two children or more.

We have recently announced the continuation of in-work credit, which helps eligible lone parents to leave benefits for employment with the payment of an extra £40 a week for a year. More than 40,000 people have already taken up the in-work credit, including more than 12,500 in London. We are also rolling out our pathways to work programme across the country to give even more help to those on incapacity benefit—like lone parents, that group was not given the help that it needed in the past.

London has particular issues that need to be addressed and we have already begun to do that. The new deal for lone parents has helped more than 55,000 lone parents in London into work. In April 2004, employment zones for lone parents were introduced in Haringey, Newham, Brent, Southwark and Tower Hamlets. They have helped 3,300 lone parents in those boroughs back into work. However, as my hon. Friend says, there is still a great deal more to do. We will roll out the new deal plus for lone parents to all London districts by April 2008. That will test whether a package of measures combining good, affordable child care available only with a work focus and a strong financial incentive, like the in-work credit, will move lone parents closer to the labour market and into work.

From July, we will increase the in-work credit payment in London to £60 a week when lone parents leave benefits for employment, as my hon. Friend has mentioned. The Government will also contribute £11 million in funding to the child care affordability pilot to offer 10,000 new child care places across the city. The pilot is the largest region-specific initiative for a subsidised child care programme of its kind in the country.

In addition, London is benefiting from our city strategy of investing more in deprived areas to tackle worklessness and child poverty. I hope I can demonstrate to my hon. Friend that we agree with her about the challenges in London, particularly in some—albeit not necessarily all—of the boroughs. Those challenges include the cost of housing and living, and issues to do with skills and child care. We can see from the Department's analysis of all aspects of the London labour market that London has distinct characteristics. We understand that that means that reforms designed for national application will not necessarily have the same bite or impact in the capital.

As we work through our assessment of the circumstances that pertain in the capital, we will take on board many of my hon. Friend's points, which will inform our thinking on how we can go forward through our policies in London. We have seen the report that she helped to publicise in February, which raised many of the same points. The recent reports from Freud and Lisa Harker have also highlighted London-specific issues.

I hope that I have reassured my hon. Friend that the important issues that she has identified about London are on the Department's agenda. The work that we are doing to reform welfare and the labour market needs to be combined with policies to ensure that we continue to have a strong economy, which will be important for the capital as well as the rest of the country, so that they result the continued creation of more employment opportunities for lone parents, more children being lifted out of poverty, and a prospect of ensuring that the cycle of deprivation that runs through generations is not extended any further than it has to be in London and the rest of the country.

Leeds Children's and Maternity Hospital

1.29 pm

Greg Mulholland (Leeds, North-West) (LD): I am grateful for the opportunity to debate a crucial issue for Leeds, West Yorkshire and beyond.

A stark fact, which we are not at all happy about, is that Leeds is the only major city in this country without a dedicated children's hospital. The experts have said for 18 years that we need one; leading consultants have made the case for 15 years, and parents have campaigned relentlessly in recent years. The city and its people want to change the situation and the campaign for a new hospital has the support of all Leeds and regional MPs, the city council and councillors of all parties. Yet, on 17 March this year, the parents and children of Leeds received a terrible blow. The development of the dedicated children's and maternity hospital for which they had campaigned so hard only a few years before was to be shelved, possibly indefinitely.

The Leeds Teaching Hospitals NHS Trust's official statement confirmed that plans for the hospital will be severely delayed, blaming a lack of money, as well as the rising costs of the project. The trust stated that the project's affordability had not been proven, and that it felt that it would be unable to make the required repayments for the hospital under the proposed private finance initiative scheme. As the news reverberated around the community, it confirmed many people's fears that the appalling NHS situation in Leeds has had a devastating impact on health services and has led to the hospital being cancelled.

Geoff Stagg, father of 14-year-old brain cancer sufferer Craig and campaigner for the new hospital, summed it up:

"I feel totally let down. We thought the hard work was over in getting the Government to agree"

to the hospital;

"to be told now that there's no money for it is a huge blow".

The Leeds children's and maternity hospital was due to open its doors in 2012, as a dedicated state-of-the-art, 370-bed facility for treating children and providing maternity care. It would have centralised services for children that are currently provided predominantly by two sites, as well as others, across the city. It was also due to include one of only three children's liver units in the country and to become the biggest centre for transplants in England. Now it is unclear when—or, crucially, if—the facility will open, and children in Leeds and the wider area are left without the dedicated facility that they so urgently require.

Three years ago, the go-ahead for the hospital was finally granted, marking the culmination of a long and hard-fought campaign, led since 2002 by parents Jonathan Abbott and Carol and Dean Maddocks after they witnessed the conditions in which the dedicated and excellent staff on ward 10 of St. James's university hospital in Leeds were forced to treat young children. Jonathan Abbott has described the crowds of ill, grey adults standing around the entrance of the hospital smoking, as he wheeled in his young son Josh, who suffered from a rare form of cancer, and the complete absence of privacy on the ward. At the end of Josh's treatment, he removed his son from the ward, so that he could die in a place where he felt comfortable.

Carol Maddocks talks of similar problems when her daughter, Alice, was being treated in 2002 for aplastic anaemia, now thankfully in remission. Carol's memories of that time are of cramped conditions and of having to take Alice, already suffering from the after-effects of her treatment, on long and draining journeys across Leeds between St. James's and the Leeds general infirmary, so that her treatment could continue.

Jonathan Abbott and Carol Maddocks made a promise that they would not let other children go through what their children had experienced. With Carol's husband, Dean, they launched the campaign to improve children's facilities in Leeds. Their campaign was taken up by other parents and local organisations, such as Candlelighters, which does so much for children with cancer in Leeds. Politically, it gained the full support of Leeds MPs and Leeds city council. It was backed by the *Yorkshire Post*, the *Yorkshire Evening Post* and other local media and, most importantly, received huge support from members of the local community, 3,000 of whom signed a petition.

Despite what has happened, I must take this opportunity to praise Carol, Dean, Jonathan and all the extraordinary people who led that successful campaign and inspired Leeds and its citizens to stand up for our children. It was a remarkable campaign, and on 27 July 2004, it finally reached a conclusion when the former Health Secretary, the right hon. Member for Airdrie and Shotts (John Reid), gave the green light for funding for a new dedicated children's and maternity hospital in Leeds. The decision was greeted with joy throughout the city. Trust executives issued a statement heralding the development as vital to providing children across Yorkshire with the care that they need. Neil McKay, chief executive of the trust at the time, called it "fantastic news". It is not surprising that Jonathan Abbott, Carol and Dean Maddocks and everyone else who fought so hard have been utterly shattered by the news that the children's hospital will not be going ahead as promised.

Why, with all that support and political will, has the project been shelved? According to the trust, the major reason for the delay in the development of the hospital, which was due to commence at the site of St. James's university hospital, is the trust's current and projected debt. The trust also says that the projected costs have spiralled from £230 million to £650 million—an almost threefold increase. It is unclear why costs have risen so dramatically. However, when questioned, sources at the trust have pointed to a need to refurbish existing adult facilities, a need for new facilities not included in the original plans, such as a car park, and the fact that the required contingency fund for the hospital has risen to £213 million—almost the entire cost of the original plan. That raises questions about the suitability of the original plans. Jonathan Abbott has questioned why there was a three-year consultation period costing an unknown sum if the plans were simply to be shelved. There have also been suggestions that the trust has proposed a top-of-the-range option, including the car park and rebuilt trust headquarters. The matter must be clarified as soon as possible.

[Greg Mulholland]

How did the trust suddenly arrive at the hugely inflated figure of £650 million? Is it indeed the most expensive option and, if so, can less costly options be brought back to the table that would still deliver the necessary fundamental change in care? But the key question for the Minister and her colleagues to investigate and answer as a matter of urgency is why there is such a significant difference between the figures presented originally, which were current until a few months ago, and the costs now being presented by the trust.

How the decision was taken and announced has also caused an uproar. Very senior medical representatives were not told until after the news leaked out, and campaigners found out from newspapers. It was described by Dr. Richard Vautrey, medical secretary of the Leeds local medical committee, as

"a bolt from the blue".

Our serious concern is that the decision was taken by an interim chief executive in an informal meeting and without consulting the senior medical professionals in charge of delivering children's and maternity services, never mind general practitioners, campaigners, parents and the wider community. That is not an acceptable way to run the NHS. I ask the Minister to investigate how the decision was taken, why it was taken and how it was communicated.

Colin Burgon (Elmet) (Lab): It is absolutely correct that the hon. Gentleman has identified when the decision was allegedly taken to delay the process, but in the interests of clarity, can he confirm that any attempt to say that the Government—that is, Ministers—have axed the hospital would be highly inaccurate?

Greg Mulholland: I shall go on to say that. I have made it clear that we do not know what the decision is, which is why we need a proper inquiry by the Department into how it was taken and, more importantly, why. There is much anger about the way that the trust has behaved, and rightly so, but it is also clear that the decision to shelve the plans is, unfortunately, symptomatic of the massive financial difficulties in which trusts in Leeds and across the country have found themselves in recent years.

Estimates vary, but according to its own figures, the Leeds Teaching Hospitals NHS Trust is seeking to reduce a deficit projected to reach £9 million by the end of the year, as part of a £30 million to £50 million deficit faced by the city as a whole. The Secretary of State for Health has obliged trusts to make savings of 2.5 per cent. each year. In an organisation with a turnover of more than £700 million, that is a considerable amount. It has led to a number of closures and cuts in the Leeds area, including ward closures and cuts of about 430 posts as part of a cost-cutting plan aimed at saving £84 million in the next three years, and has instigated a recruitment freeze.

John Battle (Leeds, West) (Lab): I think that all of us would agree that the figures must be carefully scrutinised, but will the hon. Gentleman confirm that not even the strategic health authority knew about the decision, never mind the Minister?

Greg Mulholland: As far as I am aware, virtually no one knew apart from the board of the trust when the decision was taken.

Mr. Paul Truswell (Pudsey) (Lab): What the hon. Gentleman just said appears completely to contradict comments that he made just this week in the *Yorkshire Evening Post*, where he suggested that Leeds MPs, apart from himself, had been wrong to suggest that anybody other than the trust was responsible. In the 25 years that I have been involved with the NHS, the Leeds Teaching Hospitals NHS Trust has always had a deficit. It had a deficit in 2004, when permission was given to do the detailed planning for the hospital, not for it to go ahead. It continues to have a deficit, and many of us have asked almost monthly whether that would impinge on the ability ultimately to submit the bid for the hospital. The answer that we have been given was no. Does the hon. Gentleman accept therefore that much of the responsibility for the issue actually rests with the trust itself?

Greg Mulholland: Of course I do, and that is why I have asked the Minister to review the overall management of the hospital service in Leeds. The problems are abundantly clear. However, it is regrettable that the hon. Gentleman wants to move away from the unity that we have had on the issue.

Mr. Fabian Hamilton (Leeds, North-East) (Lab): Will the hon. Gentleman give way?

Greg Mulholland: I need to make some progress. I will come back to the hon. Gentleman shortly.

Why do we need the hospital in Leeds? Medical experts in the city agree with each other and issued a joint statement in which they expressed fundamental concern over the

"current and future failings in the provision of care for children"

in the city. They stated that

"the present state of children's services in Leeds is not fit for purpose."

That is shocking and appalling. The fact that children are at risk in our hospitals should be our immediate and primary concern.

At present, there are two paediatric departments within three miles of each other. Given the complexity of paediatric medicine, children are therefore not getting the service that they require. For example, Dr. Sally Kinsey, consultant paediatric haematologist, stated:

"In the very recent past, a young girl had to wait seven hours to be transferred from St. James's to the infirmary. She was having a torrential life-threatening nose bleed and the only out-of-hours services were at LGI."

Not only is patient care compromised, but the other side of the coin is that the current situation does not make economic sense. There is duplication of services, and the two sites require multi-layers of middle-grade staff. That is a huge expense to the trust. As Professor Thomas said,

"the duplication of expertise in two paediatric intensive care units is the finances of a madhouse."

It is important to make it clear that all assessments and accounts from patients, parents and senior health professionals show that the ability of our excellent teams to deliver children's and maternity services is being undermined. In the words of one consultant, the teams

"can't treat as many people as they would like in they way they would like to."

What will happen to children's and maternity services in Leeds? We have had some back-pedalling from the trust, which is now making much of the fact that work on the new hospital has been postponed—albeit indefinitely—not cancelled, but the reality is that a hospital that was given the go-ahead in 2004 has been shelved indefinitely. It is also clear that there is little prospect of that changing without high-level political involvement and a radical overhaul of the financial position of the NHS in Leeds.

Mr. Hamilton: Will the hon. Gentleman give way?

Greg Mulholland: I am sorry, but I have only two minutes.

As for alternative solutions, it is clear that there is no plan B. I want the Minister to be in no doubt that medical as well as public opinion is clear that we need a single-site, purpose-built children's hospital at the St. James's site. Only that would allow key services to be located together, including a large, equipped paediatric intensive care unit and an out-of-hours service. It would end the need for children to be shuttled around various health care sites and to be treated in unsuitable conditions.

Dr. Keith Brownlee, paediatric consultant, has stated:

"We feel very strongly that without that provision"—

the hospital—

"it's difficult to be confident that we can keep these children safe from cross infections."

Dr. Richard Vautrey has stated:

"GPs and consultants are united over the need for a new dedicated children's hospital."

But Carol Maddocks puts it most powerfully of all. She says that anything other than a new, dedicated hospital would be

"like putting a sticking plaster over a gaping wound".

As her fellow campaigner, Jonathan Abbott, said,

"Leeds Teaching Hospitals NHS Trust must reverse this decision—otherwise they will place a death sentence on our children's medical care in Yorkshire."

The purpose of this debate is to point out the need for the Department of Health and the Government to address the problems with the running of hospital services in Leeds. The Secretary of State for Health must admit that "the buck stops here" if people are being failed in our hospitals. First, the Government must determine why Leeds services are in such a mess, with neither local people nor health professionals having any confidence in how hospital services are run. Ultimately, the only thing that people in our city will accept is a new children's and maternity services hospital in Leeds. It has support across the political spectrum of the public, the media and the business community. The people of Leeds have been waiting too long.

1.45 pm

The Minister of State, Department of Health (Caroline Flint): The hon. Member for Leeds, North-West (Greg Mulholland) is to be congratulated on securing this debate. He will probably be aware that other Leeds Members—my hon. Friends the Members for Elmet (Colin Burgon), for Leeds, North-East (Mr. Hamilton), for Pudsey (Mr. Truswell), for Leeds, West (John Battle) and for Morley and Rothwell (Colin Challen) are here today—have also helped to ensure that Ministers are aware of the strength of feeling about this important matter. As someone who lives in Doncaster, not too far away from Leeds, I obviously have an interest, too.

I know that my hon. Friends from Leeds had several discussions with the chief executives of the trust, the PCT and the strategic health authority to express their concern before taking the matter to Ministers. The hon. Member for Leeds, North-West may be aware that several of my hon. Friends who represent Leeds constituencies have already met the Minister of State, Department of Health, my hon. Friend the Member for Leigh (Andy Burnham), to discuss the issues. My hon. Friend the Member for Pudsey also led a deputation including parent campaigners Carol Maddocks and Jonathan Abbott and the consultant at the forefront of the campaign, Dr. Ian Lewis, to meet my colleague the Minister of State. On the same day, the Minister of State also met my hon. Friend the Member for Pudsey, senior NHS executives from Leeds and the chief executive of the strategic health authority, Margaret Edwards. My hon. Friend the Minister of State was planning to visit Leeds as a result of those meetings, but he has had to make allowances for the pre-local election purdah.

I have listened to what the hon. Member for Leeds, North-West said about the concerns of parents and families living in Leeds and west Yorkshire. The key message of the parents' campaign is that very ill children, their families and dedicated health professionals are fighting terrible illnesses in a clinical environment that does not always help them to deal with the physical and emotional trauma involved. The services are scattered between different sites, requiring youngsters who are often in great distress to be shuttled about. As a mother of three, I count my blessings that I have never had to deal with such a situation. Children are treated in areas that lack the necessary privacy, and there is inadequate accommodation for parents, whose constant presence is an essential part of their children's battle against life-threatening conditions. Those concerns have been recognised and the debate on dealing with them has been won, which is why we are in the middle of a process to provide the best possible services.

Before today's debate, my hon. Friends from Leeds made me aware of the *Yorkshire Evening Post* campaigns—the one in 2004 and the one now—that have so graphically portrayed in human terms the case for a children's hospital. The newspaper is to be commended for enabling young patients and their parents to make their own case, in their own words, as to why Leeds and west Yorkshire need services that are much more child-centred. Those profound messages have been heard, loud and clear, and we want to act on them.

[Caroline Flint]

My colleagues in the Department of Health and I were concerned to hear from campaigners, consultants and hon. Friends, and from the hon. Member for Leeds, North-West today, about the dismay at the way in which the matter has been handled. I fully appreciate the consternation that that has caused in Leeds and west Yorkshire. I understand that reassurance has been sought from the trust about its financial position and that it would not impinge on the "Making Leeds Better" bid, and that that assurance has been given.

My hon. Friends said that had the issues been raised with them before the announcement was made, they would naturally, in the circumstances, have wanted immediate meetings with senior NHS managers in the city and with Ministers to raise their concerns and discuss possible alternative action. We are addressing that issue. Things change over time—building costs and other factors change. I understand that there has been talk about the car park and the council's requests concerning it.

Let us remember that the children's hospital bid is not due to be submitted until December 2008, following the detailed consultation that must take place. That is 20 months away. I share my hon. Friends' feelings that they would have expected any problems to be talked through with those most closely involved in the project, such as parent campaigners, clinicians, health professionals, local MPs, the local authority and other agencies. Clearly that was not done in the most open and appropriate way. I would also have expected the strategic health authority to be informed prior to any announcement regarding the bid, and for the Department of Health to be notified. That is why I found it disturbing to say the least when I read the following headline in the Liberal Democrat's "Focus" leaflet: "Children's hospital axed". The article goes on to state:

"The Labour Government has axed plans to build a new £204 Million Children's Hospital at St. James's."

That is taking political grandstanding too far. The article is not true; it is a complete misrepresentation.

Greg Mulholland: It is extremely regrettable that the Minister is using an issue that clearly has the support of all MPs to score petty party political points. *[Interruption.]* As the muttering from hon. Members suggests, I find it extraordinary that we have a Government who claim to have saved the NHS but who will not take responsibility for hospital services in Leeds and the NHS as a whole.

Caroline Flint: We have trebled the amount of money that we provide to the NHS, which is why we can discuss how to make the changes that are needed. For example, funding in Leeds is to increase by 17.4 per cent. between 2006 and 2008. A new £220 million oncology wing on the St. James's university hospital site will receive its first patients next year. Four excellent local improvement finance trust schemes, on which £20 million has been spent, have brought services closer to the community. Those services are already open to patients and their families. The children's hospital proposal is part of looking to the future and deciding how we can meet the needs of families now and in the years to come. It is only right that I correct any misrepresentation of the facts, because such misrepresentation does not help politicians or the reputation of politics, and it certainly does not help the people on the ground who have campaigned for this service.

Mr. Truswell: Does my hon. Friend the Minister share my concern that although the hon. Member for Leeds, North-West (Greg Mulholland) is trying to present an all-party approach to the Minister, he rejected my request for two or three minutes to speak on behalf of myself and my colleagues?

Caroline Flint: Well, Mr. Atkinson, as you will be—

Greg Mulholland: Will the Minister give way?

Caroline Flint: I shall give way to the hon. Gentleman in a moment. Mr. Atkinson, you will be only too well aware that during Adjournment debates on a local issue that many hon. Members have taken up, other hon. Members can usually ask the MP who has secured the debate for some time in which to speak. My hon. Friend the Member for Pudsey makes an important point. If this is an issue on which people can work together—and I believe that it should be—the hon. Member for Leeds, North-West has missed an opportunity.

Greg Mulholland: The hon. Member for Pudsey makes an extraordinarily disingenuous point. I made it clear that although this is a 15-minute debate, I would welcome interventions from other MPs from Leeds—particularly if they were constructive interventions, which I must say they have not been. When a meeting was arranged with the Minister of State, I was not invited to attend by the hon. Gentleman, so his point is rather hypocritical.

Mr. Truswell: On a point of order, Mr. Atkinson. Will you clarify a couple of points for me? First, is it not the case that when a Member secures an Adjournment debate, he or she is not restricted to 15 minutes? Secondly, is it not entirely at the discretion of the hon. Member who has secured the debate to allow other Members to contribute?

Mr. Peter Atkinson (in the Chair): The answer is yes to both of those questions. The debate is a half hour debate and if the hon. Member who has raised the topic wants to speak for the entire time, they may do so—although obviously in that case they would not receive a response from the Minister. And, as the hon. Gentleman rightly says, it is up to the Member who introduces the debate to decide whether to allow another Member to contribute.

Greg Mulholland: On a point of order, Mr. Atkinson. I raised that point with the Table Office and that was the advice that I was given. However, I also note that the hon. Member for Pudsey could not answer my question about why I was not invited to the meeting with the Minister of State.

Mr. Peter Atkinson (in the Chair): That is not a point of order.

Caroline Flint: As I was saying, I would have expected the strategic health authority to be informed before any announcement was made regarding the bid and the Department of Health to be notified. It is unfortunate that that was not done, but the strategic health authority and the Department of Health are now helping to make sure that we get the figures right. The officials in the Department and the strategic health authority are playing a constructive role, which is a world away from the very party political basis of some campaign literature issued during the local elections. In the "Focus" leaflet to which I have referred and, I understand, in other leaflets and letters the headline has been that the Labour Government are axing plans. That is a complete misrepresentation and is disgraceful.

Children's services in hospitals and in communities are a major priority for us. On 15 March, the Minister of State, Department of Health, my hon. Friend the Member for Leigh, announced a consultation on the future of payment by results. That will look at the future financing of specialised services, including children's services, under payment by results. That is important because it will set out what currently happens, but also seek to ensure that services that are so important to children and their families, and to clinicians who provide their expertise and devotion, are rewarded fairly. The consultation will also set out future options to ensure sustainability. As well as having buildings, it is important that there is the finance and throughput to ensure that services can be developed and invested in.

The consultation will touch directly on services such as those that Leeds aspires to provide through a dedicated children's and maternity hospital. We want to look at how that aspiration can be converted into reality for the children and parents of Leeds and west Yorkshire. With our colleagues at the strategic health authority, we will look at some of the figures that the trust has identified to determine how realistic they are. We will identify ways in which we can be clear about what are extra costs and what can be dealt with in other ways.

Mr. Fabian Hamilton: Does my hon. Friend agree that the only way to get a children's hospital in Leeds is to stop trying to use the issue to score party political points? Opposition parties in Leeds should refrain from doing that and work together with the rest of us to achieve that goal.

Caroline Flint: I agree with my hon. Friend. These are not impersonal issues. I imagine and know the daily pain that campaigners are experiencing as parents of sick children—they are not detached from the issue. We must be careful in the language that we use and the impression that we give as it may unduly create fears and distract us from getting on with the job, which is to sort out the figures with the trust and ensure that they are correct and fit for purpose. That is the constructive approach and, dare I say it, the responsible approach to tackling complex issues, which should not be made more complex, frightening or stressful for those who are most closely involved.

Ultimately, the people on the ground in Leeds must be the ones who make the plan work. The rigorous process that the strategic health authority has now launched is one that should have been undertaken locally before any unexpected announcement was made. That point has been clearly made. Discussions should have been held with parents, health professionals and all the other people who are committed to the project. I have no doubt about the huge amount of support among those people.

I know that there is some concern among parent campaigners that the project has grown well beyond the original children's hospital scheme that was presented in 2004. Part of the job that we now have is to work out how much of that was bound to happen because that is what happens with such projects, and how much relates to other issues that may need closer attention. The plan includes changes to a wide range of adult and community services in the city. The trust says it has also included a huge car park to meet the concerns of the city council. There is a sizeable extra amount included in its figures to cover possible changes in costs over time, which is also the subject of some debate. All those aspects need to be fully examined. The NHS in Leeds will be doing its job to ensure that it meets its next deadline for the outline business case approval by the end of next year.

Plans for a Leeds children's and maternity hospital have not been cancelled. It is the ambition of the strategic health authority, the Leeds Teaching Hospitals NHS Trust and Leeds primary care trust to centre children's services on one new site in the city. Those are the stated aims of the "Making Leeds Better" programme and I understand that that remains the case. Only after full public consultation will a final decision be taken on the future of services in Leeds.

It being Two o'clock, the motion for the Adjournment of the sitting lapsed, without Question put.

Westminster Hall

Wednesday 2 May 2007

[MRS. JANET DEAN *in the Chair*]

Disabled Children

Motion made, and Question proposed, That the sitting be now adjourned.—*[Huw Irranca-Davies.]*

9.30 am

Dr. Tony Wright (Cannock Chase) (Lab): What a pleasure it is to see you in the Chair, Mrs. Dean, not least because we are fellow Staffordshire Members, but also because in this debate I shall draw in particular on the work of a Staffordshire organisation that you will know about. I begin by saying how much I appreciate, and pay tribute to, the work of many hon. Members on the issue of care and facilities for disabled children. Those hon. Members have given much time and energy to the issue, and a real head of steam is building up to say that something must be done.

I pay tribute in particular to my right hon. Friend the Member for Coatbridge, Chryston and Bellshill (Mr. Clarke), who led the parliamentary hearings on the issue last year, to my hon. Friend the Member for Blackpool, North and Fleetwood (Mrs. Humble), who was the vice-chair of those hearings, and to my hon. Friend the Member for Normanton (Ed Balls), who is now happily ensconced as Economic Secretary to the Treasury and who, we hope, can do something about these matters. I could mention many more hon. Members. I refer to this only because it should be recorded that Parliament and Members of Parliament have taken a considerable interest in the needs of disabled children in recent times and have sought to advance their cause. I simply want to add my own little bit to that today.

My involvement in the issue has been prompted almost entirely by the fact that there is a rather remarkable organisation in my constituency: the Birth Defects Foundation, now known as BDF Newlife. It is presided over by a formidable—I hope that she will not mind me calling her formidable—woman called Sheila Brown, who, since creating that organisation in 1991 to campaign for the needs of children born with disabilities and to offer them and their families support and assistance, has created an absolutely extraordinary organisation. She has warehouses of goods supplied by major clothing retailers. People come from miles around to buy the garments from Marks and Spencer, Laura Ashley and all the other retailers at heavily discounted prices, and it has become one of our major local industries. It is a tremendous tribute to Sheila Brown's energy and imagination and those of the team that she has assembled around her that we now have the privilege of having such an organisation based in the constituency. In my remarks, I shall refer in particular to a report that the organisation has just produced; indeed, it was launched at a reception in the House last week.

Until I had contact with BDF Newlife on this issue, I had assumed, as I suppose most people in our society had assumed, that for children who were born with severe disabilities and needed special equipment simply to function, whether that was a wheelchair, a special buggy, a special bed, a hoist or a walker—just the things required for normal life—there was a system out there that provided them. It would have seemed to me some years ago inconceivable that we might have an arrangement in our society whereby children who were born with such disabilities and needed very basic equipment to function should not be able to get it, but that is the situation.

BDF Newlife discovered in the course of its normal work of providing support and help to the families of children with disability that it was increasingly being asked for help with items of basic equipment. Those were the requests coming in from the nurse helpline that it has as one of its functions. The organisation, being what it is, decided that it ought to try to do something about that. It set up a specific grant scheme so that it could fund some of the basic equipment for which it was receiving an increasing number of requests, and it has been doing that for the past three years.

In the first year, BDF Newlife provided £37,000-worth of equipment; the following year, it provided £500,000-worth of equipment; and, in the last financial year, it provided £750,000-worth of essential equipment. The organisation provided the equipment in a way that obviously was a lifeline to the families who approached it. By having an extremely fast turnaround system, sometimes the organisation was even able to provide the equipment on the same day on which it was asked for. It was able to give the grant, acquire the equipment and deliver it all at the same time. Obviously, the organisation could offer a hugely positive service to families who were turning to it.

BDF Newlife discovered also that many of the requests were coming from professionals—people working in health and social services. They were themselves approaching the charity directly to ask for the equipment that they knew the families they were dealing with needed but which they could not supply. That led the good people at BDF Newlife to think, "It's not enough that we provide this service ourselves. We need to know what's going on out there. We need to know why people are turning to us in these numbers for the kind of equipment that they are asking for." They concluded that the system of public provision of essential equipment for disabled children was crumbling. The effect of that was that people were turning to charities.

What did the people at BDF Newlife do? They asked the families who approached them why they were having to approach them. They asked the professionals who were coming to them with requests why they were coming to them, so that they could find out what they were saying. Very imaginatively, they wrote to every Member of Parliament who had in their constituency a family to whom they had given a grant, telling the Members of Parliament why it, as a charity, had had to give a grant for basic equipment for a child or for a family in those constituencies. The effect of that was that many hon. Members were able to intervene with their local primary care trusts or local authorities to try to ensure—indeed, they succeeded in ensuring in some cases—that provision was made.

[Dr. Tony Wright]

Then BDF Newlife decided—this is the initiative that has produced the report that I want to draw to the House's attention—to ask every PCT and local authority in the country about the amount of money that they were spending on basic equipment for disabled children. The people at BDF Newlife found that that information was not available: it was not available from the Government; it was not available from normal sources. They had to go out and find it and they did that by using the Freedom of Information Act 2000. I have to confess that that was not my suggestion to them; it was their own idea. They therefore made a freedom of information request to every PCT and local authority. Let me say in the margin that if anybody needed persuading of the value of introducing freedom of information legislation and the need not to restrict access to information, as is proposed in some quarters, the details that BDF accumulated, put in the report and brought to the attention of the House under freedom of information legislation stands as a glowing and obvious testimony to the value of that legislation.

What did BDF find? It found that many organisations did not know how much they spent. Of the PCTs that responded, 35 per cent. could not provide the necessary information. Of the local authorities that responded, only 30 per cent. could provide a figure, and 56 per cent. claimed to have no responsibility for provision. There were huge variations. Of those PCTs that reported spending money on equipment for disabled children, the lowest placed spent £504, while the highest placed spent £442,000. The lowest-placed local authority spent £850 on equipment, while the highest placed spent £302,000. Four PCTs in England reported spending nothing at all on equipment. On average, PCTs spent only £45,000 on equipment for disabled and terminally ill children, while local authorities spent only £58,000 on average on equipment. On average, therefore, PCTs and local authorities spend as little as £30.42 on equipment for each disabled and terminally ill child. One has only to compare that figure with the cost of some of the equipment—a special wheelchair can cost several thousand pounds, a special bed can cost more than £2,000 and a special car seat can cost many hundreds of pounds—to know that such spending figures, although not inadequate, bear no relationship to the need that we are talking about.

If that is the position that the report documents, the question is what happens and who takes up the slack. I raise that question because, as we know, about 30 per cent. of families with a disabled child live at or near the poverty line. The answer is that several things happen. Charities take up the slack, and BDF itself spends more than any PCT or local authority on equipment. The report shows that all the charities together spend more than £4 million on basic equipment, which is a quarter of all statutory spending—an extraordinarily high figure. As we know from comments by professionals in the report, those who provide statutory services in some areas have a policy of applying to charities for equipment, because they know that it is needed, but they cannot provide it themselves, and they do not want it to be the first claim on their budget. They know that the charitable sector exists and they draw on it.

What happens beyond that? When they can, families pay for equipment themselves, and some run up considerable debts. If a child needs equipment, what parent would not try to get the money from whatever source they can, even if that means accumulating a debt that will last for many years. In many cases, that means going without, which has consequences for the child's health and well-being. We all know about that, and if we do not, it is documented in the report, in which hundreds of families tell their stories and describe what it means for the lives of their children to acquire essential equipment or to have no access to it.

How can such things happen? They happen because there is not enough money, because not enough priority is given to disabled children and because of overlapping responsibilities—all things that those who have looked at the issue have discussed endlessly. The result is frustration on the part of professionals working in the field and frustration, anger and distress on the part of families who have to cope with the situation. Other factors include long waiting lists, the inability to turn assessments into equipment in a timely way and the fact that it is the wrong time of the financial year, that budgets have run out and that people with complex needs that require a range of equipment can have only one item.

Provision for children also seems to be inferior to provision for adults. I was interested to read the legal advice that BDF Newlife took for its report. It asked leading counsel to go through the range of the provisions that might explain why it is so difficult to get the necessary equipment and to look at the framework of current provisions that it might be suitable to use. In her legal opinion, the barrister draws attention to the difference between the provisions made for adult services, where there is an attempt to draw up eligibility criteria, with banded assessments that have consequences in terms of services, and children's services, where there is a lack of equivalent provision. Speaking of the system for adult services, she says:

"It follows that, if a service user was assessed as being eligible for community care services, it would not be acceptable then to:

a. State that 'there is no budget', or that the 'budget has run out', or that...equipment cannot be provided until the next financial year;

b. Place a person on a lengthy waiting list that had the effect of further restricting access to equipment or rationing provision—this is a disguised form of (a). The service must be provided within a reasonable time; or

c. Offer unsuitable equipment or vouchers which will not cover the cost of the equipment which is needed;

d. Limit the numbers of pieces of equipment which will be provided to a fixed number, eg one or two."

She continues:

"As far as I am aware, there is no central guidance on eligibility criteria for children's services which mirrors 'Fair Access to [Adult] Care Services'. However, the standards set by that guidance are relevant, and there is no rational reason why eligibility criteria for children's services could or should be more restrictive than those for adults (there are arguments that they should be less restrictive)."

That brings me back to the context of my argument: I have been working my way through this issue recently.

There is no shortage of law, guidance, commissions or reviews relating to almost the entire issue. There has been a national service framework, the strategy unit has done a report and there have been comprehensive

reviews of wheelchair services. It is not as though the subject has not been visited; it has been endlessly visited by people who have endeavoured to make improvements and have described what best practice would involve. In the end, however, we are still in the situation set out in the report, which builds, of course, on reports by Whizz-Kidz, Barnardo's and others. Evidence still accumulates about the lack of provision, and every study has recognised the position.

I have concentrated on equipment, because of the work done by BDF Newlife, but what I say on the subject exemplifies the general problems of providing services for all disabled children. A report on services for disabled children produced in 2003, not by a campaigning group but by the Audit Commission, said:

"We found a lottery of provision. The services that disabled children, young people and their families are offered depend largely on where they live, and on how hard parents are able to push... We found too little provided, too late. Service provision is rarely based on the priorities and needs of individual families. What is provided is often too little and too late to make the best possible improvement to their everyday lives... We found a jigsaw puzzle of services. Families have to struggle through a maze of services to track down essential information. They then have to jump through a series of hoops to try and gain access to support. When they manage to be considered for help, families are asked to repeat their painful stories over again to a series of different staff. Services tend to work to their own priorities rather than plan jointly, so families fall through the gaps between services."

As I have said, it is as not as though we have not been told, many times, about the inadequacies of service provision for disabled children and their families. The detailed information that BDF Newlife has now produced about the equipment side of things underpins that general point.

What are we to do? That is the question that we want to engage with. Everyone who has looked at the question says the same kind of thing—that we need clear responsibility. We need to know who is responsible for providing services. Families should not get bogged down in the network of divided and overlapping responsibilities. We could at least achieve that. There should be some kind of standardised assessment procedure, so that wherever people lived, they would be assessed against a standard on which everyone would agree. We must ensure that funding actually follows the assessment and does not enter a black hole from which nothing can emerge. There seems, also, to be complete agreement—it seems to me essential—that families must have a single person who can work with them to negotiate the maze of provision that the Audit Commission describes. People's testimony shows how important that help can be, whether we call the person providing it a key worker or a co-ordinator.

A broader point arises from that, about public services as a whole: the more complicated, disaggregated and fragmented public services become, often for good administrative reasons, the more impenetrable they become for the people who have to use them and the more important it becomes to try to build in the access routes to those services for people who do not, and should not have to, understand the complexities of provision. I increasingly take the view that we should specify what people are entitled to, in as many areas as possible, and that we could well include the provision of equipment for disabled children in that approach. Using a standardised assessment we could decide what basic equipment a disabled child and their family were entitled to. We could then ensure that that entitlement would be delivered. They would carry the entitlement with them. We could discuss the methods by which it could be delivered. As we know from wheelchair schemes, in principle, there is a variety of delivery routes. The key point is that, if people had rights and entitlements, whether to equipment or to short breaks or other things, it would transform the relationship between the provider and the person using the services. In public services generally, and particularly in the sphere that we are discussing, we should explore that route.

We may—this is my view rather than anyone else's—need to think seriously about how to involve the third sector in doing some of the work, so that we do not simply bleat about the inadequacies of public provision but find a more dynamic system, built on entitlements, that will deliver in a way that the families and children in question need. When we launched the report last week, I raised in passing with the families who were present the question of whether it would be a good idea for organisations such as BDF Newlife to be involved in delivering services, and a great cheer went up. Those people's experience of dealing with such an organisation has been wholly different from their experience of trying to extract things from statutory providers. I hope that that approach can be explored.

I am extremely grateful to the Minister for taking the trouble to come to the launch of the report in the House last week. It meant a great deal to me, to BDF and to the families who were there that he came along and said what he did. I am grateful for the fact that the Treasury is undertaking a serious review of children's services, with a focus on disabled children. We shall shortly see the fruits of that in the comprehensive spending review. I am grateful, too, that my hon. Friend the Minister is also conducting a review, with particular reference to equipment, thus leading to the expectation that, finally, the analysis will convert into action and the problems that have been identified will be remedied.

We know, in detail, what the problem is and we now need to know, in detail, what the solution is. BDF believes that one in three of the 750,000 children who have disabilities has difficulty accessing basic equipment—250,000 children who speak for themselves or whose families speak for them in the report. Every day, another 125 children with inborn disabilities arrive to be cared for. The report is called, "It's Not Too Much to Ask" and contains examples of good things that are happening and of good people on the ground making real efforts to make the system work better. However, the system should not be a patchwork. How people are treated should not depend on whether they live in an area where a certain person works their socks off to help people to access the system. The families of children with disabilities should be entitled to get the basic equipment that they need, wherever they live. That is not too much to ask.

Mrs. Janet Dean (in the Chair): May I advise hon. Members that I intend to call the first Front-Bench spokesman to speak at 10.30 am?

10.1 am

Mr. Andrew Smith (Oxford, East) (Lab): Getting the right equipment of all kinds for disabled children is crucial, and I congratulate my hon. Friend the Member for Cannock Chase (Dr. Wright) on securing the debate. He was absolutely right to praise other right hon. and hon. Members for their commitment to this issue, and I congratulate him on his work with the BDF Newlife campaign and on his excellent speech.

I am pleased to join my hon. Friend and others in campaigning for the thousands of children and their families across the country for whom getting the equipment that they need is a real struggle, with much avoidable misery. As we have heard, they often need to have recourse to charitable support. In my constituency, we are fortunate to have at least two centres of excellence: the Oxford Centre for Enablement, which is part of the Nuffield Orthopaedic Centre, and the Aiding Communication in Education Centre—the ACE Centre—which, with its sister centre in Oldham, provides support, research and advice on the specialist needs of communication-impaired children. I take this opportunity to thank the staff and volunteers at both centres for their work, which is greatly valued by the children who benefit and by their families.

Those staff and volunteers demonstrate two especially important requirements for successful service delivery: flexibility and teamwork. Flexibility is needed to respond simultaneously to the needs of the child and the wider needs of their family, and to ensure that equipment is changed as the child grows, so that it can cater for their wide range of needs, including play, education, transport, sport and leisure. Teamwork and effective co-ordination are also crucial. Joint working, often across a number of agencies, and working with parents, therapists and teachers to try to achieve the best provision for all the different environments in which their children live and receive care or education is important. Given the range of needs and the rate at which demand has increased, excellent work is done.

Advances in technology can yield liberating changes for such children and their families, but we have to ask how adequate provision is. I get the impression that it is barely adequate for most people in my area. As my hon. Friend has told us, it is often much worse than that across the country; some real horror stories have been reported in the excellent BDF Newlife campaign report that was published last week.

Some of the pressures that are felt particularly in my area have been drawn to my attention, one of which is keeping up with the reviews that are needed to ensure that children do not outgrow their wheelchairs. I was told that wheelchairs are to a disabled child what shoes are to a non-disabled child: they need to be fitted and checked regularly. Priority for assessment tends to go to new referrals and those with acute problems, which can cause delays for routine follow-ups, especially if a budget needs to be stretched out across the year. Another local pressure arises with residential schools. The costs of the ongoing supply and maintenance of equipment falls on services in the school's area, rather than on the placing primary care trusts, and the money does not transfer to support them. I hope that the Minister will look into that anomalous situation.

My hon. Friend has already covered some of the other important, more general, concerns across the country, such as those about the inadequacy of equipment. There are also concerns about affordability and health services having to demonstrate a health benefit, about manufacturers raising the expectations of families and therapists when they cannot meet those expectations and about the criteria on what may or may not be provided being down to local agreements and decisions and therefore varying enormously.

Funding mechanisms are subject to general NHS efficiency savings and are largely historical, whereas the number of children with severe disabilities who survive and who live longer is, thankfully, increasing. The BDF Newlife report shows that variability in funding is huge. Given that local authority spending varies from £850 to £302,000 and that PCT spending varies from £504 to £441,000, there is bound to be huge inconsistency in provision.

There is a shortage of suitably trained therapists, especially in wheelchair and seating provision, which it is crucial to get right. Funding arrangements for equipment are often complex and may depend on whether something is needed for daily living and basic mobility needs, for education or for social needs, with provision for social interaction often falling to the voluntary sector.

The variability of provision is well illustrated by the provision of communication aids, for which there has never been a properly defined funding stream, perhaps because their introduction has taken off only in the past 25 years. There is extraordinary variability. In some places, the education service will fund voice output communication, but usually only for children who have statements. The devolution of funding to schools has also brought problems, because there is not always enough in school budgets for large pieces of equipment.

In some parts of the country, health authorities will fund some voice output communication aids. I understand that that is the case in Birmingham, parts of London and around Bristol. In other parts of the country, there is no earmarked funding at all. In that sense, the need for funding has never been as comprehensively acknowledged as it is for wheelchairs, even with all the problems that we have heard about, but the difference that communication aids can make in the development of a child's potential is every bit as great, especially because computers open up such exciting new opportunities to give virtual voices to those who never could have had them before.

Under the communication aids project, which ran from 2002 to 2006, £20 million was spent on assisting children with communication needs at school. More than 2,200 children were provided with communication aids and a further 2,300—mainly students with dyslexia—were given laptops to help with written recording. The project was heavily over-subscribed and many children missed out. Before it came along, some local authorities would not purchase voice output communication aids, which can cost anything from £100 to £9,500, unless they were taken to tribunal. Now that the project has finished, I am told that variability in provision is on the increase again.

The ring-fenced funding that the ACE centres used to receive from the Department for Education and Skills was removed last April on the basis that local authorities should be buying ACE services directly.

That is all very well in theory, but in practice, it is a long slow job getting local authorities to buy into those services, so the funding that was lost has not yet been replaced. Furthermore, the Gatsby Charitable Foundation, which has always funded ACE research, will stop doing so in three years' time, as the centres are having to use its money for core costs—that is not what it was intended for.

We all understand that local authorities have many and competing demands on their resources, but I hope that the Minister will agree that they ought to be given every encouragement and guidance informed by best practice, so that every child with communication needs can benefit from the enormous help that such support can provide.

In a written answer to my hon. Friend the Member for Cannock Chase, the Minister referred to what he called the

"radical review of community equipment and wheelchair services".—[*Official Report*, 12 March 2007; Vol. 458, c. 122W.]

May I ask him whether that review includes communication aids, when it is to report and whether it will be able to inform the comprehensive spending review that is due later this year?

I hope that it is clear to everybody that many vital issues need to be addressed. They are crucial to getting the best equipment and support to the disabled children who need it most. Despite the progress that has been made in some areas, the pattern of provision and the funding mechanisms simply are not up to what the public expect of a civilised and caring society. Remarkable progress in disability rights and the legislation that supports them has been made in the past 10 years, but if children are to grow up to make a reality of those rights and to enjoy the entitlements that we legislate to say that they should have to make the most of their potential, they need the right equipment. If there were ever an area that needed a root-and-branch overhaul, so that responsibility, entitlement and funding are clear, this is it, and I hope that the Minister, who has a real personal commitment to this issue, will be able to tell us that we are going to get it.

10.13 am

Dr. Phyllis Starkey (Milton Keynes, South-West) (Lab): I congratulate my hon. Friend the Member for Cannock Chase (Dr. Wright) on securing this debate on an issue that is of enormous importance to many Members of Parliament because it vitally affects a number of our constituents. Parliament is fulfilling one of its many roles in giving a voice to the debate and helping to move it up the political agenda. Provision for disabled children is not a party-political issue, so perhaps our predecessors in all parties in Parliament have not given sufficient attention to it, but it is moving up the political agenda. I hope that hon. Members from all parties will work to ensure that we give it the attention that it deserves.

I welcome the fact that the Government are involved in a series of reviews of provision for disabled children, because it is important that we ensure that the public money spent to support disabled children and their parents is used in the most effective way. Part of the problem is that there are many different streams of funding and responsibility is spread across a number of Departments. It might well be possible to achieve an improvement in services simply by spending the existing money more effectively, although I think that more money will probably need to be made available. Given that the two hon. Members who have spoken have outlined most of the issues, I simply want to make a few points about my constituency and then to use the experience of two of my constituents who have written to me in the past few months to illustrate the effect of the deficiencies and problems in the present arrangements on real people—parents of disabled children—in my constituency.

I am grateful for BDF Newlife's report, which informed me that Milton Keynes council, which is a unitary authority that serves the population of the whole of Milton Keynes, spends only £68,000 on provision for disabled children. I note that that is more than the average but it is still a relatively small sum to address the need in my constituency. My primary care trust, which fortunately covers exactly the same area, spends only £30,000, which makes a total of £98,000 being spent to fulfil this need in Milton Keynes. That sum is clearly inadequate, because, as everyone knows, Milton Keynes is a growing city that has a relatively high proportion of children compared with other places in the UK. We ought to spend more than other places on supporting services for disabled children because we undoubtedly have greater need, but we are clearly not doing so. I welcome the fact that increasingly my primary care trust and council are jointly commissioning services. That is a positive move across the piece, because at least it means that locally there is much more effective working than before between the national health service and the local authority in this area, as in many others.

As I said, I want to try to relate the debate to the experience of real people. I shall not use any names, but I should mention a family who wrote to me in January. Their son has severe myoclonic epilepsy and global development delay, although their older son is not handicapped in any way. They described the difficulties that they were having in funding the adaptations and equipment that they need to install within their home to be able to provide the care that their son needs and to be able to have the normal sort of family life that any family has the right to expect.

The family were entitled to a grant of £25,000 to make the adaptations, but found that that sum was inadequate. They needed £7,700 of the grant simply to deal with the health and safety issues involved in getting their child up stairs. They needed £1,750 for a hoist system and £15,550 for building works. A specialist bed cost £3,500, which occupational therapy could not provide, and they were going to have to find another £3,000 of their own money to have a vehicle adapted to take their son's wheelchair.

We need to keep stressing the point that the family made, which is that in order to cope at all the mother had had to give up work to become a full-time carer. That put enormous pressure on her husband, who then had to work particularly hard to ensure that the family income was kept up, as it was only he who was able to contribute to it. In common with many other parents in similar situations, they suggested that given the hard choices that they had made—they were not thinking of reconsidering their choices, because they thought that

[Dr. Phyllis Starkey]

they were the right ones for their family—they were not being given the support from the state that they ought to receive.

The family felt that the existing support systems tend not to help parents who try to help themselves, so in addition to the specific issues that have been raised in this debate, we must think about the way in which all the support that is given through the benefits system and other channels to families in that situation might not be helping sufficiently those families who are doing their level best to provide for their disabled children themselves. Such families simply ask that the state should help them in that work.

The other family wrote to me even more recently—just a few weeks ago. They have a severely disabled daughter. She is eight and has suffered since birth from severe developmental delay, which means that she is more like a six-month-old baby and requires round-the-clock care. She has recently had a major hip operation and needs intensive physiotherapy both at home and at school. She now needs bulky additional equipment, including a standing frame, a special chair because her spine is beginning to bend, a pushchair and a wheelchair.

Again, the mother has given up work to be a full-time carer, and both she and her husband have suffered ill health from the effects of lifting and carrying their daughter. They too are looking to make the necessary adaptations to their home and, they too are finding that the money that is available to help them is inadequate to enable the necessary work to be carried out. They are being offered a way out, which is a sensible way forward for the local authority to advise them of, which is to raise the additional sum by putting a charge on the property. At least the work would be done and they would be given the additional money, but they would have to pay it back when they eventually sell their house.

The disabled facilities grant, which is currently limited to £25,000, is under review, which indicates the need for a comprehensive review of support to parents of children with disabilities. The different grants interact one with another, so if one part of the grant system is made more generous, to a certain extent that simply takes up the slack from other parts of the system. Although I wholly support the specific points that my hon. Friends have made thus far on equipment for disabled children and its funding, I urge the Minister to ensure that the various reviews take an holistic view of all the necessary support and the different routes of funding.

I wholeheartedly support the point that although, inevitably, support will be required from a variety of departments at both national and local level, the system should be made as simple as possible for the parents of disabled children. Those parents should have a single point that they can go to locally to enable them to access all the streams of funding, help and support. They should not have to navigate their way around the system. That should be the job of the local authority, the NHS locally and the Government nationally.

10.23 am

Mr. Paul Burstow (Sutton and Cheam) (LD): I start by congratulating the hon. Member for Cannock Chase (Dr. Wright) on securing this debate, on making an excellent speech, and on his work to highlight the Birth Defects Foundation's work.

It has been a useful debate. The hon. Gentleman referred to last year's initiative, in which the right hon. Member for Coatbridge, Chryston and Bellshill (Mr. Clarke) and Members from all parties, including my hon. Friend the Member for Mid-Dorset and North Poole (Annette Brooke) were involved, of conducting an inquiry into the development of children's services. That provided an important and useful model of how we in this place can reach out to, involve, listen to and, hopefully, respond to parents, disabled children, non-governmental organisations and the public more generally. The litmus test of that and the useful review over the past year will be whether they result in some traction in respect of the Treasury's comprehensive spending review; in the more holistic approach to the delivery and design of services that the hon. Member for Milton Keynes, South-West (Dr. Starkey) mentioned; and in comprehensive support, with everyone working together. We must all hope for those outcomes.

The hon. Member for Cannock Chase talked a lot about the excellent work of the BDF and the lifeline that it provides, which is an excellent model of services, not least in terms of the rapidity with which it is able to meet the needs of disabled children and their families. He was also right to identify the grey area between statutory provision and entitlement and what is provided by the charitable sector. I hope that the Minister will indicate how that grey area can become less grey and more black and white, so that both sectors can co-operate when appropriate and ensure that the statutory sector is picking up and shouldering its appropriate burden on behalf of society. The BDF's evidence is a significantly damning indictment and requires a response from the Government.

Reference has been made to the wider issue of poverty and how it impacts on a family's ability to meet the costs of providing for a child with complex needs and disabilities. Trying to respond to those needs may cause families to fall into debt. It is clear from my constituency mailbag and discussions with colleagues that a lot remains to be done to raise awareness of the take-up of disability living allowance and other benefits. I agree with what the hon. Member for Milton Keynes, South-West said about that.

Three threads have run through the three contributions so far. None is rocket science. The first is mindset, the second is planning, and the third is delivery. In terms of mindset, the starting point must be a social conception of disability and a presumption that a range of services and support will be put in place that promotes and enables independence first and foremost. We must try to ensure that children lead as normal a life as possible and that ultimately they can have fun, which is part of childhood. That is sometimes lost because provision of fun is not a statutory requirement, but it is critical to children's development.

On planning, I was struck by the dearth of data—the BDF's work underlines that—on available spending

even within local authorities and primary care trusts. Some PCTs do not know how much they are spending, which is surely a scandal. How on earth can they commission such services if they do not have the data? There is a lack of data on the number, location and needs of families with disabled children, which cannot support good local commissioning. I echo the comments about how essential joint commissioning between PCTs, local education authorities and children's trusts is. Third sector and independent sector organisations should also be at the table when services are commissioned and developed. That is essential because of the complex range of needs—clinical, educational, developmental and social—that must be met. If services are to be built that are fit for purpose, disabled children and their families should be involved in planning and commissioning, in the way sought by the parliamentary hearings. It is critical to better services that they are tailored to individuals and fit into the lives of the child and the family, rather than being shoehorned into meeting the needs of the service. They must also recognise the transitions between childhood, teenage and adulthood; perhaps more flexibility is needed in that respect.

On delivery, I agree with the right hon. Member for Oxford, East (Mr. Smith) that there should be access to timely assessment—not just the first assessment, but a regular programme of reassessment. Otherwise, equipment ceases to be fit for purpose and children's development may be stunted because they do not have access to the right equipment at the right time. There should be access to appropriate equipment following assessment, without a long wait and negotiations on how to put together the funding between competing agencies that are scrabbling to avoid their responsibilities because of budget pressures. I agree with that point entirely.

I hope that the Minister will say more about the way in which access to one point that helps with navigation around the whole system can be made the norm. I hope also that the Minister will say something about portage. From my experience of my local children's trust, I know that portage has played an important part in helping families to navigate their way around the system and, indeed, to lead their lives. Parents have been able to go back to work, when previously, as the person booking the appointments and making the arrangements, they were not able to work full-time.

The right hon. Member for Oxford, East talked about communication aids. The ability to explain and articulate ideas, discuss choices and express oneself lies at the centre of a person's quality of life. We in this place take that for granted, but some people, trapped in their own mind, feel like they are in prison because they are unable to express themselves. Although there has been good progress with the national service framework, communication aids projects and integrated community equipment services, there has been a consistent pattern to them all: they have all been pilots. There has not been enough evaluation or learning, and the necessary follow-through of resources and mainstreaming has not taken place to enable such projects to develop a consistent pattern of delivery throughout the country.

I should particularly like to know precisely how a further review of the transformation of integrated equipment services will bear down on the absence of consistency. Others have asked the Minister about that today. In opening the debate, the hon. Member for Cannock Chase made a point about the lottery that still exists in such services. I should like the Minister to explain how the review will provide us not only with yet another insight into what must be done, but with the triggers that will make it happen on the ground, and particularly in respect of communication services. That is what all constituents would like more than anything else.

Will the Minister say something about the funding of equipment services? I am struck by the fact that funding through the scheme for communication aids stopped in 2005. Where is the funding stream to meet communication needs? If a disabled child lacks access to equipment, that is a prison sentence not only for the child, but for their family. Access to equipment may not be the panacea, but it can liberate. After 10 years, some foundations have been laid, which have been referred to in the debate, but there is still work to be done on designing the structure that has yet to be built.

The hon. Member for Cannock Chase rightly said that studies and reviews come and go, and he documented many of them in his contribution. Surely now is the time to resource and mainstream such learning so that we do not return to the debate in 10 years' time to find that there is still a lottery and that people still cannot access services.

10.33 am

Mr. Jeremy Hunt (South-West Surrey) (Con): I, too, congratulate the hon. Member for Cannock Chase (Dr. Wright) on securing the debate, and I congratulate him on the moving way in which he opened it. The way in which he has taken hold of the issue based on something that he discovered in his constituency and thanks to the work of BDF Newlife is a good example of the way in which the House works at its best when Members learn about important issues through situations that arise on their own patch. He has done so admirably.

I also thank BDF Newlife for its important work on the issue, particularly in publishing the report before us. Organisations such as BDF Newlife and Whizz-Kidz, the largest supplier of mobility equipment for children outside the national health service, do an enormous amount of important work campaigning on such issues. We must listen to what they say, because it is grounded in their experience of helping families with disabled children, and it gives their messages credibility.

The report by BDF Newlife said that our failure to provide for families of disabled children was a national disgrace. Its phrase echoes the words that the Children's Commissioner for England, Sir Al Aynsley-Green, used when he said that the services for disabled children and their families were a national scandal. Despite those strong words, it is worth saying, as the hon. Members for Milton Keynes, South-West (Dr. Starkey) and for Cannock Chase said, that the problem is not due to a lack of good intentions from all parts of the House. It is not a party political issue.

Over the past 10 to 15 years, a huge amount of legislation—starting with the Carers (Recognition and Services) Act 1995, followed by the Carers and Disabled Children Act 2000 and the Carers (Equal

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Opportunities) Act 2004—has sought to address the issues. However, the blunt truth is that it has not worked. When one asks why, one finds that there are structural reasons going right back to the founding of the welfare state. When the welfare state was conceived, in the Beveridge report, it was not designed to deal with the needs of disabled children and their families.

All today's speeches have touched on the point that disabled children and their families need a co-ordinated approach that cuts across agencies, Departments and organisations. However, the welfare state has not been designed to do that. The result is that Mencap, for example, said in a report that it published a few years ago that 37 per cent. of families with disabled children are dealing with eight or more different professionals. In the recent parliamentary hearings on services for disabled children, one mother of a disabled child said that having to juggle 11 different professionals all wanting access to her child had driven her family to the point of breakdown.

The hon. Member for Milton Keynes, South-West pointed out that it is not only the social care system that is a nightmare, but the benefits system. I totted up the number of questions that a family with a disabled child would have to answer to apply for the eight different benefits for which they are eligible: they would have to answer a total of 1,118 questions spread out over 273 pages. Some 80 per cent. of those questions are repeated, so there is a huge amount of duplication in the benefits system, which is critical to such families, and in the social care system, because of the multiplicity of assessments.

The welfare system has not been designed with that group of vulnerable people in mind, but there has been a huge growth in the number of disabled children. The official figures show that their number has increased from 476,000 in 1975 to 772,000 in 2002. We urgently need to address the problem, because all the demographic indicators suggest that the trend will continue and, indeed, accelerate: by 2029, it is expected that there will be another 500,000 disabled children, but that the total number of children will decrease. There will be 500,000 fewer children and 500,000 more disabled children. Of course, it is wonderful that some disabled children now survive when they would not have done so before, but we must be careful about doing nothing to address the serious crisis that will emerge.

Owing to the growth in the numbers of disabled children, there has been a crisis in social services funding, which has already been alluded to. I am pleased that my local authority, Surrey, is one of the top 10 providers in the country. However, elsewhere in the south-east, a special educational needs co-ordinator who was quoted in the BDF Newlife report said about a disabled girl who needed specialist seating:

"Unfortunately in order to fund the buying of this, we would have to look at reducing her hours of (educational) support."

The choice for that child was to get to sit down or to be taught, but not both. There are other heartbreaking stories in the report. One that particularly stuck in my mind was of the disabled boy who loses his dignity every day because he has to be washed in a garage by his mother, as she can no longer carry him up the stairs. There was also the quotation by a disabled boy, Nathan Giles, who said:

"Waiting for new equipment is like being starved of something, especially when you are not sure if you will ever have it".

The problem has been compounded recently by the NHS budgetary crisis, which has resulted in a lot of PCTs having to cut right back on funding. We just hope that the situation will improve now that the overall financial position in the NHS seems to be closer to achieving balance.

As the hon. Member for Sutton and Cheam (Mr. Burstow) mentioned, the issue is also important to the Government's poverty agenda. We know that one in three disabled children grow up in poverty. Having to borrow between £3,000 and £20,000 for a wheelchair can tip a family further into poverty at the precise moment when they should not have to be contending with interest payments on the purchase on top of all their other outgoings.

I want to suggest to the Minister a couple of areas where I think solutions to the problems can be found. One suggestion from Whizz-Kidz is to look at the NHS purchasing systems, to see whether it is possible to get much better economies of scale in the purchasing of equipment. Another suggestion is to introduce a much more fundamental reform of the assessment and commissioning process for services. The Minister will be aware of the £4.75 billion that we spend in supporting disabled children and their families, 26 per cent. of which—£1.25 billion—is used up in the assessment and commissioning process.

I should like to mention the "In Control" pilots, of which I know the Minister is a great supporter. They are taking place in 85 councils throughout the country, including Oldham, which seems to be pioneering the programme, as well as West Sussex and others. Councils have been able to reduce the amount of money spent on commissioning by putting sums of money into the hands of the families. That is incredibly relevant to today's debate, because the satisfaction level with the amount of money that families receive to help them has increased in those areas from 45 per cent. to 90 per cent. Similarly, satisfaction levels with the services that families receive in those areas have increased from 42 per cent. to 97 per cent. If adopted, that model could transform the lives of many hundreds of thousands of families with disabled children.

In March, the Minister said that there was going to be a radical review. I understand from his website that that review is now complete. Implementation was going to take place later this year, but apparently now it is to happen in 2008. I, too, would like the Minister to say exactly what is happening with the review and its implementation. I know that he is personally committed to change. However, what we want to hear today is not only an expression of sympathy with the plight of so many families, but a determination to ensure that fine words are turned into fine actions, so that all those families can look forward to decent levels of services, which we all agree should never have sunk to such a sorry state.

10.43 am

The Parliamentary Under-Secretary of State for Health (Mr. Ivan Lewis): I congratulate my hon. Friend the Member for Cannock Chase (Dr. Wright) on securing this Adjournment debate and on comprehensively

explaining the challenges that we face. My job, partially, is to express empathy for children with disabilities and their families when the system lets them down; but a bigger part of my job is to begin to sort out some of those problems with colleagues across government, so that people's daily experiences of the system change as rapidly as we can make that happen.

The mother of a young man with autism came to see me recently in my constituency. She said two things to me, as she explained the frustration with the system that she had experienced over a number of years. The first thing that she said, very passionately, as she looked me in the eye, was, "I am the expert on my son"—a clear message to professionals as much as to politicians. The other thing that she said was, "Why do I have to shout before anybody listens?" Those are common feelings and experiences among parents of disabled children in our society. That cannot be acceptable to any political party or to anybody committed to building the kind of society that has at its root the notion of social justice, and the belief that every disabled child matters and has the right genuinely to fulfil their potential.

In recent times hon. Members have—for the first time, and in my view it has been long overdue—taken significant responsibility for raising the profile and status of the issue, and brought the voices of disabled children and their families to the House. Like my hon. Friend, I pay tribute to my right hon. Friend the Member for Coatbridge, Chryston and Bellshill (Mr. Clarke) and my hon. Friends the Members for Blackpool, North and Fleetwood (Mrs. Humble) and for Normanton (Ed Balls) for ensuring that the issue is much higher up the political and public policy agenda than ever before. The level of engagement on the issue by political parties in all parts of the House also demonstrates how important it is to parliamentarians as well as to the Government.

I join my hon. Friend the Member for Cannock Chase in paying tribute to the work of BDF Newlife and, in particular, to the passionate and effective leadership of Sheila Brown. BDF Newlife has brought to our attention, in a stark and transparent way, some of the difficulties in the system that have to be tackled and resolved. We have heard about the extreme variability in spend in the health economy and social care services in different parts of the country. However, because of the lack of the transparency, using clear figures as comparators could be misleading. With the complexity of budgets, one of the problems is that it is sometimes quite difficult to unpick what level of resources is actually being spent on the service.

My hon. Friend identified a number of other issues. He talked about inadequate resources, insufficient prioritisation and a lack of clarity about responsibility and accountability. I shall return to those issues towards the end of my contribution.

Unless I am being paranoid, my right hon. Friend the Member for Oxford, East (Mr. Smith) seems to be following me round Adjournment debates, although I am sure—or at least I hope—that he follows other Ministers round Adjournment debates, too. His contributions are always constructive and, for obvious reasons, incredibly well informed. He talked about the two centres of excellence in Oldham and Oxford. He referred to their flexibility and teamwork, and their recognition that the needs of disabled children and their families are constantly changing as people grow up. One of the challenges for the system—but also one of the great successes of a modern society—is the demographic reality, which is that disabled children now have full and long lives. That is something that we all ought to celebrate; but equally, we should ask new questions of the system, which, as the hon. Member for South-West Surrey (Mr. Hunt) said, was not built for that demographic reality.

My right hon. Friend talked about the importance of joint working across agencies, as did other hon. Members. From the perspective of the parent—or indeed the adult with disabilities, if we were talking about them—the nature of the organisation or professional providing the service does not matter much. People requiring the services want easy access, support and a single door through which they can walk and know that they will end up in the right place with support. "One-stop shop" is the fashionable term; I prefer "first-stop shop". If hon. Members reflect, they will find it difficult to believe that we could create a one-stop shop for the myriad of services involved. However, a first-stop shop—one door through which people could walk with a guarantee of being taken to the right place and being supported in getting there—is incredibly important.

My right hon. Friend talked about technological advances. Every day, such advances provide us with new opportunities to improve the life chances and quality of life of children with disabilities. If we are able to harness those technological advances to their full effect, those children will be able to experience those improvements. My right hon. Friend also referred to the difficulties of children at residential schools whose funders are in another locality. As we seek to fix the system, we need to consider the reality for those children.

Like the hon. Member for Sutton and Cheam (Mr. Burstow), my right hon. Friend referred to communication aids; I reassure hon. Members that the review includes them. The ability to communicate to maximum effect is fundamental. If children with disabilities are to achieve their full potential—whether through education, social interaction, or, as the hon. Gentleman said, fun and having positive relationships with peers—communication is surely not a luxury or add-on, but absolutely integral to disabled children's life chances and quality of life.

Communication aids feature in the review and I am in discussions with the Department for Education and Skills. As was always the understanding, the ring-fenced funding came to an end; it was always to have been made available to build capacity in the system, after which local commissioners were to take on responsibility. Clearly, that has not always happened, so with the Department for Education and Skills, we need to reflect on how we make sure that communication aids are a key priority as part of an integrated approach.

My hon. Friend the Member for Milton Keynes, South-West (Dr. Starkey) made a powerful speech and brought to life what the obstacles and barriers mean for families with disabled children. They are tiring and mean that such families are not easily able to support their child as every parent would want to if given the

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opportunity. She also said that although within the system there is an opportunity to argue for more resources for disabled children and their families, as hon. Members should, existing resources are not being used to best effect. There is no doubt of that in my mind, and I shall turn to that issue in a moment.

My hon. Friend also talked about the centrality of achieving a genuinely holistic view, whether about social and health care or the relationship between statutory agencies and the voluntary sector. We should harness all the resources and expertise in local communities to ensure that we create a child-centred and streamlined system that is simple to access.

The hon. Member for Sutton and Cheam also referred to the importance of the statutory voluntary agency partnership. When debating the compact principles, we must close the rhetorical reality gap on the relationship between statutory agencies and the third sector across a range of services, including those for disabled children, and on our expectation about how such bodies need to work together to secure holistically the health and well-being of their local communities.

The hon. Gentleman referred to mindset in the context of maximum normality for a disabled child growing up. I entirely agree, and say to the hon. Member for South-West Surrey that my only reservation about some of his party's rhetoric on such issues is about its presentation of special schools as being the panacea in all circumstances. Some parents want special provision and special education, and their voices must be heard. However, many parents want integration for their children, and we need to get the balance right.

The hon. Member for Sutton and Cheam also talked about a dearth of data on the issue. He is absolutely right that we need to do something about that. He also mentioned transition, which is one of my great areas of focus. Parents tell us time and again that the transition from child or young person to young adult involves a cliff edge; the move from children's to adults' services is difficult, and planning has to be at the centre of changing that.

The hon. Member for South-West Surrey rightly praised the work of Whizz-Kidz and Barnardo's. I share in that support; they are actively helping us with our reviews. He rightly drew attention to the consequences of changing demographics and rising expectations and made the link between the needs of disabled children and our ambition to eradicate child poverty. He is right; there is a direct correlation between the two. On the issue of streamlining questions in applications and assessments for benefits, I say gently to him that that is one of the reasons why his party should be a little more progressive on electronic records and sharing information, which are two of the ways to streamline assessment and reduce the number of questions that people are asked.

As we speak, the Government are identifying the issues, then the solutions, then—most important of all—making sure that we see real and tangible changes on the ground in the near future and not at some distant point. The Treasury is leading the review of support for disabled children and their families as part of the comprehensive spending review. That is a major advance towards elevating the needs of disabled children and their families to being one of the great public policy imperatives for the Government. That review will address many of the issues raised in the Chamber today.

An independent review of palliative care services for children has been reporting to me and will be published in the near future. The review of community equipment has been concluded and the implementation stage is under way. It will lead to a new model of providing community equipment in every community. That will take effect from the beginning of the financial year 2008. There has been preparatory work on that new model, which includes streamlined assessment, an enhanced role for the voluntary sector, shifting resources from the entirely inefficient and very costly-to-run equipment stores and logistical operations towards the direct provision of equipment to disabled children and their families.

The third sector should have a much greater involvement and partnership role alongside local authorities and primary care trusts in every community. There is the concept of a key or lead professional to consider the holistic needs of disabled children and their families. Local government and the voluntary and private sectors have worked with that model in building the market, and it will transform how families in this country experience access to community equipment services.

Ultimately, we shall be judged on families' everyday experience of whether the system improves. I believe that we are finally on track to make a real difference, but I expect hon. Members on both sides of the House to hold us to account as we continue to listen to the experiences and voices of the families of disabled children.

Gershon Review (Great Yarmouth)

10.59 am

Mr. Anthony Wright (Great Yarmouth) (Lab): It is a pleasure to serve under your chairmanship, Mrs. Dean. It must be unique for me to follow the other Tony Wright—my hon. Friend the Member for Cannock Chase (Dr. Wright)—but this one is slightly younger.

I am pleased to have secured this debate. I have been putting in for it for a long time, and the procedure of the House means that Members have to take pot luck. Clearly, the day after the strike in the public sector about the job cuts is a timely occasion. It was difficult to secure this debate because it covered different Departments, from the Inland Revenue to the Department for Work and Pensions and the criminal justice unit. It was difficult to find who could respond to my questions and the issues that I want to raise. I am pleased that my hon. Friend the Financial Secretary will respond to the debate on behalf of the Treasury.

I want to set the scene and to explain why the issue concerns me. Great Yarmouth is, unfortunately, a place with higher than average unemployment. In 1989, it reached 19.7 per cent. unemployment—one in five people. Since 1997, 10 years ago, the number of people unemployed has fallen from the heady heights of 4,850 down to 2,934—a massive drop of some 40 per cent. However, we have to move on and it is clearly not good enough that we are still in the top 50 unemployment blackspots in the UK. That makes uncomfortable reading when we consider the views of departments when they consider relocating civil service jobs from Great Yarmouth to an area that has relatively low unemployment. In Norwich and other areas, unemployment stands in the region of 3.5 per cent.

In December 2003, the Chancellor of the Exchequer made a statement on the pre-Budget report. In respect of the Lyons review, which we were considering at the time, he said that

"we will relocate out of London and the south-east 20,000 civil service jobs—to the benefit of the regions and nations of the UK."—[*Official Report*, 10 December 2003; Vol. 415, c. 1065.]

Clearly, that came on the back of the announcement that we had to reduce the number of civil service posts across the scheme of things, and there might well have been reasons for that. However, it gave us hope for the future that a place such as Great Yarmouth, with offices at lower than average costs and space in its departments, would be ripe for the move from London and the south-east and that some of the civil service jobs in and around Great Yarmouth would be reinvigorated. Unfortunately, the reverse has happened.

Since the announcement, part of the review has considered the number of civil service jobs across certain clusters. We are in cluster 11 for Her Majesty's Revenue and Customs, which takes into account Dereham, Norwich and Great Yarmouth. I can understand the need to consider such matters, but I cannot square that with the fact that jobs are being moved away from the most deprived area in East Anglia, with the highest unemployment in the region, to a fairly affluent area. We need to take that on board. I am sure that when Gordon made his announcement on the Lyons review and on the Gershon review, he did not anticipate that we would lose jobs from already deprived areas.

We can do a number of things about the situation. About 18 months ago, I held a debate in this Chamber to talk about Jobcentre Plus and the difficulties with the roll-out of the new system. The Minister who responded to the debate made it clear that

"As we take forward our plans to centralise benefit processes, some buildings, including Yarmouth house"—

in my constituency—

"will no longer form part of our network."—[*Official Report, Westminster Hall*, 23 November 2005; Vol. 439, c. 447WH.]

That was the end of one of the Government's properties. Fewer than a dozen people now work for that office, and we know that its end will come soon.

That takes us on to the question of HMRC. There are huge concerns in Havenbridge house about the proposed reduction in the number of jobs and the relocation of a number of them. It has been quite an education to consider the jobs at Yarmouth house that we might lose, because we have to consider what the effect will be on the families of those who are employed in those departments; on my constituents, who have many difficulties; and on the economy. Since I secured the debate, I have received a number of letters from my constituents who work in those departments, which shows the strength of feeling.

When the staff surveys were carried out, the most startling thing was that the vast majority of people who were asked for their views were given the option:

"Considering everything I am satisfied with my job".

A large proportion—more than 50 per cent.—said that they were satisfied with their job. Another question was:

"Considering everything, I am satisfied with this department at the present time".

That was agreed with by 32 per cent., while 44 per cent. disagreed. Overall, there was relative satisfaction with the job.

However, since the decision was made about the reduction—I know that there have been guarantees and consultation, that everything will be reviewed and that there are no plans to close the department—staff have felt that the situation is somewhat different. I can understand why they would assume that decisions are already in the pipeline and that it is a fait accompli. Clearly, if the estate has to be reduced—bearing in mind that we have Yarmouth house and Havenbridge house—that will cost an awful lot of money. If it is reduced to such a level by outsourcing the jobs to Norwich, Lowestoft, Peterborough and other areas, it will clearly no longer be viable for the department to maintain the office, so it would be closed for cost reasons.

I want to concentrate on HMRC, as the staff have put forward their views. Although the changes to the benefits office have had a devastating effect in Great Yarmouth, on my constituents and on the staff, HMRC is relatively new. The building houses 130 to 140 staff, a number of whom have been told that they will be moved. I want to read one or two notes from members of staff about their concerns. Somebody who works in the business support team says:

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"I have been involved with educating employers and the self-employed, our evaluation sheets prove that employers who receive education are much more confident—the evaluation sheets of customers I have educated myself show 97 per cent. are more or much more confident. If staffing and locations are reduced this will affect employers and the self-employed living in rural areas—they will have to travel greater distances for education so more cost to them in travelling and time, that's if the education is still available."

That is the advice that they would give the business community, bearing in mind that we always try to attract new businesses to the area and the department needs to give them help and advice. That is just one example.

As for flexible working, one of the big issues raised with me is how many parents work in the department. Sometimes both parents work there. The Government's desire—a right one in many cases—to get mothers back into work is one that I certainly support, but here we are going against the grain. One of the benefits of working for the department is its flexible working patterns. Staff can work around their lifestyle, their children's schooling or any difficulties they might face if they have an elderly parent at home.

I have a letter that provides a picture of a number of the letters that I have received on the issue:

"The effects on my family will be fairly devastating, as both myself and my partner work for HMRC in Great Yarmouth; also, we both use part-time flexible working to look after our three children. There are not other jobs in this area that offer the flexibility to enable us both to work and look after our children. Working in another location is not feasible, as the next nearest office is in Norwich, and in our rural location this can mean up to an hour's travel each way."

The job cuts will mean taking away a family's flexibility to work. The possibility of getting another job for both parents is probably negligible. Even though one of the household might well be able to relocate to Norwich, it will prove extremely difficult for them to continue. We are already taking away money from that household.

The other issue, of course, is what will happen to the local economy. Another letter says that

"my family income will be reduced by half if I lose my job. My husband is also a civil servant and facing a job cut... My daughter's life will be affected, as we will have no income to do things, get books, help her at school or buy clothes... I shop locally, go regularly to swimming and take my daughter...to a local dance class."

There are other ongoing issues of the knock-on effect on the local economy. If we take away an individual's earning capabilities, they can no longer spend money locally. That has a knock-on effect throughout the system.

As I said, it can take people up to an hour to travel to Norwich and an hour to come back, so it will add time to the working day. One thing that people are saying to me is that, at a time when we are considering environmental problems, we are going to add to our carbon footprint. Asking people to travel to work and back, rather than working in their locality, is certainly a consideration, albeit one that has been raised on a couple of occasions.

Staff morale is pretty low in some respects, due to uncertainty about what is happening. Somewhere along the line, we must balance what is considered acceptable in today's society and what needs to be done for the economy. Although I can accept that we need to move jobs around, our inability to do so without affecting families who already find it difficult at times to balance their lives will remove their ability to earn over time.

The other question is cost. People who must travel to and from Norwich for work could incur a burden of up to £50 in costs. In a low-wage economy, it is proving difficult for people to balance the books at the end of the day, so that would have an extreme impact on what we consider acceptable.

I began by talking about the economy and the problems that we face in Great Yarmouth. We are talking about losing 250 positions, as another 50 jobs were cut from criminal justice when the local police station moved to Norwich, again because of the need to cut back on costs. Although I met with the managers, it became clear that that was an irreversible decision based on cost-cutting. The total job cut of 250 is totally unacceptable. When the Chancellor announced that he was moving jobs from the south-east to other regions, I fully expected us to benefit; I certainly did not expect us to lose positions. Perhaps the Minister will suggest that decisions have not been taken to close particular offices, and certainly not the HMRC office, but when we consider it, the fact is that the costs of keeping open an office with very few people in Great Yarmouth could lead to it closing altogether. That would certainly set us back.

I set the scene earlier by speaking about the Government's tremendous work in reducing unemployment and increasing employment opportunities. We have seen the benefits in Great Yarmouth, and the loss to our economy of those jobs would send out the wrong message. Indeed, the other side of the coin is that the offices of HMRC and the Department for Work and Pensions are often used by schools for work experience, to encourage youngsters to go on to further education and to get good jobs in the economy. That is another part of the equation that we are removing in Great Yarmouth.

It is sad that we are in this position, especially bearing in mind that it affects an economy that has struggled for years. We are on the way up, and it will be a kick in the teeth if both the DWP and HMRC join the criminal justice board in removing their offices for good. We will probably not get them back again. I ask the Minister to consider seriously not only what can be done to ensure the security of departmental offices in Great Yarmouth, but what else could be transferred from London and the south-east to replace some of those jobs. Perhaps people could be given the opportunity to transfer from one civil service job to another. That would secure the economic future of Great Yarmouth. The staff are very professional. The tragedy is that staff with more than 20 years' experience are being moved away from their jobs—they have taken redundancy and their jobs have been given to lower-salaried individuals. Unfortunately, once such experience is lost, it will never return.

Service delivery to the public will be affected over time as well. I have anecdotal evidence of the time delays that result from such job cuts. People calling for crisis loan applications can stay on the phone for hours. I have a worksheet for 10 to 13 April that says of people calling for crisis loans:

"Been ringing since 9.00 am yesterday... Unable to get through... Has tried for almost two weeks, one day tried for three hours constantly on the redial button—line engaged".

The system is not working, and my constituents—both customers and staff—are bearing the brunt of it. I should like the Minister to consider the matter seriously, not only taking on board what the Gershon review said about relocating jobs, but looking at the benefits if some jobs were relocated out of London and the south-east into the Great Yarmouth area. I ask him to stop the movement of any more jobs from Great Yarmouth to Norwich and to secure the future of HMRC in Great Yarmouth.

11.19 am

The Financial Secretary to the Treasury (John Healey): Thank you, Mrs. Dean. It is a pleasure to respond to this debate, which my hon. Friend the Member for Great Yarmouth (Mr. Wright) has successfully secured, with you in the Chair. He is an MP who is incredibly proud of his home town, and he has spoken strongly and consistently in the House for its people and its interests in the 10 years since he was elected to represent them.

My hon. Friend said that he was looking for someone to respond to his Gershon-wide interests, and it falls to me to do so, though he concentrated particularly on Her Majesty's Revenue and Customs. I will do so as well, as it is clearly the Department for which my colleagues and I, as Treasury Ministers, have direct responsibility.

My hon. Friend set out powerful arguments that picked up on the concerns of staff, and his concerns about the improving but still underperforming economy of Great Yarmouth. He rightly paid tribute to the dedication of the staff in the Department and to the job that they do for HMRC and for the tax paying public in general.

I begin by assuring my hon. Friend that there is no fait accompli. There is a review of HMRC's jobs and office arrangements, but, in somewhat characteristic fashion, he has secured this debate before the review has even begun. I shall ensure that the comments and points that he has made today are included in the review, and that he has the opportunity to play an active part at each stage of the process.

There will be a clear process. My right hon. Friend the Paymaster General has ensured that we approach the questions in an open, systematic way and that we take great care to incorporate the views of local communities, staff, HMRC unions and MPs. Let me emphasise that no decisions have been made on the future of Great Yarmouth or, for that matter, any other HMRC office in the eastern region. The Paymaster General and I, particularly because of this debate, will examine any recommendations that reach Ministers through the process.

For my hon. Friend's benefit, let me spell out what the process is and how it may relate to Great Yarmouth. In November, HMRC explained to MPs and to staff how the review process will work. Basically, it will have three phases. The first phase is the initial analytical or diagnostic work. In essence, it will develop options and proposals for rationalisation and more efficient working—which are, of course, expected of us—and the potential closure of offices. That normally takes about two months, and work will begin in about August this year on the cluster of Norwich, East Dereham and Great Yarmouth offices.

The second phase, which we term the feasibility phase, stretches over about three months and includes an eight-week consultation period. Specifically, we will seek the views of MPs and staff on the proposals that have been developed. I suspect that we will aim to start that phase for Great Yarmouth, Norwich and East Dereham some time in the autumn. Then there is the publication of the consultation findings, recommendations to Ministers for decision and, finally, an implementation phase that in some cases could take up to two or three years depending on the nature of the changes.

I shall go on in a moment to give my hon. Friend what assurances I feel I can give him at this stage. I hope that they will be useful to him, to his constituents and to some of the staff in the HMRC office, particularly those at Havenbridge house in Great Yarmouth. We understand the concerns that he expressed, and we know that they are shared by the staff who work in the Great Yarmouth office. Staff members are concerned about the extra travel time that may be involved and the availability of transport links to other centres. He also made a point about the environmental impact of greater commuting distances.

My hon. Friend mentioned Yarmouth house. I am aware of the decisions that the Department for Work and Pensions has taken. In speaking up for HMRC, I might say that perhaps those decisions were not taken as part of a systematic and open review process such as the one that my Department is determined to follow. Throughout the process, Ministers and senior managers in HMRC have been and will be committed to being as open as possible with staff. We will explain the options available to individuals and explore how their expectations and concerns may be matched with the central and essential need to make our operations more effective.

I shall briefly give the background to the review before I go on to the reassurances that I can offer at this point. It is clear, following the merger of Customs and Excise and Inland Revenue, that there is more office accommodation than the new unified tax department needs. We estimate that we probably have 40 per cent. more than we actually need. When that is combined with significant changes to what is expected of a tax agency and authority these days in relation to developments in the taxation system, changes in the economy and changes in customer demands—more online filing, for instance—it is clear that we are facing a period of change. Also, like all parts of government, we are required to make efficiencies and to conduct our operations as efficiently as possible to reduce unnecessary cost—taxpayers expect us to do that. A combination of factors underlie the review process that we will undertake later in the year.

Mr. Wright: I thank my hon. Friend for that response to my queries. Will he also guarantee that he will compare the cost of office space in Great Yarmouth with that of other department estates such as those in Norwich, Peterborough and Lowestoft? I believe that the Great Yarmouth costs are substantially lower, which would result in a lower cost base should the building be used for other civil service positions.

John Healey: I can indeed give my hon. Friend that assurance. Obviously, that will be an essential aspect of the early analysis that will be required. The comparative cost and size of the office space that is available at the three sites in Norwich, Great Yarmouth and East Dereham will be part of the calculations.

In the short time that I have remaining, I shall try to give my hon. Friend one or two other assurances. First, in conducting the reviews to reduce office accommodation, the board plans to focus on back-office functions, not on public inquiry facilities. As the departmental Minister, the Paymaster General has made it clear that the network of inquiry centres must be maintained. If an inquiry centre needs to close—for example, because a lease cannot be renewed—she has asked the board to re-provision a facility as near to it as possible.

My hon. Friend quoted from correspondence that he has received from staff members. They are particularly concerned about flexibility of working patterns and family life. May I give him an example? HMRC will shortly announce decisions on its review of urban centres in the south-east. As part of the staff support process, managers will meet their staff to discuss whether the moves that result from the decisions are reasonable in the light of their circumstances and, if not, HMRC will provide work for them in a location that is within a reasonable daily travel distance or it will consider other arrangements such as alternative hours or home working. Staff will not be made redundant as a result of the announcements; that is entirely in line with the current no-redundancy agreement with the trade unions.

My hon. Friend is also rightly concerned about the economic and job situations in Great Yarmouth. I have reviewed the figures. Great Yarmouth has an unemployment rate three times the regional average, and twice the level of Norwich—a stark contrast. I shall ensure that the fullest analysis of the situation is part of the diagnostic phase of the review. I shall also ensure that it figures in the consultation, and that we take account of developments and the decisions of other Government Departments—the Court Service, the DWP and the probation service—that are located in Great Yarmouth.

I welcome this debate. It is very much part of the work in progress that the Department would wish to do with my hon. Friend, as the local MP, throughout the review process. It is an important contribution to the work that we will do as we prepare for the review. I offer him the opportunity at an early stage to meet the senior managers who are responsible for the review process. Their briefing would be of benefit to him, but such a meeting would also allow them at the earliest stage to hear the points and concerns that he is anxious for the review to take into account. If he wishes to do that, I will be happy to set up such a meeting at his convenience.

11.30 *a.m.*

Sitting suspended until half-past Two o'clock.

Maternity and Midwifery Services

2.30 pm

Andrew George (St. Ives) (LD): I am particularly pleased to have secured this debate this week because it is the international week of the midwife, which, I am sure the Minister knows, culminates in the international day of the midwife on Saturday 5 May.

Being a reasonable chap, I will start with some sugar for the Minister before the pill arrives. I congratulate the Government on their record on investment in the NHS, which is most welcome. *[Interruption.]* As I think the Minister has just acknowledged, the Liberal Democrats have supported that investment and some, although not all, of the activities of his Department during the past 10 years. I am sure that to a far greater extent today than 10 years ago many consultants and GPs are happy with their personal circumstances, with the rewards that they have received and the conditions of service under which they operate. One would expect such investment to result in an improvement in outcomes and I am pleased that the Government have a record of some improvements, although not perhaps to the level that many of us would have liked. None the less, there has been an improvement in outcomes. I hope that the congratulations I have given to the Minister will dissuade him from filling too much of his response congratulating himself and the Government.

I have spoken to the makers of "Panorama" and, as the Minister is no doubt aware, they will be broadcasting a programme tomorrow evening that will demonstrate that there are matters of concern within maternity and midwifery services—obstetrics—across the country. I will refer to the national context, but I have spoken to and am well aware of the issues facing those involved in front-line maternity and midwifery services in Cornwall and the Isles of Scilly, as that is the patch that I represent. The "Panorama" programme shows some worrying and, one assumes, not necessarily exceptional cases from St. Mary's hospital in Manchester and a hospital in Barnet that demonstrate the consequences of having an overstretched service that is supported by an insufficient number of midwives and insufficient resources for front-line patient care. In addition, the Minister needs to address some serious questions about safety.

On a more general point, the culture of good and wise Government requires transparency, clarity and a capacity to see the benefits of robust scrutiny as a contribution to service improvement and good governance itself. I shall be constructive in my comments, but I have recently asked the Minister and his colleagues a number of written questions about midwifery and maternity services, and many of the answers that his Department has provided reflect a climate of cynicism. Those responses would provoke even a normally calm person such as myself into raising stakes and using hyperbole and colourful adjectives that could otherwise have been avoided. That is not true only of the Department of Health; the climate is similar in other Departments. I will give examples of some of the literal interpretations and minimalist responses that I have received from Ministers in a moment.

Tony Baldry (Banbury) (Con): There is not only a climate of cynicism, but a climate of secrecy. Would it surprise the hon. Gentleman to know that the Oxford Radcliffe Hospitals NHS Trust is refusing to publish the names of the clinical working parties that are determining the future of maternity and children's services in my constituency and the Horton general hospital? Can the hon. Gentleman think of any possible justification for the names of those on a working party that is determining the future of hospital services not being a matter of public record?

Andrew George: I cannot. No doubt the Minister will have heard that intervention; he will have an opportunity to reflect on it and consult his colleagues before he responds to the debate. Perhaps the hon. Gentleman will receive an answer or explanation of why he has not been given that information.

I will give an example of the type of response that I have received by referring to a written question tabled on Wednesday 7 March, which received an answer on 23 March. The question was

"To ask the Secretary of State for Health (1) how many maternity-related compensation claims there were in each year since 1995; (2) how much her Department paid in compensation to patients in each year since 1995; and what proportion of such payments were for maternity-related claims."—[*Official Report*, 23 March 2007; Vol. 458, c. 1196W.]

In response, the Government provided a table of claims and payments made on the basis of the date that the claim refers to. Therefore, it provides us not only with an impression that obstetric and maternity-related claims are reducing over time, but that the total number of claims is as well. We all know that many claims are still waiting to be resolved after the initial occurrence—for 20 years, in some cases. It would have been helpful if the Government had presented that information in the correct context.

Another question asked on 7 March was responded to on 23 March. The question related to hospital births:

"To ask the Secretary of State for Health, what the (a) minimum and (b) average period was that (i) primagravida"—

first pregnancy—

and (ii) all other mothers spent in hospital after delivery in each year since 1995." —[*Official Report*, 23 March 2007; Vol. 458, c. 1189W.]

The answer provided by the Minister of State, Department of Health, the hon. Member for Leigh (Andy Burnham), was:

"information is not available in the form requested and it is not obtainable without disproportionate cost."

Given one of the basic tenets of the Government's health reforms is to keep copious records and capture hospital episode statistics, why would that information not be available and why would the Government not know how long a patient spends in hospital? Frankly, I find it beyond comprehension that the Government have provided me with such a response when it is clear that they have based their business case for health care reforms and payment by results on the application of tariffs that relate to the amount of time that patients spend in hospital.

The deliberate diversionary avoidance tactics used in many of the answers that I have received do not aid the process of constructive engagement with the issue. That does not set us off very well, so I urge the Minister to look again at the nature of the responses provided by his Department.

Mr. David Drew (Stroud) (Lab/Co-op): Does the hon. Gentleman accept that one of the advantages of payment by results—there are disadvantages—is that it can clarify how smaller maternity units can prove their business case, which is to be welcomed? I remember evidence from Torbay seen by the all-party group on maternity that showed clearly that a smaller unit is viable. Does he agree that that, at least, should be welcomed?

Andrew George: The hon. Gentleman makes a reasonable point, although an entirely different one from mine. Certainly, smaller units do not have the same high level of complex interventions—including obstetrics, clinical and anaesthetics—as tertiary centres. Certain accounting mechanisms can demonstrate a cost-effective service for relatively low-risk—one hopes—patients.

We welcome the policy statement on the future of maternity services set out in "Maternity Matters", published on 3 April. Having spoken to those in the profession, I think that it has been universally welcomed as a statement on how the Government intend to improve services by 2009. One hopes that the Government can achieve a first-class NHS maternity service in that period.

Philip Davies (Shipley) (Con): I congratulate the hon. Gentleman on securing this debate. Although I am sure that the aims set out in "Maternity Matters" are welcomed by everyone, does he agree that too few people are training as midwives in the first place and that those who qualify often cannot find jobs? Although we can all support the aspirations in "Maternity Matters", they are highly unlikely to come into practice.

Andrew George: I was about to come on to the hon. Gentleman's point about dealing with the core services that the Government need to provide safely now.

Having investigated the problem with training posts, I think that the picture is mixed and variable. Evidence from some parts of the country suggests that midwife graduates have had difficulty getting jobs, particularly last year, when many posts were frozen owing to budget difficulties in many trusts. I hope that the Minister is listening to the general point: adequate work force planning is needed to maintain experienced midwives, who are crucial to the provision of a safe service, and to ensure that the training available—training in this country is excellent—is adequate and provides the required midwives.

Although it is desirable to improve services so that patients have the luxury of genuine choice, it is important that core services are in place first. That is the theme of my comments to the Minister today. The Royal College of Midwives provided a useful analysis of the policy statement in "Maternity Matters". As I am sure that he knows, it has undertaken a rigorous analysis of the numbers of midwives required on the basis of actuarial predictions of births, which very often underestimate what actually happens. However, those predictions showed that England needs the equivalent of at least 22,000 midwives. The latest figures that I have show that we are some 3,000 full-time equivalent midwives short of that figure.

The Parliamentary Under-Secretary of State for Health (Mr. Ivan Lewis): I congratulate the hon. Gentleman on his balanced and responsible argument. I welcome the RCM's extremely fair assessment of "Maternity Matters", but is he aware that, only a few weeks ago, its position was that there was a shortage of 10,000 midwives? Week after week, that figure was being repeated in the media. He just acknowledged that its assessment now—I shall explain in my speech our position on work force development—is that only 3,000 midwives are needed. Is it not curious that it went from 10,000 to 3,000, and yet still we see the former figure used in press reports week after week?

Andrew George: I am dealing with the situation as I see it now and with the briefing that the RCM provided me with. I shall not attempt to referee a spat between the Minister and the RCM over estimates that might have been made. Having looked at the basis on which the RCM's calculation was made, I consider it to be a conservative—with a very small "c"—estimate. I think that the figure of 22,000 is an underestimate and that the RCM took a very conservative line. As I interpret the assessment, it is saying that we need at least that many.

I wish to draw out another point demonstrated in chapter 4 of the document, regarding roles and responsibilities—it has fallen open nicely at the right page. Acres of space on responsibilities are given to foundation, delivery, acute, ambulance and primary care trusts. A significant number of bullet points list those with responsibilities: general practices, local authorities, mental health trusts, maternity service liaison committees and so on—right down to 16th place and the smallest sentence of all, on the roles and responsibilities of the Department of Health.

According to the document, the Department's responsibility is to develop

"national policy and guidance to support and enable local implementation".

That is interesting. It demonstrates a culture of pushing away responsibility from the Government. In fact, that is in line with parliamentary answers that I have received in recent weeks. On 22 March, I received an answer providing a table on obstetrics and gynaecology figures. It was good to see that, between 1995 and 2005, the number of midwives increased from 3,406 to 4,580—a significant increase, owing largely to the working time directive.

According to the same answer, between 1995 and 2095, the number of registered midwives increased from 18,034 to 18,949, although I understand that the figure has gone down since. However, the figures fail to recognise a relative plateauing—proportionately there are fewer midwives in comparison with the overall NHS work force. Over those 10 years, the role of midwives has increased tremendously. They are now responsible for clinical governance, child protection and public health roles, dealing with, for example, teenage pregnancy, smoking, infant feeding, antenatal screening and the provision of information on choice and continuity of care. They are the overall professional leads for mothers. All those roles come on top of their role in the past, but that is not reflected in the figures.

On 22 March, I received answers to another four questions about average case loads, particularly of community midwives, and about other related matters. Once again, I had the following answer:

"This information is not collected centrally and we have not carried out an assessment of, or provided advice about, the size of case loads. It is for primary care trusts in partnership with local stakeholders to commission midwifery services in order to meet local needs."—[*Official Report*, 22 March 2007; Vol. 458, c. 1141W.]

How can the Government publish a document such as "Maternity Matters", which talks bravely about choices available at grass-roots level, when they do not collect the data and do not make an assessment of the case loads that community midwives are supposed to take on?

The Minister gave a similar answer when I asked what estimates the Department had made of the numbers of midwives needed by the NHS now and in the next five years. He said:

"It is for local planners with support from the workforce review team to determine their future requirement for midwives to meet local service needs."—[*Official Report*, 14 March 2007; Vol. 458, c. 441W.]

How can the promises be made in a document such as "Maternity Matters" when it is clear that the Department takes no responsibility for making any estimate of the needs in the service?

Similarly, when I asked what factors were taken into account in estimating the average case load of community midwives, the Minister answered:

"Decisions about the size of community midwives' case loads are made locally. It is for primary care trusts...in partnership with local stakeholders to commission services".—[*Official Report*, 20 March 2007; Vol. 458, c. 863W.]

It is the same answer. How can the Government make the brave guarantees, the statements and the recommendations in a document such as "Maternity Matters" if they are clearly making no assessment and are not even providing any advice?

Mr. Lewis *rose—*

Andrew George: Yes, I will happily give way to the Minister.

Mr. Lewis: I thank the hon. Gentleman for giving way again. Can he explain how he squares his ambition for a command-and-control direction of the health service from Richmond house with his party's rhetoric about localism, devolution and responsibilities being placed at the front line of people in local communities and in local public services? How can he square the rhetoric in his speech on that issue and his party's underlying philosophy and policies on local devolution and freedom to make decisions related to local need?

Andrew George: The Minister's statement exposes the problem. The written questions to which I have referred are about information and assessment. Yes, I agree that we should all aspire to achieve minimum levels of guarantee nationally. I see no difficulty at all with a Government taking a view that we should have aspirations to a minimum level of expectation of care at the front line. However, we would have democratically elected authorities delivering that on

the front line, rather than those appointed by the Secretary of State to do her bidding, yet the Minister is now saying, "No. Once they are out in the field, on the front line, making decisions, it is their responsibility." She and he take no responsibility. What is worse—this is the point of exposing the barrenness of those written answers—they make no assessment, and they provide no information. There is no monitoring of the situation at all if that is what the Government are saying.

The Minister's party believes in a more centrally controlled system, it seems. At least, they appoint the trust members to run—

Mr. Lewis: No, we do not.

Andrew George: Well; whether it is directly or indirectly, they are certainly not elected by the local populace to represent local people in the community and to defend local services. This is clearly an area of strong argument between the Minister and me. I query the capacity of the Government to talk about a choice agenda in 2009, when it appears that they make no assessment. They are not monitoring; they are not collecting the information that is clearly crucial to them in even talking about rolling out the services in the future.

The primary focus of this debate should be the role of the midwife. *[Interruption.]* I am trying to explain the main issue to the Minister. At least he understands that the Royal College of Midwives, which he is clearly listening to—at least, I hope that he is—has come up with a recommendation to the effect that 3,000 full-time equivalent additional midwives are required. There is serious pressure on the service.

The "Panorama" programme tomorrow evening will clearly show that in one case—I do not think that it is exceptional; certainly the anecdotes that I hear from front-line staff bear this out—one qualified midwife was responsible for 24 antenatal and post-natal mothers on an acute ward. There are occasions when that happens. The programme will also show that there are serious equipment shortages with regard to CTGs—cardiotocographs.

I hope that the Minister pays attention to the consequences of the resource constraints with which midwives are operating on the front line. Those out in the community tell me that they have been given new computer systems, but they argue that the Government and the consultants whom they use to roll out the information technology programmes need to consult the front line before rolling them out. They are finding that, even though they put all the information into the IT systems, they have to keep paper records, because they cannot get the information out again.

Of course, pay is an issue. It is interesting that, when speaking to midwives, one is aware that they are continually and clearly demonstrating their commitment to and support for the service and their professionalism. Hardly any of them mention, as their first concern, their quite justifiable gripe about the way in which the pay review body's recommendation of a 2.5 per cent. pay rise for this year will be phased in. The Government have been tackled on that issue a number of times already, but midwives are caught in that conundrum. In effect, this year, they will receive a pay cut, which is poor reward when they are being asked to have ambitions for the future with regard to the rolling out of a policy proposal that is, of course, very welcome—although if it is to be rolled out, we have to get midwives on board.

The professionalism of the service is excellent. The Minister will acknowledge that. However, in this respect we need to consider, for example, the National Institute for Health and Clinical Excellence guidelines with regard to post-natal visits to mothers. The advice is to visit on day one, day five and day 10. If it is part of the Government's assessment that that is when the community midwife will visit, it may be the professional judgment of many midwives that they should visit on more occasions than that, and that is important. Leaving a newborn baby without a midwife's visit for the number of days that is proposed in the guidance concerns many professionals.

The Government have claimed that the UK is among the safest places to have a baby, yet following another written question that I tabled, answered on 16 April by the Financial Secretary to the Treasury, I received an answer from the Office for National Statistics that shows that it is almost impossible to make any international comparisons when assessing perinatal statistics, because perinatal information is recorded in different ways in different countries. Even then, however, if we look at the number of maternal deaths per 100,000 live births, we see that the UK does not perform terribly well at all. Yes, the figure is roundabout the European average, but the expanded European Union has many poor countries, as the Minister knows, and certainly the UK is behind Ireland and Italy in respect of maternal deaths.

Martin Horwood (Cheltenham) (LD): My hon. Friend may not be aware that, in 2003, the EuroNatal working group reviewed, as an alternative to those difficult perinatal mortality and maternal mortality statistics, the statistics on sub-optimal care that may have led to deaths in maternity units. In a survey of 10 countries, it found that England had the highest risk.

Andrew George: The numbers are so small that a statistical blip can greatly change the statistics. The unfortunate and tragic circumstances at Northwick Park might well be one cause of the difficulties with the UK statistics on maternity deaths. Even so, we in this country should not necessarily be content with the overall figure. I hope that the Minister takes that point on board.

"Maternity Matters" is a welcome statement as far as ambitions for the future are concerned, but I urge the Minister to ensure that the Government can at least crawl before they try to run. Before anything else, they must get front-line and core services in place and ensure that they know how to assess and monitor those services so that they are properly assessed. They must also put safety first and ensure that health inequalities are addressed before they move on to the luxury of choice, which is what the document is primarily about.

Maternity services should be clinically audited to establish how mothers are being treated and where the inequalities are and to monitor how effective interventions are. At the moment, we monitor only mishaps, and stillbirths are recorded as being unexplained. I have spoken to Professor Jason Gardosi of the Perinatal Institute in Birmingham about this matter a few times—I believe that the Minister knows of his work. The professor

[Andrew George]

proposes five basic performance indicators, which I urge the Minister to consider, particularly in relation to early booking and groups such as less well-off, young teenage mothers and other women who do not refer to a midwife early on.

I urge the Minister to address also continuity of care and, perhaps most importantly, the detection of foetal growth restriction, which is a clear indicator of later problems both at the point of childbirth and later in life. Will he consider carefully those proposals and the need for the Government to address issues of safety and the inequalities of health? Will he also consider whether there could be better central monitoring of the way in which the service is managed? We need to get the number of midwives right, to ensure that safety is put first and to get health inequalities right before we have the luxury of choice.

Mrs. Janet Dean (in the Chair): Order. I advise hon. Members that I intend to call the Front-Bench spokesmen at 3.30 pm. There should be ample time for Members who wish to take part to do so if they moderate their speeches.

3.3 pm

Mr. David Burrowes (Enfield, Southgate) (Con): It is a pleasure to have you in the Chair, Mrs. Dean. I hope that this debate is more constructive than the last one to which I contributed when you were in the Chair.

The debate is particularly timely for two reasons, one of which is close to home. Our sixth child was born two weeks ago at Chase Farm hospital, so I have a particular interest in, and some experience of, maternity services in Enfield. I shall focus my comments on those services, particularly the ones with which we had contact during the birth, and the challenges that they face. I shall not go through all six of our children's births, given the time constraints. I expect also that my wife would prefer not to read blow-by-blow accounts of them in *Hansard*. I shall therefore focus on just two of them, which provide an example of the challenges that maternity services face.

The debate is also timely because Sir George Alberti's report on the reconfiguration plans for health services in Enfield and Barnet was published today. The plans include the downgrading and effective removal of the Chase Farm accident and emergency services, and the transfer of consultant-led maternity services from Chase Farm to Barnet hospital. I commend the hard work of my colleague Nick de Bois in Enfield, North, who is campaigning hard on those services.

A little closer to home, our son Toby was born two weeks ago. We ticked all the boxes to qualify for a midwifery-led service—it was a low-risk pregnancy, and we chose to go ahead with that service at Ridgeway birth centre. Similarly, with our third child Dougal, we ticked the boxes and had a midwifery-led service. Those two births, indeed all six, had unique challenges. That is the first point that I want to make: each birth is unique and cannot be fully planned, strategised and targeted. Unexpected complications may arise midway through births or at any time during labour, and it is important when we look at such issues with the mantra of choice in mind that we realise that choice may be taken away unexpectedly during labour.

For Dougal's birth, we took advantage of the midwifery-led service at Chase Farm and everything was going smoothly until the later stages, when worrying complications meant that we had to be transferred down to the labour ward. Happily, we currently have a labour ward and consultant-led service at Chase Farm, so they were literally just down the stairs. We went down in the lift, but the lift took some time and those seconds were absolutely crucial to me, as a father, and to my wife, who was in the throes of labour. Every second mattered during that transfer.

Toby's birth, a few weeks ago, was similar. Everything was progressing normally and we were motivated. There was an interview of our leader on television with Andrew Marr, but that did not motivate Toby enough. Neither did the "Match of the Day" highlights. Eventually, he came, but only in his own time and, as he was on his way, there were again complications. If the birth had not happened within the hour, we would again have had to be transferred to the consultant-led service. Happily we had a safety net. We appreciated the fantastic care that the midwives provided, but we were happy to have the safety net of the labour ward just downstairs.

If the reconfiguration plans go through as advised by Sir George Alberti and others, that labour ward will be transferred to Barnet and we will not have that safety net. That is of great concern and might jeopardise children's lives. We would have been profoundly concerned if we had had to be transferred by ambulance during those births when there were potential complications. We would have had to go to Barnet, but Enfield routinely calls Barnet at night and finds that it is full, and people then have to be transferred to Whittington or to another hospital that has space. Those practical realities must be borne in mind when we talk about choice.

The Ridgeway birth centre, which is a fine centre and which was opened not long ago in 2003, is at risk of being relocated to another area. It has the space and environment to encourage safe and healthy births, and it has one midwife at night—there should be more, but we have already heard about the lack of midwives nationally. The location of that centre is key, because the labour ward is there on hand, and there is no need for transfers further afield. That is important, and we and other parents in Enfield are concerned that the birth centre will be undermined by the loss of the safety net of the consultant-led labour ward that is planned as part of the reconfiguration.

We and other residents feel that the reconfiguration will break up Chase Farm's maternity services, which have paediatrics and children's services all under one roof. It will also fragment the midwifery training at Chase Farm. Midwives there tell me that they are very concerned about the plans to move the consultant-led service away from them. That change will also affect people's confidence in the care that they will receive. Currently, they can be confident of the fine care that they will get at Ridgeway birth centre and confident in the security that if there is an emergency or unexpected circumstance, they will have the benefit of the service downstairs.

The case made by the hospital and, indeed, by Sir George Alberti, who seeks to garner the royal

college's support, is based on numbers. They say that 4,000 births are needed to cover the presence of consultants and that we can have only two consultant-led services in the wider area rather than three. That is one of my concerns, and perhaps the Minister can draw out some of the arguments. Why is the figure specifically 4,000? Is it a fixed figure? Is there flexibility? Should we take proper account of local circumstances? Should proper account be taken not only of the historical figures in Barnet and Enfield, which, it must be conceded, show that there were just about 3,000 births at Chase Farm last year, with just over 3,000 at Barnet and 3,500 at the North Middlesex, but of present demand? Perhaps my family is doing its bit to encourage the demographic trend, but one hears that there is an increase in demand for services. Should we really be hidebound by the 4,000 figure, when that might lead us to do a disservice to many parents who want an all-round choice? Should we look properly at local choice?

The Government have a national strategy of putting mothers and babies first and they talk about giving mothers choice over where to give birth, but the Minister must concede that the reality in Enfield is that choice will be limited once we lose the safety net of the labour ward downstairs. Indeed, the project director for the reconfiguration plans said that

"choice will be limited for those mothers who have been advised that there may be risks to themselves or their baby".

However, the problem goes further, because life is not that straightforward, and birth certainly is not. As the cases of two of my children illustrate, complications can occur mid-birth, and one needs to be able to choose to have a consultant-led service on hand. Choice should not be limited at such a crucial time. My wife and I relied, happily, on Chase Farm hospital to help care for our new baby and cover for such unexpected emergencies. I am therefore resolved to continue the fight, despite Sir George Alberti and, indeed, the Government's national strategy, because the same choice should be available to future parents and children at Chase Farm.

3.12 pm

Mr. David Drew (Stroud) (Lab/Co-op): I rise to take part, albeit briefly, in this important debate. I congratulate the hon. Member for St. Ives (Andrew George) on bringing the issue before us once more—several of us have debated it regularly. If nothing else, the Government will hear our opinions and, I hope, act on them.

I have a vested interest in this issue, because the Stroud maternity unit has been reviewed more times than virtually anywhere in the western world. Reviews are a daunting prospect, and I feel for the staff every time they are reviewed. Sometimes reviews have a purpose, but sometimes they seem to take place without a purpose, almost as a way of escaping taking inevitable decisions that may not be palatable.

We have had another review, and the hon. Member for Cheltenham (Martin Horwood) will no doubt speak in due course about the implications of the proposals because they take in Cheltenham general hospital as well as Stroud maternity hospital and the Gloucestershire Royal hospital. All those institutions maintained some semblance of their maternity services, but it was a difficult process, and I thank the Minister for talking to me about it personally. It is fair to say the decision was a local one, although the Government did look at it because it sets precedents. Stroud maternity was and, I believe, still is the third biggest independent unit left in the country, so if it were to close, that would set important precedents for independent units elsewhere in the country. I therefore pay tribute to Michelle Poole and all the team at Stroud maternity.

I want to concentrate now on a couple of national issues. The first, to which the hon. Member for St. Ives alluded, is the relationship between the "Maternity Matters" Green Paper and the reviews that are being carried out by the King's Fund and the National Perinatal Epidemiology Unit. Having been somewhat involved with those giving evidence to the various reviews, I am confused about the relationship between the different elements in the evolution of the Government's policy. The Government have made their views clear in the Green Paper, and one hopes that it will be a good staging post.

There is also, however, the issue of the two independent reviews, which I totally support. One would think that safety was paramount in this area, but it is interesting that there is a lack of information nationally and internationally about what we mean by safety and what we would accept as the parameters of safety and about other elements involved in childbirth, such as the early take-up of breastfeeding and post-natal depression. There may be a lot of statistics about, but there is not much interpretation of them and there are not many comparisons of different units and different sizes of unit. I therefore welcome the two reviews. I just want the Minister to clarify what we expect the outcome to be. What is the timetable for the two reviews? How will they impact on Government policy, notwithstanding the fact that we cannot prejudge their recommendations?

Having taken part in the review in Stroud, I know that any reconfiguration, to use that dreadful term, is subject to the national picture, and local people certainly feel somewhat hamstrung because they know that things might happen locally as a result of the national driver. The Minister is looking a bit quizzical, but if he could say something about what we expect the two reviews to say, that would help me.

Suzanne Tyler did some good work on Stroud, which I hope will feed into the process. She made a quite devastating analysis of the arguments against shutting the unit and in favour of keeping it open. I hope that that work by an independent consultant and reputed expert in the field will be listened to.

My second national point relates to insurance, and it is the one about which I am really worried; indeed, I am a bit surprised that it has not come up yet. In the debate on Stroud, we got into the nitty-gritty of which unit should be the preferred one and what we meant by choice, but the backcloth to that debate was the issue of insurance. That issue has come up in relation to independent midwives, and I am unclear about what the Government are saying. What help might they offer independent midwives, who play an important role, not least because they can bolster the numbers in some of our units?

[Mr. David Drew]

If I understand the picture clearly, it is a sad fact that more than half of litigation cases involve maternity incidents. That, of course, is a strong reason for people to have some form of indemnification against being sued. However, we cannot have it both ways. I very much support the choice agenda, and people want low intervention, starting with home births all the way through to midwife-led units, with consultant-led provision at the other end of the continuum. If people are offered choice, however, we must know that it is real choice. If deaths result because units cannot be kept open and midwives cannot keep operating because they cannot get insurance, that is not choice, and we need some clarity on the issue.

I have talked to midwives. I worry that they are beginning to practise very defensive medicine. That may be what any sensible practitioner should do, but if that is the only way in which people operate in their chosen profession, we will not have future generations of midwives, because they will be driven out of the profession. We need to know where we stand and we need to give a clear purpose to people who are doing a difficult job and offering choice. The choice should not entail their being held personally liable if things go wrong. As the hon. Member for Enfield, Southgate (Mr. Burrowes), whom I congratulate, made clear, we need to understand that these things happen and we cannot rule them out.

Recruitment is a key factor in the pressure that midwives are under. There is a dearth of people coming into the profession. I know—I hope that the Minister will say something about this—that more training places are being made available and that we are bringing people into the profession through training, but that is for the future. I am concerned about immediate problems.

We need some transparency. When people are offered a choice, it should be a real one and they should understand the risks. That can happen only through greater transparency. I hope that the Minister will attend carefully to my questions, and, even if we cannot have the answers now, I hope that we shall get some later, because midwives in general want such reassurance. If they do not get it, I fear for the profession.

3.21 pm

Tony Baldry (Banbury) (Con): I congratulate the hon. Member for St. Ives (Andrew George) on introducing the debate, and my hon. Friend the Member for Enfield, Southgate (Mr. Burrowes) on the birth of his child—although I hope that someone has explained to him that babies grow into teenagers. That has been my experience.

As the hon. Member for Stroud (Mr. Drew) said, what is important in the debate is choice. The Secretary of State says that as a consequence of "Maternity Matters", every mother will have the choice of a home delivery or delivery in a midwife-led unit or a consultant-led unit. Although that sounds very good, behind it there will be the potential for considerable downgrading of services in various parts of the country.

The Horton general hospital in Banbury has served for more than a century a significant area of the United Kingdom—north Oxfordshire, south Northamptonshire and south Warwickshire. We have for a long time—decades, centuries, generations—had a consultant-led unit at the Horton, but that is now threatened with being downgraded to a midwife-led unit. We already have an excellent midwife-led unit at Chipping Norton hospital. Any mother who wants a midwife-led birth can go there.

When the proposals were made, local GPs responded as part of the consultation to the Oxford Radcliffe Hospitals NHS Trust. I think that what they said is worth repeating:

"We remain opposed to the proposals on the grounds of safety, sustainability and the reduction in access to basic health care and choice for our patients, which will affect especially the most vulnerable."

They continued by discussing maternity services specifically:

"Under the proposed model mothers who may fail to progress or show signs of foetal distress in the second stage of labour, or who have prolapsed cord or haemorrhage, would require very rapid transfer to Oxford. Given the numbers involved this would carry significant risk and would be inhumane."

That is a strong word. Their submission continues:

"There would be an increase in the burden of responsibility on midwives and ambulance crews. Legal claims"—

the comments of the hon. Member for Stroud are relevant here—

"following incidents where there was harm to the mother or baby might be very costly to settle.

Babies born in need of immediate resuscitation would incur a transit time of approximately one hour. The idea that paediatric cover could be provided safely from Oxford in these circumstances is false and dangerous."

The submission states:

"We submit the opinion of Professor James Drife who wrote in the BMJ...about the shortfalls of midwife led units...It accords with recent publications by NICE on the safety of such units"

and adds:

"We are not reassured and maintain that a midwife led unit with a delivery rate of 450+ per annum, which is 25 miles away from the nearest obstetrician and paediatrician, is not safe. Through no fault of the midwives working in such a unit, GPs would have to consider the wisdom of recommending mothers to this service, numbers would drop further and the service soon become non viable".

It continues:

"A midwife led maternity unit, possibly lacking the confidence of local GPs, may well wither. Kidderminster had to close its unit due to excessive neonatal mortality (6 avoidable deaths in under 2 years). Increasing concern about such units is being expressed by RCOG and NICE."

RCOG is the Royal College of Obstetricians and Gynaecologists. The GPs' submission continues:

The existing serious congestion at peak times and lack of parking facilities at the JRH site will be worsened by 1,000 to 1,600 extra deliveries per year. All emergency surgery and major gynaecology currently managed in North Oxfordshire will need to be absorbed by the JRH as will all paediatric cases requiring overnight assessment or admission."

The GPs said:

"We conclude that the current proposals...will result in services which are unsafe and unsustainable into the future"

and

"are not in the best interest of our patients who will be faced with serious obstacles in both accessing services and visiting sick children or relatives. The most vulnerable will be hardest hit."

They believe that the proposals

"will increase demands on the ambulance services and its crews and on already overstretched departments at the JRH...will have consequences both in medico-legal and human terms that are far reaching and expensive...adhere to an outmoded model of centralisation that ignores more modern trends to bring services closer to patients...ignore the clear recommendations of the Davidson Inquiry and the prerequisites of the agreement to merge into a single trust"

and that they

"are overly influenced by a small group of medical specialists in Oxford who have plans for centralisation that ignore the expressed and documented needs of this community."

The GPs end their submission:

"These proposals offer neither a better deal for children nor security for a range of other services vital to our local community".

Those views were in a document signed by 85 local family GPs from north Oxfordshire, south Northamptonshire and south Warwickshire. As a consequence, not surprisingly, the trust took its proposals off the table and set up two clinically led working parties on paediatrics and children's services to see whether they could find an approach that GPs would find acceptable. They are still deliberating.

I have one concern and one question to put to the Minister in that respect. I can see no justification for keeping the membership of the working parties confidential. I understand why they might want to deliberate in private; however, I walk into the Court of Appeal every day, where the lords justices of appeal deliberate in private, but I know who they are and they are accountable. It cannot be right, as a matter of public policy, that clinicians should decide whether their participation in the working parties should be made a matter of public record. It undermines confidence in the system and the process if my constituents are told that they cannot know the membership of the bodies that will determine the future of services at their general hospital.

At the end of the process the working parties will, I imagine, make proposals, which will vary to some extent from those that were originally on the table. GPs will have to decide whether they think the amendments make the changes safe. They consider the existing proposals unsafe and inhumane. Unless there is overwhelming support from GPs for the changes, given their total opposition to the changes to date and given that the Horton will no longer have consultant-led midwifery services, I want to ask that, if in those circumstances the matter is referred to the Department, the Secretary of State look favourably on the idea of the proposals being considered by the independent reconfiguration panel.

I share the concern that was put to me by a GP, who said that he and his colleagues felt constantly worn down by academic professional pressure to accept as the least worst option something that they were not happy with but thought they would end up with. GPs have been put in an intolerable position in all of this, and I still have a very unhappy impression of the situation. We want to continue to have a general hospital in Banbury that provides the full range of services of a general hospital, including consultant-led midwifery.

Taking away the consultant-led unit from the huge catchment area that has had such a unit for as long as anyone can remember because there is a midwife-led unit down the road, or another consultant-led unit an hour away, does not enhance choice, but undermines it. It means that there is a worse service, and nothing that the Minister or anyone else does will persuade my constituents that a service that they see as worse than the present one is an improvement to the NHS. If the Minister believes otherwise, he is welcome to come to Banbury at any time and meet people from the "Keep the Horton General" campaign, which has been ably led by George Parish, a local Labour councillor. I do not believe that it is possible to get that message across because people realise when their services are being downgraded, and services are being downgraded in Banbury.

3.30 pm

Martin Horwood (Cheltenham) (LD): I join others in congratulating my hon. Friend the Member for St. Ives (Andrew George) on securing this debate. Given the subject, it is slightly bizarre that it is being conducted entirely among male MPs. That is yet another example of why Parliament needs more women. As my hon. Friend pointed out, it is appropriate that the debate is taking place during midwifery week, which celebrates the role of midwives and enables us all to congratulate them on the role that they so often play in making childbirth a healthy, happy and fulfilling experience for all concerned.

This year in particular, midwifery week is drawing attention to the fact that childbirth is not only a physical experience, but a social and emotional one. The hon. Member for Enfield, Southgate (Mr. Burrowes), who spoke about his personal experiences, illustrated that well. That means that where childbirth takes place and the nature of the experience are just as important as the physical outcome of the process, or at least important alongside the physical outcome. An increasingly important part of the philosophy of patient care is paying attention not only to the physical needs of patients but to their wants.

The Government's national director for patients and the public, Harry Cayton, who is a brilliant man with whom I have had the pleasure of working, said that

"it is essential that we put the needs and preferences of patients and service users at the centre of all we do."

In this respect, it is right that the words that emerge from Government policy are more often than not words with which we can agree. The trouble is that the practice is often very different, as hon. Members have pointed out.

Let us review the evidence on the policy itself. Going back as far as 2003, positive policy statements were made. "Keeping the NHS Local—A New Direction of Travel", which was published in February 2003, contained the general aim of retaining good local services. It clearly stated:

"The mindset that 'biggest is best' that has underpinned many of the changes in the NHS in the last few decades, needs to change. The continued concentration of acute hospital services without sustaining local access to acute care runs the danger of making services increasingly remote from many local communities."

[Martin Horwood]

I would certainly agree with that. The document pointed out clearly, as the hon. Member for Banbury (Tony Baldry) has done, that we should not be concentrating services in certain regional or other centres at the cost of providing a lesser service somewhere else. It said that the focus should be

"on redesign not relocate. Redesign can offer a high quality alternative to relocating services, extending the range of options for developing new configurations that meet local needs and expectations".

Again, the emphasis was on what local people want. I have experienced a campaign in which 10,000 people marched through the streets of Cheltenham trying to get not just what they needed, but what they wanted. Many hon. Members have had similar experiences.

The document also specifically addressed maternity services, stating:

"The challenge facing maternity services is the need to identify EWTD-compliant models of care in the middle ground between large consultant obstetric units and midwife-led units."

That was one of the clouds already looming on the horizon, because the European working time directive was clearly going to pose a challenge to the delivery of the existing model of maternity care. The Government were rightly thinking about how to respond, but in that 2003 document they were not thinking in terms of the large-scale centralisation of services, let alone of reductions in the number of midwives or of midwife training places. They were talking about developing the middle ground between very large units, of which we have an increasing number in this country, and midwife-led units. That sounds great: it sounds just like Cheltenham general hospital's St. Paul's wing. Its 2,500 deliveries a year makes it quite big for the rest of Europe, but in the middle to small end of delivery units in this country, where the trend is increasingly towards giant maternity units.

Other policy documents have been published. In July 2004, the wonderfully named "The Configuring Hospitals Evidence File: Part One" was published. One of the sections was specifically on maternity, where it was stated:

"Recent research shows that childbirth in such centres"

—midwife-led maternity units—

"is as safe as in consultant-led units, provided that a) admission is restricted to low-risk women or b) if the midwife unit is not located near a consultant unit, there are efficient escalation protocols for transferring the woman to an acute hospital."

Other hon. Members have alluded to the need for proper escalation protocols, but that should reassure those hon. Members who were expressing concerns about the risks inherent in midwife-led units, as the hon. Member for Banbury seemed to be doing at times. I hope that the reviews that we know about will conclude that, when properly managed, and with proper escalation protocols, midwife-led units can be a safe and positive alternative. Certainly, the National Childbirth Trust believes that they offer the best outcome for those in low-risk categories, and often offer better continuity of care for women.

In 2005, the latest Labour manifesto was published. It contained the very positive statement:

"By 2009 all women will have choice over where and how they have their baby and what pain relief to use. We want every woman to be supported by the same midwife throughout her pregnancy. Support will be linked closely to other services that will be provided in Children's Centres."

I congratulate the Government on the approach based on children's centres and on the use of Sure Start to support antenatal classes; those are positive things. I also support the words in that statement. As we have all said, choice is important and the way in which it is delivered is important. There is no reference in any of those documents to reduction in the number of midwives or to the centralisation of services.

Andrew George: Does my hon. Friend acknowledge that in many parts of the country antenatal classes are declining or closing? That is having a direct impact on the welfare of mothers, particularly as they need to build up social networks of other parents post-natally. That is important for their mental welfare after their child is born.

Martin Horwood: I am grateful to my hon. Friend for saving me time, because I was going to point that out later. Antenatal classes, by their nature, also help to reduce complications, so they are even a cost-saving device as well.

As I was saying, there is no reference in any of those documents to a reduction in the number of midwives or to the centralisation of services. The clear of thrust of stated policy was in the opposite direction, towards localism and more choice. That was reinforced in a health White Paper that supported the concept of care closer to home and more choice in maternity.

In February, Sheila Shribman, the Government's maternity tsar, set out the choices that women should have:

"a home birth supported by a midwife, or...birth in a local facility under the care of a midwife such as a designated midwifery unit"

or—this was carefully phrased—

"birth supported by a local maternity care team that includes a consultant obstetrician. For some women, this type of care may be the only safe option."

This is where we start to get to the nub of the problem with the concept of choice, because once the number of consultant-led units in an area is restricted, as we have heard is happening in Oxfordshire and may happen in Gloucestershire, there is the risk that for many women for whom such care is the only safe option, there is much less choice.

There were subtle differences in the phraseology used in "Maternity Matters", which was published last month, because the parallel statement in that Green Paper was

"birth supported by a maternity team in a hospital."

The word "local" was conveniently dropped. It continued:

"For some women, this type of care will be the safest option".

That is not what Sheila Shribman said. She said clearly, and more realistically, that for some women such care may be the "only safe option". The impression of choice is being given, but the reality is different when maternity units start to close.

I shall illustrate that with an example that might be close to a Minister's heart. I gather that the Prime Minister might be moving house soon and that he may

have a little more time to spend with his family. He will find that within nine miles of his new home in Connaught square, there will be 19 obstetrician-led maternity units. By contrast, the residents of Clyde crescent, which is one of the poorest areas in my constituency, will, if the planned changes go through, have a choice of just one obstetrician-led maternity unit within 20 miles—twice that distance. Their journey distance will change from just over a mile to Cheltenham general hospital to more than nine miles to Gloucestershire Royal hospital along the congested A40 into an unfamiliar city.

Mr. Ivan Lewis: The hon. Gentleman keeps referring to a reduction in the number of midwives. Will he correct the record because that is entirely inaccurate?

How on earth can we pore over locally based geographic decision making from an office in Richmond house in Whitehall, Westminster and make the right judgments and the right calls, locality by locality in this country? Why mislead people into believing that that is possible or desirable?

Mrs. Janet Dean (in the Chair): Order. I draw the attention of the hon. Member for Cheltenham to the time.

Martin Horwood: Thank you, Mrs. Dean. I shall draw my remarks to a close by quoting the Royal College of Midwives, which makes it clear that the number of midwives is falling and not rising—*[Interruption.]* The Minister does not believe me, but in 1997, there were the equivalent of 18,000 full-time midwives. By 2006 that had risen to 18,862, but it has now fallen. That is so whether measured by full-time equivalents, head count numbers or even training places. In a recent survey, two thirds of heads of maternity reported that their unit was understaffed, and more than one in five reported that their midwifery staffing establishment had been cut. The general secretary of the royal college says:

"With this situation women are not going to get the choices they've been promised. Some areas are struggling to provide even basic services. Vulnerable and disadvantaged women who need the most intensive support will suffer the most."

3.42 pm

Mr. John Baron (Billericay) (Con): I, too, congratulate the hon. Member for St. Ives (Andrew George) on introducing the debate and other hon. Members on contributing to it. The topic is important. It is vital that NHS services are both safe and accessible, and we thank midwives throughout the country for all that they do, often in difficult circumstances.

As we know, this is midwifery week. It was organised by the Royal College of Midwives, which does an excellent job of representing its members and highlighting the important issues for discussion.

There is no doubt that the Government have set out an ambitious programme to give women more choice and better maternity support, and they should be congratulated on that. However, there can be no substance to those proposals while the NHS continues to suffer a shortage of midwives and the closure of maternity units. Those problems cannot be denied and I shall be interested to hear the Minister's response. Those two themes run through all the issues facing maternity and midwifery services.

Let us start with the number of registered midwives working in the NHS. I agree with the Minister that the Royal College of Midwives has estimated that an extra 3,000 midwives are needed if the Government are to deliver their promises in the document, "Maternity Matters". However, what do we find? We find that overall the number of midwives has fallen for the second year running, having fallen during the last year in question by 339. The number of full-time equivalents—in our opinion the best measure of the availability of a midwife at any time—has risen by 4.5 per cent. since 1997 according to Government statistics, but that has failed to keep pace with the birth rate, which has increased by 9 per cent. since 2001. If the number does not keep pace with demand, it puts increasing strain on midwives.

In this place, we often bandy figures about in the hope that they illustrate our arguments and so on, but I propose to the Minister that the situation is even worse than the figures suggest because midwives not only work shorter hours than 10 years ago, but the maternity case load is even more complicated, with more mothers giving birth earlier and later in their lives. That is complicating the casework.

At a result, understaffed maternity units are overstretched. According to a survey by the RCM, an estimated two thirds of department heads thought that their units were understaffed, with posts being cut and too much reliance being placed on maternity care assistants. As we have heard from a number of hon. Members, a BBC "Panorama" programme tomorrow will confirm that picture, with overworked midwives afraid that they do not have enough time to give patients the right level of care.

On top of that, vacancy freezes brought about by financial deficits will only make matters worse. Figures confirmed by the Government show that by November 2006, a third of all midwives who had completed training since May 2006 had not found their first job in the NHS—a total of more than 4,200. Apart from the consequences for the NHS generally, the cost of training those professionals for unemployment was around £230 million. That money could be better spent on patient care.

Perhaps most disheartening is the impact of understaffing on the Government's own pledge to provide women with one-to-one continuity of care by a named midwife by 2009. That is an important aspiration—the gold standard in maternity care—yet it cannot be achieved without a substantial increase in the number of midwives. In view of all those concerns, will the Minister take this opportunity to state clearly and for the record what estimate he has made of the number of additional midwives needed to meet the challenges set out in "Maternity Matters"?

It is doubly worrying that the fall in the number of midwives is taking place against the backdrop of maternity units being closed throughout the country, as a number of hon. Members have said. Last December, we identified up to 21 midwife-led units under threat. Those centres are often based in the community rather than in hospitals, and they offer women a less medicalised birthing experience. They tend to be well loved resources and should be protected. I suggest that

[Mr. John Baron]

without local midwife-led units, the Government cannot realistically offer women alternatives to giving birth in a highly medicalised environment in hospital. Only by making those options more widely available can we enable women to question the received wisdom that medical intervention is the preferred option.

The only other alternative to hospital is home birth, but only 2 per cent. of women giving birth do so at home, although many more would like to. Again, the shortage of midwives impacts on that. There is already a striking north-south divide for women who are helped to give birth at home, with women in Devon seven times more likely to secure a home birth than women in Merseyside. The Government say that they want to make home births more widely available, but plans to reconfigure consultant and emergency services around fewer and larger regional centres works against that objective. As many as 15 per cent. of planned home births result in a transfer to hospital and those transfer times and distances are likely to be longer in future because of the Government's plans to centralise services. That policy could put lives at risk.

Conservative Members are very concerned about the Government's proposals to concentrate consultant services. First, there is still no clear evidence base or clinical model for the move towards fewer, larger maternity units, yet the Government seem to be hellbent on encouraging mothers-to-be to give birth in ever larger units. We are increasingly being told that larger, consultant-led units with more than 3,000 live births a year are safer for women, but the National Perinatal Epidemiology Unit is not due to report on the topic until 2009, so on what basis can those assertions be made?

Meanwhile, the move to larger units goes against the grain of maternity provision on the continent. The largest unit in Germany has only a little more than 3,000 live births a year and the largest in France has 4,000. In contrast, English maternity units, such as the one that is being investigated by the BBC at St. Mary's hospital in Manchester, often deliver more than 5,000 babies a year. That is not to say that all larger units are worse, but the clinical case for ever larger units has not been made, and the Government should recognise that before they continue down the line of encouraging mothers to give birth in ever larger units.

I know that the Minister has taken issue with the Greater Manchester reconfiguration in his own backyard, but the problem is that the Prime Minister and the Secretary of State for Health have both endorsed the principle of larger, fewer units. Some people would argue that there is an element of hypocrisy in that state of affairs: the Minister who is present argues one thing in his own backyard while he peddles a national policy that goes against that local argument.

In the time allowed, I must mention independent midwives. The Government seem determined to ensure that independent midwives take out professional indemnity insurance, despite the fact that they are unable to obtain it because of the high premiums that reflect the potentially huge payouts involved. There is no clear evidence of a link between possessing insurance and being a safer midwife; if anything, the intuitive link runs the other way, because midwives stand to lose everything in cases of negligence. Their services are especially valued by women who are either fearful of highly medicalised interventions during childbirth, or have had a bad experience in the NHS.

Will the Minister explain why the Government seem hellbent on pursuing that argument and policy on insurance without at least granting a consultation? We have requested one, but we have not received an answer from the Government. I raised the issue in a letter to the Secretary of State on 29 March, but so far, I have not had the courtesy of a response. Will the Minister now respond by promising the House and all independent midwives that the Government will consult on their proposal?

In conclusion, the principles of one-to-one care and choice in maternity are the principles on which the future of maternity and midwifery services ought to be based. However, the Minister must right now start explaining how we can deliver the Government's pledges without the appropriate increase in midwife numbers, and while the Government pursue the policy of closing midwife-led units.

3.52 pm

The Parliamentary Under-Secretary of State for Health (Mr. Ivan Lewis): In terms of equal distribution, the hon. Member for Billericay (Mr. Baron) has left me with less time than I should have had to answer what has been a substantive debate. However, I do not think that he did so on purpose.

I congratulate the hon. Member for St. Ives (Andrew George) on securing this important debate during the international week of the midwife. I pay tribute to the tremendous work that midwives do every day on the front line of maternity services in this country, to the contribution that the Royal College of Midwives makes to these debates and to raising the profile of such issues in Parliament, and to the leadership of Dame Karlene Davis. The RCM has been consistently supportive of the vision and the plan that was outlined in "Maternity Matters", despite expressing genuine concerns about some of the issues that have been raised during the debate.

We have heard from hon. Members that, during maternity, women and parents will experience arguably one of the most important periods in their life, and all that I ask for is balance in the debate about the state of maternity services. It is the height of irresponsibility to suggest that somehow, the majority or even a significant number of women will have a poor maternity experience in our hospitals.

Mr. Baron: Nobody has said that.

Mr. Lewis: The balance of the debate has suggested it, but it is not supported by one jot of evidence.

Let us hear some statistics. We invested a total of £1.67 billion in maternity services in 2005-06. Between 1997 and September 2006, the number of midwives employed in the NHS increased by 9 per cent.—a whole-time equivalent increase of 5 per cent. The number of students entering the profession rose by 44 per cent. between 1996-97 and 2005, and the projection is that 1,000 additional midwives will qualify

by 2009. How anyone in this debate can suggest that that represents a reduction in the number of midwives—

Martin Horwood: Will the Minister give way?

Mr. Lewis: I have no time to give way.

The number of consultants in obstetrics and gynaecology in England has increased from 1,032 to 1,506—an increase of 46 per cent. In summer 2005, when women were last asked, 80 per cent. of those surveyed said that they were satisfied with the maternity services that they had received. In 2001, we committed £100 million additional capital investment to improve maternity facilities, and we are still spending that money. So let us be clear: there has been a tremendous amount of investment and tremendous advances in maternity services. Do we still have many challenges ahead of us to achieve the gold standard in maternity services? Most definitely, we do.

To achieve the vision in "Maternity Matters", we have made it clear that, in addition to the introduction of those 1,000 midwives, other measures will have to be taken in local health economies where the work force is not at the appropriate level to deliver that guarantee of choice to women. We have made it absolutely clear to primary care trusts in local health economies that they will have to commission additional midwives if they do not have a sufficient baseline number of midwives; they will have to consider all the professionals who contribute to the maternity experience and get them working together; and they will have to entice back to the NHS some of the midwives who have left.

The hon. Member for St. Ives and other hon. Members talked about the roles and responsibilities of the Department vis-à-vis the local NHS. I find it staggering that, time and again, we hear rhetoric from both main Opposition parties about maximum devolution, localism, local determination and being in the best place to respond to the needs of local communities, but that we are then criticised for not commanding and controlling every decision from offices in Westminster and Whitehall. It is a complete intellectual contradiction.

From the centre, we can make resources available, specify the outcomes that we expect, put maternity high up the NHS annual performance assessment framework, give the Healthcare Commission the power to inspect to ensure that maternity services are adequate and ensure that the local health service leadership understands that maternity must have a new priority and that strategic health authorities commission and develop services to deliver "Maternity Matters".

The hon. Member for St. Ives says that the Government appoint people to run health organisations. Does he not realise that the independent NHS Appointments Commission is a source of great angst to many Government Members?

The hon. Member for Enfield, Southgate (Mr. Burrowes) made a very personal contribution, and I congratulate him. The slogan that comes to mind is, "Cameron fails to deliver, Labour ends triumphantly," but perhaps the hon. Gentleman would not necessarily accept that.

During the debate, hon. Members made several points about reconfiguration, but let us be clear that, whatever decisions are made locally, every woman must have access—through real choice—to a consultant-led service, a midwife-led service or a home birth. Wherever they live, in whatever part of England, such access is absolutely central to the "Maternity Matters" guarantee that will be in place by the end of 2009. Any decision about reconfiguration in Banbury or anywhere else must lead to a scenario in which any woman has access to such choice.

I say to the hon. Member for Banbury (Tony Baldry) that if the scrutiny Committee refers the decision—I do not think that it has been made, by the way—to the Secretary of State, she would of course consider the weight of evidence from a variety of sources in her determination about whether to send it to the independent configuration panel. I shall write to the hon. Gentleman about the membership of the working party and why there is no transparency in that respect.

I say to the hon. Member for Cheltenham (Martin Horwood) that change in some areas—in many areas—may be necessary for safety, quality and choice. Politicians should be frank and honest about that. However, not all proposed changes are right, and frequently, local communities do not like the proposals, which is why Parliament has laid down clear processes, so that local communities and commissioners have the right to say, "A proposal in our area does not best meet our needs."

I say to my hon. Friend the Member for Stroud (Mr. Drew) and the hon. Member for Billericay that we are working with independent midwives to resolve the insurance issue.

Education Funding (F40 Group)

4 pm

Mr. Graham Stuart (Beverley and Holderness) (Con): It is a great pleasure to have this opportunity to address Westminster Hall and the Minister for Schools on an issue of such importance to my constituents. I am going to talk about the state of education in the East Riding of Yorkshire and the funding of that education system. I shall then discuss the F40 model, which is a mechanism by which the Government can better target funding towards those most in need. Finally, I shall touch on the school early years and 14-to-16 funding consultation that the Department for Education and Skills is currently conducting.

The structure of my remarks will be remarkably similar to that of a speech that I gave on a similar subject in March 2006. As the Minister knows from personal experience in his constituency, however, the problems do not go away easily. I am delighted to see a Minister here who led a delegation to meet the Secretary of State for Education and Skills in 2002, precisely to challenge what he described as the unfair distribution of funding among education authorities throughout the country. Although he has been the Minister now for a year, we have high hopes that he will eventually lead the transformation of the system and bring about the greater fairness that we want.

The East Riding of Yorkshire is an improving education authority. It is above the national average at key stage 2 and key stage 3. At GCSE, 62.2 per cent. of pupils gained five or more A to C grades, as compared with a national average of just 59.2 per cent. I want to highlight the performance of two schools in my constituency. First, Longcroft school and performing arts college in Beverley had serious weaknesses just three years ago, but it is now ranked as the country's fifth most improved school, with more than 60 per cent. of its pupils achieving five or more A to C grades, including in maths and English. Secondly, Beverley high school for girls is, once again, the top performing comprehensive in the East Riding at GCSE, with 78 per cent. of pupils achieving five A to C grades. Even with the inclusion of English and maths, 71 per cent. of its pupils achieved five good GCSE grades.

I pay tribute to the pupils, staff and head teachers in the East Riding, as well as to the local authority, which does an exceptional job in challenging circumstances. When I met the Minister to discuss the issue last year, he accepted that low-funded authorities had made Olympian strides to improve standards in some cases. However, that does not change the unfairness of the funding formula, which he rightly identified back in 2002.

East Riding schools receive funding well below the national average. Last year, the East Riding received a guaranteed unit of funding per pupil of £3,322, through the dedicated schools grant, and it will receive £3,535 this year. That compares with nearby Hull, which will receive £3,999 per pupil, and with Tower Hamlets, which will receive £6,028. The national average, meanwhile, stands at £3,888—I do not know what a numerologist would make of the repetition.

If the East Riding were to receive the same amount of funding as Hull, an additional £21 million would be available to share among the schools. How does that affect schools in my constituency? In 2005-06, Bilton primary school in Holderness received £2,458 per pupil, whereas Wansbeck primary school received £2,922 per pupil, yet those schools are less than a mile apart. Despite its rurality and areas of deprivation, the East Riding is the fourth-worst funded education authority in the country.

The East Riding's allocation for this year represents an increase of 6.4 per cent. That sounds generous, and I am sure that the Minister will rehearse comments about increases in funding over the years—regardless of any pleas not to. However, that increase is below the national and regional average, as he knows. The national increase in 2007-08 will be 6.7 per cent., while the increase in Hull will be 7 per cent.

The cash gap between the highest and lowest funded authorities is therefore widening. Since 1997, although there has been a substantial increase in education funding, that gap has increased by more than £600. Even over the comparatively short period of the new funding arrangements, from the base year of 2005-06 to 2007-08, which the Under-Secretary of State for Education and Skills, the hon. Member for Corby (Phil Hope) mentioned last year, the gap between the funding per pupil in the East Riding and the national average has increased by a further £59 per pupil. That gap equates to £2.84 million missing from my constituents' schools.

The Conservative-led local education authority has worked hard to make up for central Government's inequitable distributions. It has maximised spending on schools, largely by reducing central costs, particularly on strategic management. Last year, for example, the proportion of the dedicated schools grant delegated to school budgets was more than £2.7 million above the average for similar-sized authorities. That was achieved by reducing spending on strategic management to £61 per pupil, as compared with the national average of £87 per pupil, which represents a saving of £1.3 million.

Using its excellence fund, the authority put £1 million extra into schools above the Government's spending guidance.

The authority has managed to find the extra money to put into schools and demonstrated that it can be converted into improvement and genuine delivery for pupils throughout the area. However, there is no getting away from the shortages in funding, which are having a devastating impact on the ground. I have spoken to many head teachers in the East Riding, almost all of whom have told me that they will be forced to make substantial cutbacks in the near future.

Beverley grammar school, which I have visited, is currently £160,000 in the red. It has been hit with increased costs of £420,000, including a £51,000 rise in exam fees and a £28,000 increase in energy costs. The head teacher, Chris Goodwin, recently said:

> "I will make cuts. They will have a big impact. Hull schools are swilling with money compared with us. We are in a funding crisis and morale and energy are being sapped. I despair because I can't see how it is possible to raise standards in such circumstances."

Beverley high school is more than £100,000 in the red, despite making cutbacks. The head teacher, Ruth Vincent, whom I have also visited, has said:

"Beverley High School will be facing a £400,000 deficit in 2008-09. It is becoming increasingly difficult to maintain standards."

Roy Cooke, the East Riding secondary heads convenor and head teacher of Wolfreton School, has said that he expects to cut five teaching posts by September. He added:

"We are having to look at making savings, which means spending less on teaching and learning."

Overall, 24 of the East Riding's 159 primary and secondary schools are in the red. That shows the impact on the ground of the Government's current funding formula and the above-inflation increases in costs with which schools are having to contend. The rising cost of energy, for example, has had an adverse effect on the budgets of many schools. Energy costs increased by 54.72 per cent. in 2005-06, compared with the previous year. The cost of exam fees for East Riding schools, meanwhile, increased by 16.74 per cent. between 2004-05 and 2005-06. As overheads increase, the budget for other resources becomes increasingly squeezed. Coupled with falling rolls, resources, such as extra classroom support, are therefore often forfeited to balance the books. The East Riding's low funding base restricts the opportunity to accommodate falling rolls.

The area's rurality has also had an impact. The East Riding of Yorkshire is the largest unitary authority in the country, spread over 930 square miles and with a population of 327,000. The 2001 census showed that 51 per cent. of the population lived in rural areas, compared with an average of 20 per cent. for the Yorkshire and Humber region as a whole. The East Riding has a number of small village schools, which have financial and rural isolation issues. A recent report by TeacherNet showed that primary schools with between 80 and 100 pupils cost 16 per cent. more per pupil to run. If the school has fewer than 50 pupils, the cost per pupil increases substantially. The Under-Secretary told me last year that the formula recognises rural circumstances. I am sure that the Minister knows that it does so, but insufficiently.

The allocation of funding according to where people live, rather than where they are educated, compounds the injustice. More than 2,000 pupils who live in other local authorities are currently at schools in the East Riding. As John Mager, the former director of education in the East Riding, has said:

"One secondary school in the East Riding of Yorkshire receives 30 per cent. of its intake from one of the most deprived and disadvantaged estates in Hull. They will be expected to provide the personalised learning which many of these children will require but the proposals for deprivation funding will not provide the East Riding with the funds to support the school."

The East Riding does not discriminate against incoming pupils, but the cost of providing the additional support needed is met by pupils across the area. That is clearly inequitable, given that pupils in Hull receive £464 more in funding than those in the East Riding. It is not as though places such as Withernsea in my constituency do not have deprivation issues; the January 2004 Ofsted report on the local education authority stated:

"Pockets of social deprivation, the steadily rising inward migration from neighbouring urban districts, the remoteness of some parts of the region and relatively low funding levels all pose a challenge."

As I told this Chamber last year, Bridlington South, Bridlington Old Town, Bridlington North, Goole and South-East Holderness are among the 33 per cent. most deprived wards in the country. Household income is below the national average. The effect of the Government's funding model is that children who live in rural areas, some of whom are relatively poor, can receive absolutely nothing that recognises the deprivation that they suffer. The application of that aspect of schools funding is crude in the extreme.

The main result of the inequalities is that East Riding pupils are now being forced to make do. Activities involving off-site provision—trips, co-operative activities with other institutions or off-site course provision—are simply out of the question. The breadth of curriculum provision is increasingly limited to what can be provided on site. Specialist teachers of shortage subjects, such as physics and maths, are becoming more and more difficult to recruit, and they are easily persuaded to accept posts in better-funded areas. Moreover, the majority of East Riding secondary schools run some classes in which the week's teaching is split between two or more teachers. In a worrying number of cases, non-specialist staff regularly carry a share of the teaching.

What can be done? It is great that the Minister is here today, because the current review into the school funding system for 2008-09 and beyond is timely. He will know all about the F40 group of poorly funded local education authorities, of which the East Riding is a member. Those authorities represent almost 16 million people and more than 200 parliamentary constituencies. Through East Riding council, the group devised the F40 pupil entitlement model, which is used to determine the needs of individual education authorities and schools, based on the needs of the individual pupil and what it costs to run a school.

The model shows that, by using an index of multiple-deprivation data and education data, it is possible, within the education management system, to attach a deprivation score to each child using a home postcode. That formula would better reflect the social and educational needs of every child in the country.

Under the "Every Child Matters" programme, the Government are obliged to provide young people, wherever they live, with the same life opportunities. All children, no matter where they live, should have the same level of access to well managed and serviced schools. They should also have access to inspirational teachers and up-to-date resources and equipment. That way, children of all ages will have the best opportunity to fulfil their potential—an aspiration that I know the Minister will share.

Last year, the Secretary of State said:

"All we have to do is raise the bar and close the gap."

If we could close the gap in the current funding formula, standards of teaching and learning would almost certainly improve and the five outcomes of "Every Child Matters" would become a reality. The Department's consultation paper acknowledges that the basis for the current formula is inequitable, that it is not based on social and educational needs and that it generates a very large and increasing gap between the best and worst-funded councils. I hope that the Minister, having accepted that, will give a firm guarantee today that he will work with his colleagues to

[Mr. Graham Stuart]

put that right for the betterment of children throughout the country—from my point of view, particularly those in East Riding.

4.14 pm

The Minister for Schools (Jim Knight): I congratulate the hon. Member for Beverley and Holderness (Mr. Stuart) on securing this important and topical debate and welcome the opportunity to bring the issue of the current review of school funding to the House. However, as he is aware, the consultation does not close until the end of this month, and that constrains the extent to which I can comment on some of the specifics. I do not want to prejudge the consultation.

As the hon. Gentleman did, I congratulate the teachers and pupils in his constituency and the whole area of the East Riding of Yorkshire for their continuing hard work and achievements. Last year, 78 per cent. of East Riding pupils reached the required standard in science at key stage 2, three percentage points up on 2005, and six points above the national average. Meanwhile, the number of East Riding 15-year-olds achieving five good GCSE passes or the equivalent increased last year to 62 per cent.—again, above the national average. If English and maths are included in the calculation, young people in the East Riding achieved 4.4 percentage points above the national average at GCSE, and 9.5 points above the regional average. All were excellent achievements and all staff and pupils associated with those results should be warmly congratulated.

You will pleased to hear, Mrs. Dean, that I shall now turn to education funding, the subject of this debate. It is important to remember that all local authorities have seen substantial increases in funding under this Government; I should put that on the record even though the hon. Gentleman anticipated that I would. Total revenue funding per pupil in the East Riding went up by £1,090 in real terms between 1997 and 2005, an increase of almost 40 per cent. It puzzles me that that increase is more than ours in Dorset, where the real-terms increase was only—"only", he says—£980, an increase of 34 per cent. The increase for the East Riding is virtually the national average increase, differing by 0.2 percentage points. From 2006, we introduced the dedicated schools grant and a two-year school funding settlement. As the hon. Gentleman said, that gave the East Riding increases in core funding for schools of 6.6 per cent. per pupil last year compared with their spending the year before, and a further 6.4 per cent. per pupil this year.

What has the increased investment bought? Obviously, talking only about money becomes fairly meaningless without a sense of what it can deliver. Since 1997, East Riding schools have been able to employ 360 more teachers, 610 more teaching assistants and 450 more other support staff. Spending on school buildings has also increased dramatically. Ten years ago, the allocation for East Riding was just £1.3 million. For the years 2005-06 to 2007-08, we plan to allocate £58 million to East Riding council and schools in its area. That includes more than £14 million of targeted capital funding; I congratulate the council on having successfully bid for that to support two major capital projects. I have already talked about the results that investment in people and buildings has produced. Looking ahead, investment in education will continue to build on the increases of the past decade. The most recent Budget contained the settlement for education, skills and children's services until 2010. Overall investment will continue to increase by 2.7 per cent. per year in real terms.

In 1997—at the moment, it is fashionable to look back 10 years, Mrs. Dean—education spending was £29 billion per year. This year, it is £64 billion; by 2010, it will be £74 billion. With my colleagues in the Department for Education and Skills, I am now considering how that settlement can be most effectively spent. We hope to announce specific details before the summer break. I recognise the challenges that schools can face, particularly when the number of pupils on roll is falling, which is a particular problem in the part of the country that the hon. Gentleman represents. However, multi-year budgets help schools to plan ahead and manage their resources so that they are better placed to deal with such challenges. Local authorities should, of course, work with schools with particular difficulties to help them to restore a balanced budget; I know that that process is very active in the East Riding at the moment.

I have been speaking about the national picture, but, as we have heard, there are some concerns about funding for schools in the East Riding and in some other local authorities, particularly when compared with the funding that other areas receive.

The hon. Gentleman and the F40 group would like to see a higher basic entitlement in the distribution of school funding, with rather less emphasis on funding for deprivation. However, other local authorities in areas with high levels of deprivation might argue that the funding that they receive for deprivation is not enough. London receives more funding than anywhere else, but the hon. Gentleman will be delighted to know that his Conservative colleague who led the delegation on London funding continued to press his case for receiving what the hon. Gentleman would consider to be large sums for places such as Tower Hamlets and Kensington and Chelsea—where his colleague came from—as he thought that they were still not large enough. That is the balance that we have to weigh up.

We need to ensure that we have an appropriate balance between basic funding and funding that recognises the different needs of each area of the country. Some areas, particularly London and other inner-city areas, receive additional funding in recognition of the fact that it costs more to recruit and retain teachers and other members of staff. Other areas, including the East Riding, my county of Dorset and Gloucestershire—I see that my hon. Friend the Member for Stroud (Mr. Drew) is in the Chamber—receive additional funding as they are sparsely populated, with many small, rural primary schools that are more expensive to run. The hon. Member for Beverley and Holderness made a reasonable point about that.

Mr. Stuart: A couple of days ago, I visited Burstwick primary school, which the Minister would be pleased to see. It has changed its facilities under the head teacher over the past six or seven years. It has improved its performance. I visited each classroom and saw a

fantastic range of learning opportunities and an improved estate. However, does he accept that there is a strong case that the formula does not properly recognise the costs of providing education in rural areas? The school is a good one in a rural area, and the head teacher faces the problem of falling rolls. He is acutely aware of the difference in funding between his school and those not far away in other authorities and feels that if that gap were closed the school would be able to maintain the excellence that it delivers.

Jim Knight: I shall try to address that point, because relative fairness for authorities was the central point of the hon. Gentleman's speech. When we consider the responses to the consultation next month, if we decide that we want to make any significant change or redistribution, we will have to accept that the minimum funding guarantee per pupil will have to be lower to create the financial room to allow that redistribution. Hon. Members need to be aware that if we were to choose to do that, it would create a higher risk of instability in the school funding system. We must weigh up that balance as we make those considerations.

Mr. David Drew (Stroud) (Lab/Co-op): My hon. Friend is aware that the F40 is a cross-party group, ably led by my hon. Friend the Member for Stafford (Mr. Kidney). I want to put on the record our thanks to the Department for ensuring that civil servants were present at our annual meeting. It is important that we consider the facts, and it was a good opportunity to enter into dialogue. Notwithstanding the consultation, I hope that the Department will keep that dialogue going.

Jim Knight: I am determined to keep the dialogue going. I was going to pay tribute to my hon. Friend the Member for Stafford (Mr. Kidney), Members from all parties and the F40 group of authorities for the constructive way in which they have engaged with the Department. As well as being determined to keep that engagement with F40 and the other lobbying groups, I have renewed the sense of purpose behind the rural schools group that meets me to advise me on rural issues in the Department, so we are confident that officials across the schools directorate hear the concerns of rural areas.

The main reason for differences in funding levels is the emphasis we place on targeting deprivation through the funding system. The areas that we fund at a higher level have significantly higher levels of deprivation than average. For example, the comparison can be made between the East Riding and its neighbour, Kingston upon Hull, by considering the proportion of pupils from families in receipt of income support. That was the most significant factor for recognising additional educational needs in the funding formula that we used until 2005. More than one third of Hull pupils were from families receiving income support, whereas the proportion for the East Riding was just over one in 10. The national average was almost one in five.

The hon. Member for Beverley and Holderness made a much-repeated point—I do not want to devalue it by describing it in that way—about the cross-border movement of pupils between Kingston upon Hull and the East Riding. I am advised that the flow of pupils into the East Riding has little effect on the total of the authority's overall level of deprivation: 8 per cent. of the pupils living in the authority are on free school meals, another measure of deprivation, and 8 per cent. of the pupils coming into the authority are also on free school meals. I accept that there can be an impact on individual schools near the boundary, and local authorities can make an allowance for that in their local funding formulas.

We include a significant weighting towards deprivation in some of the grants paid to schools outside their core funding. Some are specifically targeted at raising attainment in deprived, inner-city areas, where tackling under-achievement is most challenging. Closing gaps in attainment between different groups is critical to our aim of promoting a fair, prosperous and inclusive society.

There have been improvements in attainment at all levels of education in recent years, and schools in the most disadvantaged areas have improved most of all. However, there is still a major gap between the outcomes of children from disadvantaged backgrounds and those of their peers. That is why the Secretary of State is clear that closing those gaps is a continued target and that funding needs to reflect that. In 2006, fewer than a third of young people who received free school meals achieved five good GCSE passes, compared with more than 60 per cent. of their peers. Reducing that gap in attainment is critical and we believe it is right and just to invest our resources where they will make the most difference.

We will therefore continue to target resources through local authorities to schools that serve deprived communities. However, we want to ensure that we do so as effectively as possible. The review of the school funding arrangements therefore has a strong focus on identifying the most effective means of providing funding for deprivation to local authorities. It focuses, too, on how they distribute that funding to schools to ensure that pockets of deprivation, in rural areas for example, have that deprivation recognised in the educational needs of pupils in their schools.

As I said, I am grateful to the F40 group and other interest groups for their input into the process and their continuing input into the consultation process. I thank them for the way in which they constructed the meeting with me earlier this year.

In March, we issued specific proposals for consultation. It might be helpful to describe some of the key proposals that will be discussed. The first will be how we should distribute the dedicated schools grant from 2008-09—the choice is between the "spend plus" methodology used this year and last and a return to a single formula that would have greater degrees of redistribution from the status quo. The second will be how funding for deprivation is best recognised in the distribution of the dedicated schools grant, and the third will be what the level of the minimum funding guarantee for schools should be over the next three years. I mentioned that earlier. On the second proposal, we are seeking views on which of the most up-to-date and fine-grained indicators of deprivation we might use in the dedicated schools grant distribution and whether and how we could target funding in a more

[Jim Knight]

sophisticated way, reaching pockets of deprivation in areas that are not deprived overall. I am confident that the F40 group will have some constructive views on that.

We also make proposals in the consultation to support some of our most important education reforms, giving support to schools to deliver "Every Child Matters"; delivering the extended free entitlement to early-years education for three and four-year-olds; and introducing diplomas for 14 to 19-year-olds. I congratulate Beverley high school and Beverley grammar school, two schools mentioned by the hon. Gentleman. They are part of the East Riding central consortium that has applied successfully to deliver the new creative and media diploma from 2009 and will receive extra funding to deliver that.

The school funding consultation closes on 1 June and I am sure that the hon. Gentleman will take the opportunity to raise his concerns. I reassure him that we will listen to the views of all interested parties and consider them carefully before we announce our decisions this summer. I know that he shares my ambition to see even greater improvements in standards over the coming years. The spending review settlement and the options in the school funding consultation will enable us to raise standards for all and to close the attainment gap.

Question put and agreed to.

Adjourned accordingly at twenty-nine minutes past Four o'clock.